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## Horizontal and Vertical Dimension of Strategic Human Resources Management

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### **Abstract:**

*Strategic HRM is an integrated approach that aims to achieve the desired consistency between HRM Organizational practices and strategies, where it is considered the personnel of the organization as strategic resources for obtaining a competitive advantage. Strategic HRM is focused on the long-range, it reflects the characteristic of including the human resource management function in the strategic plans. Strategic HRM can be defined as integrating HR with each other to achieve competition and increase organizational work, with preferences for the organized strategy.*

**Keywords:** *Definition of strategic human resources management, horizontal and vertical dimension of strategic HRM, characteristics of strategic human resources management*

### **1. Introduction**

Strategic HRM is an integrated approach that aims to achieve the desired consistency between HRM Organizational practices and strategies, where it is considered personnel of the organization as strategic resources for obtaining a competitive advantage. Strategic HRM is focused on the long-range, and it reflects the characteristic of including the human resource management function in strategic plans. Strategic HRM can be defined as the practices of integrating HR with each other to achieve competition and increase organizational work, and with preferences the organized strategic." This can also be understood from the given definition: strategic HRM has two dimensions, the horizontal dimension and the vertical dimension. The horizontal dimension refers to the combination of human resources applications that are compatible and supportive of each other and create a set of these applications. The vertical dimension involves the interaction between HR practices and organizational strategy. This perspective is not limited to strategic quality in human resource management but also changes the capabilities/characteristics expected of human resource managers. Based on these developments, HR professionals are expected to become more proficient in areas such as business structure, information management, change management, and planning. However, it is not enough for HR professionals to possess specific HR skills to be accepted as strategic partners in an organization. In order to perform an HRM strategy within an organization, strategic planning must first be implemented for that organization. It is then necessary to ensure that HR professionals are involved in the planning process and that related data to HRM is taken into account while defining strategies. However, it is necessary to provide an assessment of the management of human resources in the organization. That is to say that the HR department must be considered at par with other functional departments and must be at least as close to the general management as themselves. This understanding offers various advantages to companies. Based on HRM strategies, HR, as well as economic and financial resources, are considered while setting objectives and assessing capabilities and attitudes toward employee acceptance. As resources increase, organizations gain a competitive advantage and contribute to innovation and strategic change. In this regard, the main purpose of this research is to examine the strategic management of human resources from a conceptual perspective and define how the problem is realized and applied by operating companies in the province of Kayseri in its horizontal and vertical dimensions. The research is for due diligence purposes only and is considered a basis for future research. Moreover, it should be useful to show what they should do in this regard by managers who wish to adopt and apply a strategic HRM process in their company.

### **2. Definition of Strategic Human Resources Management**

The idea that one of the most important factors is human capital for an organization's strategic success has prompted the linking of some HRM programs to strategic outcomes, and the field of strategic HRM has evolved as a holistic organizational approach to examining the function and role of HRM in a large organization. Braid and Meshoulnam (1988) stated that organizations need a strategic HRM process because it helps them deal with "strategic surprises" that create the need for innovation and flexibility. Approaches can be reactive, proactive, and compliance/integration requirements used when defining strategic human resource management. According to the interactive approach, the HR function follows the strategies at the level of the company and the organization. First, these strategies are determined and HR policies and practices are formed based on these strategies. In the proactive approach, HR managers are actively involved in the process of formulating the strategy and the characteristics of human resources are taken into account while defining the strategy.

According to the integration/harmony approach, there is harmony between HRM policies and organizational strategies, as well as integration. Integration has three aspects (Bratton, 2001):

- The link between human resources policies and practices and the strategic management process,
- Understand the importance of human resources,
- Integration of strategic objectives and workforce.

In this approach, human resources policies and practices are linked to the strategic management process. The importance of human resources in achieving business objectives and gaining competitive advantage within an organization is recognized. It also seeks to integrate strategic goals with workforce characteristics. In other words, there is a two-way integration between human resource management strategies and organizational strategies. Therefore, human resource practices are interdependent to achieve both organizational strategies and organizational goals.

