STRATEGIC HUMAN RESOURCE MANAGEMENT : MAINTAINING A COMPETITIVE ADVANTAGE IN VIRTUAL ORGANIZATION

Mahathir Mahali , Junaidah Jamaluddin
Faculty of Accountancy, Universiti Teknologi MARA Pahang
Zaihan Usman @ Othman
Universiti Teknologi MARA Kelantan

ABSTRACT

HRM is the effective management of people at work. HRM primarily resides in the people and reward subsystems. This means that HRM systems should be aligned with the strategy, processes and structure of the organization. By running all the human resource function, the organization will not face any trouble even if the function is influenced by the external and internal environment such as culture, global and technologies. Coordinating and managing the whole systems of HRM with the implementation of strategic thinking are called Strategic Human Resource Management (SHRM).This paper, therefore, will be discussing the major SHRM's activities and the implementations of virtual organization as one of a strategic planning in order to stay competitive in the era of rapidly changing organization.

INTRODUCTION

The world of business has undergone radical and dramatic changes in the last decade. These changes include advances in information technology that have reshaped the ways organizations function and people work, escalating global competition and unprecedented demand for speed and flexibility on the part of virtually all organizations. Perhaps, more importantly, tomorrow's managers will face an even more demanding business environment.

One of the important elements in organizations that can deal with those changes is Human Resource Management (HRM). This paper discusses the major SHRM's activities and the implementations of virtual organization as one of a strategic planning in order to stay competitive in the era of rapidly changing organization.

STRATEGIC HUMAN RESOURCE MANAGEMENT

The need for SHRM has never been greater. This means continuing improvement in HRM has profoundly changed the character of strategic planning so that it is now more appropriate to refer as SHRM. Marchal (2001) defined SHRM as some kind of new and improved version of strategic planning and strategic thinking. According to Ginter et al. (1998), SHRM is concerned with the fit between an organization's external environment and its internal situation. The external environment is comprised of political, regulatory, economic, technological, social and competitive forces. The internal situation refers to culture, finance, organization, human resource, and marketing and information systems.

The concepts of strategic management have been applied to the HRM field, known as strategic human resource management (SHRM). Tichy et. al. (1982) stated that different competitive strategies require different behavior, process and implementation. The implementation of SHRM in organizations will be focusing and rely on the reliability of strategic thinking and strategic planning (Fisher and Schuler 1989). SHRM are the process of formulating HR strategies and establishing program or tactics to implement them (Luis et al. 2004).

Robert et al. (2003) said that consideration or human resource issues should be part of the initial input to the strategy formulation process. It may be important to identify competitive advantage opportunities that fit the existing employees or assess strategic alternatives given the current capabilities of organizational human resources.

THE RAPIDLY CHANGING ORGANIZATION

To become more competitive, organizations and the people that operate them must break old habits and develop new behaviors and processes that make them more effective and efficient (Grieves 2000). Thus, the name of the new game is not only change but also rapid change, in the search of competitive advantage. To this end, most modern organizations are presently engaged in various organizational change efforts aimed at improving performance. New strategies are being considered which require different organizational skill sets or behaviors. The complexity involved implementing new strategies has increased and the time available to managers to respond to competitive threats and implement changes has shortened.

Though we see that changes are taking place around us, the catalysts that set it in motion often remain unclear (Longenecker et al. 2002). Change can be broadly defined as "making or become different" or "a transition from one state, condition or phase to another". However, in the context of organizational change, others have noted that any definition of change is potentially problematic (Kemelgor et al. 2000). It can, therefore, be suggested that organizational change encompass ongoing initiatives that are directed from the top to the bottom of the organization and has a profound effect on the depth of the change effort (Appelbaum et al. 1998). Change can also be understood in a temporal context. Rapid change might occur in responses to dramatic or urgent situations.

Robbins et al. (1999) identified that change essentially falls into 3 categories: structure, technology and people. Changing structure include any alteration in authority relations, coordination mechanism, degree of centralization, job redesign or similar structural variables. Changes in structures of the organization ordinarily follow changes in strategy (Crockett 1999). Structural change attempts to improve performance by altering the formal structure of task and authority relationship. At the same time, the structure of an organization creates human and social relationships, which will become ends for the members of the organization. These relationships, when they have been defined and made legitimate by management, introduce the element of stability.

As for the second category, changing technology includes any application of new ways to transform resources in to the product or services. It encompasses modifications in the way the work is performed or the methods and equipment that are used. In the usual sense of the word, technology means new machines but we should expand the concept to include new techniques with or without new machines. Therefore, from the perspective, the work improvement methods of scientific management such as automation and computerization can be considered as technological breakthrough (Lavin 1997).

Lastly, changing people refers to the changes in employee's attitudes, expectations, perceptions and behaviors. The major objective is to enhance the capacity of individuals to perform assigned tasks in coordination with others. In this relation, change could also be perceived in terms of individuals as agents who facilitate organizational transformation. It must be recognized that individuals are the critical catalysts for organizational change where real change occurs through the initiative and creativity of people, no hardware or systems. Therefore, in rapidly changing organization, the dynamics of management development must change (Longenecker et al. 2001) to help managers recognize their changing and revolving roles. The existence of virtual organization in today's real world has emphasized and forced the HRM to implement SHRM to stay competitive.

VIRTUAL ORGANIZATION

The term virtual organization has made its ways into the lexicon. Although various individuals have used the term differently, most appear to agree that it describes the new relationship among organizations and individuals and is enabled by technology and driven by the internationalization of business (Mahathir 2004). Virtual organizations arise from collaborations, federations, associations, contracts and alliance relationship (O'Mohany & Barley 1999).

Bierbaum (1999) defined virtual organization as a technology driven and project based, utilizing temporary alliance in preference to traditional bureaucracy. For Bleecker, "virtual organization is a strategic human resource management and using integrated computer and communications technologies, defined not by concrete walls or physical space but by collaborative networks linking hundreds, thousand and even tens of thousands of people together (1994 : 9).

In addition, in virtual organization "firms create flexible linkages among themselves in order to attain competitive advantage" (Chiesa & Manzini 1998 : 111). As all of the participants come to work within a virtual organization, they are gradually exposed to a common social environment. