Understanding HR'S Roles in Strategic Management in Selected Firms in the Philippines

Vivien T. SUPANGCO*

The need for strategic human resource management is predicated on an environment that is in flux. Globalization, deregulation of industries as well as markets and changing customer demands, among others, increase pressure on competition in terms of both products and markets. These changes are matched by perhaps an even more frenetic pace of change in the technology infrastructure. The uncertainty and dynamism that characterize the business environment threaten the viability of any strategic plan that is rigid or where people who implement such plans fail to respond to such uncertainty and flux. Thus, businesses turn to Human Resource Management for increased competitiveness. As such, human resource management requires that it be approached from a strategic perspective.

HR as a business function has come a long way. It has evolved from performing operations role of data storage during the 1900s to performing managerial roles of administration of employee procedures and compliance with government regulations in the 1960s (Fombrun, Tichy and Devanna, 1984). The 1980s saw the coming of age of HR when it has took on a more strategic role, sharing decisions on human related issues with line managers even as continuing to dialogue with them. Studies in the Philippines (Roman, 1997-1998) and elsewhere (Martell and Carroll, 1995; Bennett et al., 1998) point to a promising scenario of strategic HRM. Thus, twenty years after the imperative for a strategic human resource management was recognized, it is apt to examine where SHRM is in selected Philippine firms.

This paper looks into the roles played by HR in strategic management, the role orientations of some Philippine firms, and the

*Associate Professor of HRM and OD at the College of Business Administration, University of the Philippines, Diliman, Quezon City.

differences in performance among forms in various role orientation clusters.

Roles Played by HR in Strategic Management

There are numerous definitions of strategic HRM. However, there is a general agreement that SHRM is a holistic process that integrates HRM with strategic management in the design and implementation of internally as well as externally consistent policies and practices that facilitate the achievement of organizational goals. Understanding the roles played by HR in strategic management is a crucial first step in understanding strategic HRM.

One perspective of looking at HR's role is to determine its integration with strategic management. Golden and Ramanujam (1985) identified four levels of integration of strategic management and human resource management. At the lowest level of integration is the administrative linkage, where the strategic management function operates without any input from HR. The second level of integration is the one-way linkage where HR does not have any role in strategy formulation; rather, its role is recognized in the development and implementation of HR activities that support organization strategies. The third level of integration is the two-way linkage. The role of HR is enhanced as HR issues are tackled at the level of strategy formulation. However, the HR executive is not yet an integral member of the strategic planning team, hence the process tends to be sequential. The highest level of integration and perhaps one that is considered ideal is the integrative linkage. Here, the HR executive is an integral member of the strategic planning team. HR is involved in both the strategy formulation and implementation (Noe et al., 2000).

The Underlying Roles of HR in Philippine Companies

While measures were developed based on Golden and Ramanujam's (1985) classification of HR integration in the strategic plan-ning process, a factor analysis was conducted to summarize the ques-tionnaire statements regarding the role of HR in the process. This was done in order to test the concept empirically in the Philippine setting.

This study revealed three underlying factors that describe the nature of HR's role in the strategic planning process (Table 1). The first factor tells us that HR is part of the strategic planning team and that the team takes inputs from HR during strategy formulation. This factor is labeled HR as Partner. However, being part of the strategic planning team does not necessarily ensure that HR implications of decisions made by the team are thoroughly considered. This is borne by the second factor, which tells us that HR concerns are being addressed at the strat-egy formulation stage even as efforts are being made such that HR practices are aligned with strategy. This factor is labeled HR as Cham-pion. The third factor describes HR as concerned with the administra-tive and operational aspects. This is consistent with Golden and

Table 1 Summary of Factor Analysis of Roles of HR

| Item Number	Item Description
Factor 1	**HR as Partner in Strategic Planning:** Cronbach Alpha=.8993
IVQ11	HR executive is member of the strategic planning team
IVQ12	HR is involved in strategy formulation
IVQ6R	HR department not involved in strategic planning but is informed of the plan.(reversed coding)
IVQ8R	HR executive is not part of strategic planning team but is informed of the strategies (reversed coding)
IVQ3R	Strategic planning function does not take any input from the HR department (reversed coding)
Factor 2	**HR as Champion :** Cronbach Alpha= .7564
IVQ9	HR function provides input to the strategic planning team regarding the implications of strategies.
IVQ13	HR aligns practices in order to support implementation of strategic planning
IVQ7	HR issues are considered during the strategic planning process
Factor 3	**HR as Administrator :** Cronbach Alpha = .5891
IVQ5	HR simply takes care of administrative work
IVQ4	HR develops programs without regard of strategic plans
IVQ1	Focus of HR is on day-to-day activities
IVQ2	HR executive is not given opportunity to take strategic outlook on HR issues

Ramanujam's (1985) first level of HR integration, the administrative linkage. This is labeled HR as Administrator. The results of factor analysis (Appendix A) did not reproduce the four linkages described by Golden and Ramanujam (1985). The explanation may lie in the fact that although the present study utilized the different levels of HR integration developed by Golden and Ramanujam, as bases in developing the questionnaire items (1985), the instruments used were not the same.

Thus, the underlying roles obtained using factor analysis may be summarized into those of: Partner, Champion and Administrator.

Role Orientations of Philippine Companies

Using factor scores for the roles Partner, Champion and Administrator, the companies in the sample were clustered into four groups (Appendix B). Figure 1 below shows the nature of each cluster with respect to the above factors. Note that factor scores are standardized variables with mean of zero and standard deviation of one (Hair, 1992).

Figure 1 Clusters of Companies Based on Role Orientations
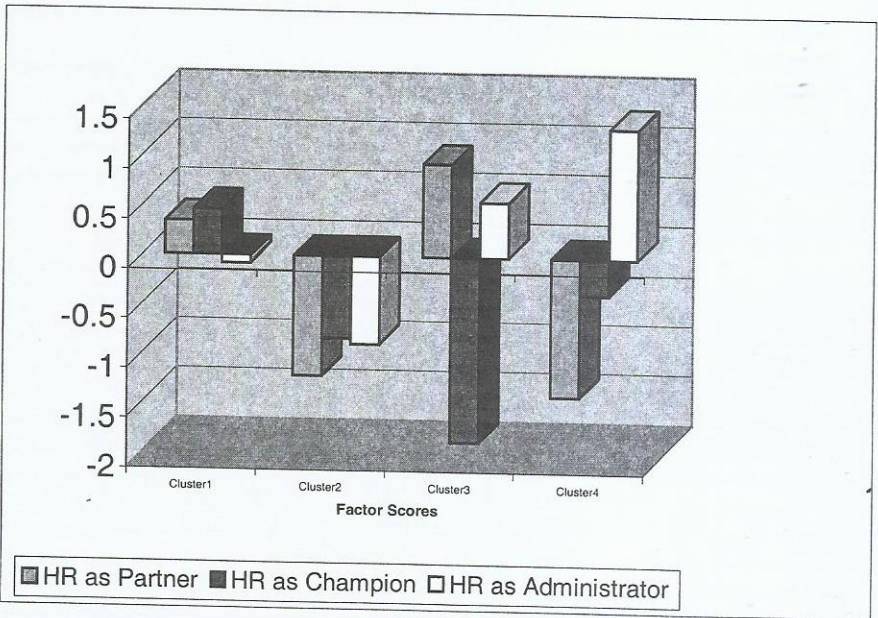
The first cluster contains organizations, which have above average scores for the role of partner, above average scores for the role of champion and just slightly below average scores for the role of administrator. In other words, HR in these organizations have dual roles, as partners and champions. This does not mean, however, that the administrator role is not altogether assumed for in this cluster, the score for this role is just slightly average. Forty-eight organizations (67.61 per cent) in the sample belong in this cluster. The second cluster includes organizations that have no clear focus: below average scores in all three role orientations. In these organizations, HR is not a strategic partner, does not take on a champion role and administrative aspects are not even of concern. Ten organizations (14.08 per cent) are included in this cluster. The third cluster is composed of organizations that have above average scores for the roles of partner and administrator, but below average for the role of champion. In these organizations, HR also takes on a dual role of partner and administrator. However, HR does not play an active role as champion. Six organizations (8.45 per cent) fall in this cluster. The fourth cluster is composed of organizations that have below average scores for the roles of partner and champion, but above average for the role of administrator. The major role played by HR in these organizations is that of administrator. Seven organizations (9.86 per cent) belong in this cluster.

The above results show that HR may assume two roles simultaneously, or HR may also be preoccupied with just one dominant role. In other cases, the role of HR is diffused that it does not have a clear focus. Perhaps the configuration of cluster 1 can be considered close to the strategic HR described in the literature. As such HR plays a strategic role in 67.61 per cent of the organizations in the sample.

HR Role Orientations and Performance

Martell and Carroll (1995) argued that HR becomes strategic when it contributes to the bottom line. At this point, the differences among the clusters in terms of perceived organizational performance were examined.

Two indicators of performance were used in this study. One was perceived organizational performance. The six items used to measure perceived organizational performance were adapted from Martell and Carroll (1995). The items included perceived performance in terms of sales growth rate, market share, operating profits, new products development, human resource development, and market development. These items loaded to one factor and the Cronbach Alpha for these items was .8363. The other indicator of performance was a functional level performance measured in terms of the number of employees served by each HR personnel or HR labor productivity. Figure 2 shows perceived organizational performance across clusters.

Figure 2 Perceived Organizational Performance Across Clusters
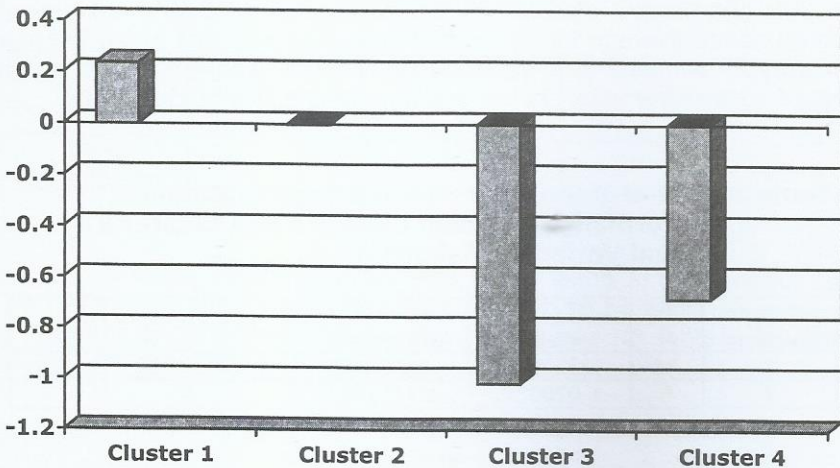
The Analysis of Variance in Table 2 shows that perceived organizational performance significantly differed among these clusters and the difference was significant at a=. 001. This result is consistent with the positive relationship between strategic HR and firm performance (Wright et al., 1998).

It appears from the result of cluster analysis in the preceding section that while HR may be a strategic partner, it may also concern itself with either the administrative aspects or champion the cause of HR in the strategic formulation stage. While it has been implied that the presence of the HR executive in the strategic planning team is necessary for HR to reach that level of integration critical to building HR into the strategic formulation and implementation processes (Noe, et al., 2000), the results of this study imply that such presence is necessary but not sufficient to ensure that HR issues are addressed even at the strategy formulation stage.

Table 2 Analysis of Variance Differences in Perceived Organizational Performance by Clusters

	Sum of Squares	df	Mean Square	F	Sig
Between Groups	12.194	3	4.065	5.753	.001
Within Groups	47.338	67	.707		
Total	59.532	70			

Note that clusters 1 and 3 both have above average scores for the role of partner (Appendix B). However, they differ in that cluster 1 scored above average for the role of champion and just about average for the role administrator, while cluster 3 scored above average for the role of administrator but below average for the role of champion.