Kazmi and Ahmad found in their research that four approaches are generally followed in the literature when defining strategic HRM. These are strategy-oriented, decision-oriented, content-oriented and application-oriented approaches (Kazmi, Ahmad, 2001).

**Strategy-Focused Approach:** According to the understanding of strategic HRM, human is a strategic resource that enables both private and public sector organizations to gain competitive advantage and be successful, and it is at least as effective as other resources (financial and technological resources) (Tompkins, 2002). This emphasis underlines the critical role that human resources play in the strategic management process. In the understanding of HRM, human is a valuable resource or capital. Strategic HRM is tried to be defined based on the difference in the human perspective of the two approaches.

**Decision-Oriented Approach:** Some researchers have tried to explain what strategic HRM means by using "levels of management". Armstrong (2006) divided the management levels into three: strategic, managerial and operational. These three levels reflect three distinct styles of decision-making. The strategic level relates to an organization's long-term position in its environment. It covers the formulation of common goals and policy development. The managerial level is the level related to the availability and allocation of resources (deployment) to realize strategic plans. At this stage, it is determined which information, capital and human resources are needed to carry out the tasks determined at the strategic level. The time frame for this phase is medium term and the parameters are set by the strategic plans. The operational level relates to the day-to-day affairs and management of the organization. Ideally, it is carried out depending on managerial plans. According to Tichy (1981), human resource activities related to these administrative levels. For example, operations at the operational level include annual staffing and hiring plans, establishing annual valuation systems, providing on-the-job training, integrating individuals with specific jobs, planning their next career moves, keeping personnel records and managing benefits packages become important at this stage. The managerial level is more concerned with staffing plans for the medium-term future. The studies on creating general management development programs, supporting self-development, preparing retirement packages, providing career development services and integrating individuals with the organization are carried out at the managerial level. Activities at the strategic level, on the other hand, are long-term future-oriented. The basic question to be answered here is: "What kind of people will be needed to maintain and manage the organization in the future?" What is needed is: Planning flexible development programs that will facilitate adaptation to changing conditions, as well as developing objective performance standards and establishing incentive systems and rewards that contribute to competitiveness compared to local and international competitors and determine workforce characteristics. The work needed to implement the long-range activities of the organization is the HRM activities at this level. At this point, the subject of strategic HRM is seen as activities at the strategic level rather than managerial and operational activities. Therefore, it is stated that the strategic HRM field covers the strategic level of management (John, 2010).

**Content-Oriented Approach:** According to researchers who try to explain strategic HRM by focusing on the strategic functions of HRM, each function of the HRM process has a number of strategic elements within itself. In this framework, each sub-function is responsible for organizing its own activities to support the organizational strategy (Wright, Snell, 1991). Then, the strategic elements of the functions of the HRM process are expressed as strategic HRM.

**Practice-Oriented Approach:** Some researchers have seen HRM as a strategic business partner and emphasized the integration between HR practices and policies and organizational strategy. Thus, strategic HRM practices came to the fore (Greer, 2001). In this context, strategic HRM is seen as the consideration of human resources while determining the strategic needs of an organization, and HR systems are needed to support the strategy.

As can be understood from the above explanations, different views trying to define strategic HRM point to different points. Discussions on this subject are gathered around eight points (Kazmi, Ahmad, 2001):

- **Semantic Problems:** Strategic HRM has a number of semantic problems. This is understandable because every newly developing discipline may encounter semantic problems at the formation stage and it may be difficult to reach a consensus on terminology. In time, a standard definition of the concept will be agreed upon. There is also some confusion that needs clarification between the disciplines of HRM and strategic HRM. In fact, strategic HRM and HRM can be used interchangeably.
- **Strategic and/or Functional HRM:** HRM has two dimensions in general. These are the strategic and operational dimensions. Long-term HRM functions are strategic and implemented by senior managers. On the other hand, non-strategic HRM is seen as managerial/operational or functional HRM. At this point, Guest joined the discussion and stated that not all functions of HRM are strategic. Only certain functions are strategic. He described the rest of the strategic functions as "functional."
- **Creating HRM-Business Strategy Alignment:** According to many authors, strategic HRM is necessary to create a relationship between the HRM process and business strategy. For example, Miles and Snow (1986) showed in their study how to integrate or associate the HRM process with business strategies.

- **Business Strategy Based on HRM Strategy:** Some researchers have challenged some of the above-mentioned views by showing that there are many types of integration between HRM strategies and business strategies. For example, Torrington and Hall (1996) argued that in some cases, business strategy can be shaped based on the HRM strategy. According to them, first of all, the HRM strategy is created, and the business strategy can be shaped based on the created strategy.
- **People Are a Strategic Resource:** Many authors see the people working in an organization as both a valuable resource and capital. While comparing strategic HRM and functional HRM, it can be said that one of the differences between the two is the perspective on people. In strategic HRM, the people working in an organization are the strategic human resources that provide a competitive advantage. In this context, Strategic HRM is tried to be defined based on this difference between the two disciplines.
- **Planning Process:** Strategic HRM is a planning process. Long-term plans need to be formulated for the relationship between HRM-Strategy. This planning process continues until implementation and is completed with feedback. In various studies, this process is often considered part of the strategic planning process.
- **Strategic Aspects of HRM Process Elements:** According to some authors, each HRM process element has some strategic aspects and these aspects are defined as strategic HRM. For example, Olian and Rynes (1984) demonstrated the strategic dimensions of staffing programs. While Gomez-Meijea et al. (2007) discussed the strategic aspects of compensation plans, Lawler (1984) focused on the strategic design of the reward system.
- **Competitive Advantage:** One of the goals of Strategic HRM is to create and maintain competitive advantage for organizations. Employees making a difference is an outcome of this issue. For example, IBM's ability to attract and retain talented employees and managers is behind its success. This has provided great convenience to the company and helped it gain a competitive advantage. From this point of view, strategic HRM is considered in some studies to be studies conducted within the scope of obtaining and managing human resources that provide a competitive advantage.

As can be seen, strategic HRM has been handled by some researchers from a reactive perspective and by others from a proactive perspective. In various definitions, strategic HRM has been seen as an outcome shaped by and must adapt to business strategy. According to this point of view, business strategies should be determined first, and HR strategies should be arranged in a way that adapts to them. In a proactive approach, human resource managers are involved in the strategy development process, and human resource characteristics are taken into account while defining strategy. Finally, in the integration approach, there is harmony between HRM policies and organizational strategies, that is, integration. However, strategic HRM not only emphasizes the fit between HR strategies and business strategies. Integration between HR policies and processes is also becoming important in strategic HRM. Therefore, while explaining the strategic HRM issue, it is necessary to focus on both horizontal and vertical alignment.

### **3. Horizontal and Vertical Dimensions of Strategic Human Resources Management**

Adaptation is when the needs, desires, goals and structure of one factor are consistent with the needs, desires, goals and structure of another factor. Two types of alignment are mentioned in the strategic HRM literature. These are vertical and horizontal harmony (Millmore, 2007). Horizontal fit (internal fit) refers to the mutual fit between different HR policies and activities, while vertical fit (external fit) generally focuses on the fit between business and HR strategies.

#### *3.1. Horizontal Dimension of Strategic Human Resources Management*

Horizontal or internal harmony in strategic HRM research is related to the complementarity and internal consistency of HRM practices. Horizontal alignment can be achieved by creating a set of compatible HR practices. Therefore, the focus is shifting from individual HR practices to HRM systems. The basic assumption here is that the effectiveness of any HRM application depends on the effectiveness of other applications. If all the practices selected are compatible with each other, the impact of the HRM system on performance will be greater than that of each of the HRM practices when applied alone. For example, if remuneration practices complement performance appraisal and career development practices, firm performance can increase (Armstrong, 2006).