Table 3 Test of Means of Perceived Organizational Performance Between Cluster 1 and Cluster 3 (Equal Variances Assumed)

Cluster Number	N	Mean	Standard Deviation	t	df	Sig
1	48	.2357250	.8019063	3.466	52	.001
3	6	-1.0200303	1.1111921			

The result of a test of equality of means between these two clusters revealed that cluster 1 had significantly higher organizational performance (perceived organizational performance) than cluster 3 and such difference was significant at $a=.001$ (Table 3). This implies that the presence of HR in the strategic planning team, by itself, does not ensure better performance.

The above result indirectly clarifies the findings of Martell and Carroll (1995) and Wright et al. (1998), which showed that HR involvement was unrelated to performance. It seems that being a member of the planning team is not enough. There must be a conscious effort at looking into HR implications of any strategic decisions and the alignment of HR practices with strategy if HR involvement is to have impact on the bottom line.

In order to understand the concept of strategic HRM further, clusters 2, 3, and 4 were grouped together to see how they would differ with cluster 1 in which HR is a partner in strategic formulation as well as a champion of HR concerns. For simplicity, we call this the strategic HR cluster. A test of means was again conducted to determine whether or not perceived organizational performance differed between these two groups (Table 4). The cluster with a strategic HR orientation had higher scores for perceived organizational performance and the difference was significant at $a=.001$. This is consistent with results that show that strategic HR is associated with higher firm performance (Wright et al., 1998).

Table 4 Test of Means of Perceived Organizational Performance Between Cluster 1 and Clusters 2, 3 and 4 Combined (Equal Variances Assumed)

Cluster Number	N	Mean	Standard Deviation	t	df	Sig
1	48	.2357250	.8019063	-3.328	69	.001
2,3,& 4 Combined	23	-.4919479	.9787522			

Another set of analyses was made using another measure of performance: the number of employees served by each HR personnel or simply HR labor productivity. Figure 3 shows HR labor productivity across clusters.

Figure 3 HR Labor Productivity Across Clusters
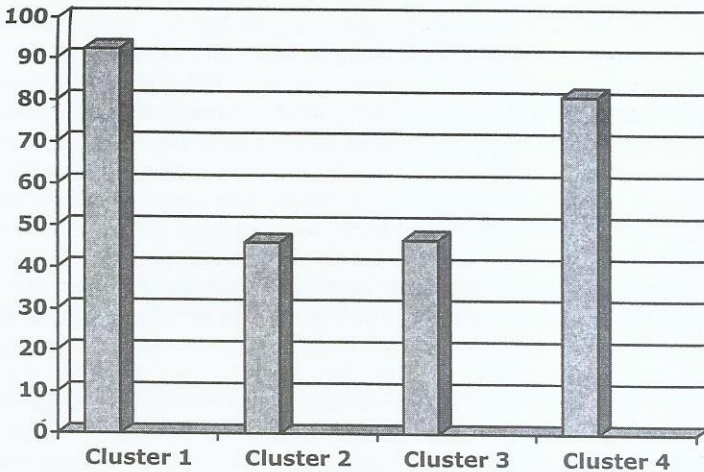
ANOVA results show that there are no significant differences in the mean number of employees served by each HR personnel among the four clusters (Table 5).

Table 5 Analysis of Variance Differences in HR Labor Productivity by Clusters

	Sum of Squares	df	Mean Square	F	Sig
Between Groups	21470.166	3	7156.722	.965	.445
Within Groups	452422.48	61	7416.762		
Total	473892.64	64			

However, when cluster 1 was compared with the rest of the clusters, the mean number of employees served by each HR personnel proved to be significantly higher at $a = .069$ for companies in cluster 1 than those in the other clusters combined (Table 6).