As can be seen, it is an important issue that should be considered how the harmony between HR practices will have an effect on organizational outputs. There are two types of synergistic relationships between HR practices. First of all, HR applications can be used together to increase the effectiveness of each other. At this level, applications are more effective than when they are stand-alone. This is a positive synergistic relationship. In addition, HR practices can operate in opposition to each other and reduce each other's effectiveness. This is a negative synergistic relationship. For example, bringing together and co-implementing compatible HRM practices such as teamwork, delegation of authority and performance-based payment that support decentralization, coordination, and a better harmony between knowledge and skills may positively affect the effectiveness of both the aforementioned practices and the organization. What is important in terms of horizontal harmony is to achieve a positive synergetic relationship (Hayton, 2005).

In order to obtain a positive synergistic relationship, first of all, appropriate HR practices are determined. Then, it is considered how they will be grouped together (it is important to be mutually supportive and compatible with each other). Finally, programs are defined for the development of applications. Taken from this aspect, it can be stated that strategic HRM is a holistic approach to people management (Armstrong, 2006).

Kepes et al. (2008) suggested that there are four different types of internal harmony. These Vertical harmonies within the HRM system are the harmony between HRM activities, harmony within HRM activities and harmony between HRM systems:

**Vertical Cohesion within the HRM System:** It is the level of cohesion between different HRM activities. For example, the harmony between wage policies, practices and processes means vertical harmony within the HRM system.

**Harmony between HRM Fields of Activity:** Emphasizes cohesion between different HRM fields of activity. The harmony between the employee selection process and remuneration activities is an example of this.

**Harmony within HRM Activity Areas:** It is the harmony between specific activities within a particular group of HRM activities. The coherence between HRM practices within the employee selection area reflects this.

**Compatibility between HRM Systems:** It refers to the compatibility of one HRM system with another HRM system within the same organization. It is such a fit between knowledge-based workers and HRM systems for business workers.

From the perspective of Kepes et al. (2008), horizontal alignment involves more than simply integrating different HRM practices. Vertical harmony between the elements of HRM systems, compatibility of HRM systems with each other and harmony between applications within a single HRM field of activity are also evaluated within the scope of horizontal harmony.

### 3.2. Vertical Dimension of Strategic Human Resources Management

Integration of HRM strategies and practices with business strategies and supporting the strategic goals of the organization means vertical alignment. The relationship between organizational strategies and HR strategies has been examined in various studies, and it has been stated that the HRM system should adapt to the demands of the business strategy and/or integrate with it. The contingency approach is one of the applied and conceptual approaches that form the basis of the theoretical assumptions that are made to determine the relationship between HRM practices and business strategies. There are two main assumptions of the approach. According to the first assumption, the choice of HR practices and their mix is determined by the chosen organizational strategy, and the strategy is affected by environmental constraints. According to the second assumption, firms that achieve a tighter fit between environmental constraints, strategy requirements and HRM practices show higher performance than firms that fail to do so. When this point of view is evaluated, the proposition underlying strategic HRM is that organizations adopting a different strategy will require different HR practices. In other words, HR practices will differ depending on the strategy adopted within the organization. Even HRM practices within an organization may differ and there may be different HR practices for employees at different levels. For example, while external resources are prioritized in the recruitment of top-level managers, internal resources can be applied to other levels. When evaluated within the framework of these propositions, the differences in the HR practices of the organizations can be explained by the organizational strategy. At this point, Arthur (1992) found in their research that businesses that follow different strategies use different HR practices.

As can be seen, following different strategies requires that different roles are played by the employees and that the employees exhibit different characteristics. In addition, the strategies applied in various HR areas vary depending on the overall strategy determined by the business. For example, an enterprise that chooses the innovation strategy as its main competitive strategy needs employees who are willing to take risks, have expert knowledge and a long-term perspective. At the point of revealing such employee characteristics, HRM practices such as performance appraisal systems that emphasize long-term outputs, incentive wage policies, employment assurance and intensive training are demanded.

Schuler and Jackson (1987) examined the relationship between the general strategies and HR practices of a business and explained the HRM practices required by the chosen strategy. The research has shown which HR practices will be more effective if dynamic growth, regular profit, and savings strategies are followed. Accordingly, while an organization that follows a growth strategy needs flexible, adaptable and long-term employees, an organization that follows a regular profit strategy prefers employees who tend to take low risks and focus on producing high output. In the case of a savings strategy, employees who focus on short-term activities and are willing to adapt and cooperate with others are demanded to gain long-term benefits.

## 4. Characteristics of Strategic Human Resources Management

Strategic human resource management is a set of actions and decisions concerning the management of employees at all levels of the organization. According to Hendry and Pettigrew (1990), there are four basic elements of strategic HRM:

- Using planning,
- A comprehensive approach to the establishment and management of personnel / HR systems based on the recruitment policy and HR strategy,
- Aligning HRM activities and policies with some explicit business strategies,
- View the people in the organization as a “strategic resource” for gaining competitive advantage.

According to the explanations of Hendry and Pettigrew, it is a comprehensive approach that uses the strategic HRM planning process and tries to achieve effective alignment between business strategies and HRM practices. An organization's employees are seen as a strategic resource in achieving competitive advantage.

Strategic HRM is activities for the implementation of strategies determined to gain and maintain competitive advantage. There are five principles involved in strategic HRM activities. These principles are based on Prahlad's work and shed light on various aspects of strategic HRM (Christensen, 2006):

- Capabilities are viewed as the main driver of value creation. The main source of value created in a strategic HRM approach is people and their capabilities. Adopting this principle lays the foundation for strategic human resource management.
- According to Strategic HRM, each HRM issue (problem and opportunity) is a manifestation of organizational issues. It is thought that HR problems or broader organizational issues are behind various problems experienced in the

business, such as decreased sales or decreased quality. For example, if the quality has decreased, it can be seen as the reason why HR skills are not developed at the desired level.

- One of the biggest problems that HR managers will face in the future is considered to be the scarcity of the workforce with the desired skills. Therefore, it becomes important to establish processes that will attract and retain these talents.
- Emphasis is placed on the need for all HR activities to be directly linked to business strategies and customer needs. According to this style, it is important to integrate individual and organizational needs. Since it will be very difficult to achieve organizational goals by ignoring individual needs, the interests of both parties must be balanced.
- Senior management is responsible for the organization's human resources activities. Not only human resource management or managers but also senior managers should be responsible for HR.
- Apart from the principles outlined by Prahalad, there are some individual aspects that are used to define and measure strategic human resource management and can be considered as features of strategic human resource management. Some of these characteristics are (Martell, Carroll, 1995):
- Strategic HRM has a long-term focus. The inclusion of the HRM function in long-term strategic plans reflects this feature.
- Emphasizes new links between HRM and strategic planning. In many models of strategic HRM, this linkage has emerged as a critical element.
- In the understanding of strategic HRM, the relationship between HRM and performance comes to the fore. Many strategic HRM models contain propositions that argue that HRM plays a key role in achieving strategic objectives.
- Line managers are involved in the creation of HRM policies. Recognition of the strategic importance of HRM can further increase line management responsibility for issues such as the selection or compensation of managers.

## 5. Conclusion

Strategic HRM focuses on more strategic issues rather than day-to-day problems because strategic HRM is a proactive approach that helps HR systems adapt to organizational needs and is sustainable. Also, strategic HRM attempts to integrate HRM into the strategic planning process. Drawn from these aspects, strategic HRM focuses on assessing the knowledge, skills and abilities needed for the future and creating various HR programs to meet these needs (Endri, 2021). As can be seen, strategic HRM includes activities for integrating HR programs and policies with company strategy and making the people management function the priority of the organization. According to the understanding of strategic HRM, the survival of an organization or the end of its life largely depends on its human resources. Thus, strategic HRM is concerned with both human capital requirements and the development of process capabilities. It even includes all kinds of human issues that affect or are affected by an organization's strategic plans (Armstrong, 2006).

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