Table 6 Test of Means of HR Labor Productivity Between Cluster 1 and Clusters 2, 3 and 4 Combined (Equal Variances not Assumed)

Cluster Number	N	Mean	Standard Deviation	t	df	Sig
1	46	92.2997	94.5969	-1.855	56	.069
2,3,& 4 Combined	19	57.3656	55.1752			

The above results support the argument that strategic HR translates into higher performance even when performance is measured at the functional   level. This result, however, is inconsistent with that found by Bennett et al. (1998) which showed that integration of HRM and strategic decision-making was associated with lower top management evaluation of the HRM function. One source of the difference in results could be the difference in measure of HR functional performance. While this study utilized HR labor productivity, Bennett et al. (1998) used perceived performance of the HR department.

Conclusions and Managerial Implications

This study has given us interesting insights about strategic human resource management. SHRM has been defined in various ways. One approach in understanding strategic HRM is through the roles played by HR. The imperative of having the HR executive as part of the strategic planning team as a condition for HR to have a strategic role has been advanced in the literature.

This study contends, however, that a structural approach to achieving strategic HRM is not sufficient. In order for HR to be a strategic resource and perhaps have impact on the bottom line, HR must be a champion as well. Thus a mechanism to ensure that HR issues are confronted at the strategy formulation phase must be in place. The rationale of this measure lies in the fact that every decision, or every choice has some impact on HR making it a critical factor in either facilitating or stalling the implementation of such decisions. Meanwhile, HR practices must be aligned with strategies. One important learning from this study is that the administrator role is not really relegated to the background by the organizations in the strategic HR cluster. This points to the importance of making sure that the practices which are externally and internally consistent are effectively implemented; otherwise, all the efforts at the strategic formulation stage will come to naught. Thus a similar mechanism must be provided to ensure that activities are congruent with strategies and that implementation is monitored. But beyond the structure and processes must lie the recognition that HR is indeed a valuable resource, which can be a source of competitive advantage.

The results have several implications to HR executives as well. To be able to analyze the impact of strategic choices on HR, the HR executive must understand the business of the organization even as he possesses the necessary understanding and competencies about human behavior, as well as the legal, social, cultural, and technological contexts in which the organization operates. These are important in order for him to develop programs that will facilitate the implementation of strategies and more importantly, to legitimize his roles as partner and champion. In addition, the HR executive needs to enhance his change management skills, for the challenge may lie in redirecting top-level attitudes toward sharing power and the responsibility of providing strategic directions for the organization.

References

Baker, David (1999). Strategic Human Resource Management, Alignment, Management, **Library Career Development**, 7(5), pp. 51-63.

Bennett, Nathan et al. (1998). An Examination of Factors Associated with the Integration of Human Resource Management and Strategic Decision Making," **Human Resource Management**, 37(1), pp. 3-16.

Fombrun, Charles J. et al. (1984). **Strategic Human Resource Management**. New York: John Wiley and Sons.

Golden, Karen A. and Vasudevan Ramanujam (1985). "Between a Dream and Nightmare: On the Integration of the Human Resource Management and Strategic Business Planning Processes," **Human Resource Management**, 24(4), pp. 429-452.

Hair, Joseph (1992). **Multivariate Data Analysis**. 3rd Edition. New York: Macmillan Publishing Company.

Hendry, C. and A. Pettigrew (1986). "The Practice of Strategic Human Resource Management," **Personnel Management**, 15(5), pp.3-8.

Martell, Kathryn and Stephen J. Carroll (1995). "How Strategic is HRM?" **Human Resource Management**, 34(2), pp.253-67.

Noe, Raymond A. et al. (2000). **Human Resource Management: Gaining a Competitive Advantage**. 3rd Edition. New York: McGraw-Hill.

Roman, Emerlinda R. (1997-1998). " Human Resource Management Practices in the Philippines," **Philippine Management Review**, 7(1), pp.35-42.

Supangco, Vivien T.(forthcoming). "The Roles of HR in Strategic Management."

Wright, Patrick M. et al. (1998). "Strategy, Core Competence, and HR Involvement as Determinants of HR Effectiveness and Refinery Performance," **Human Resource Management**, 37(1), pp.17-29.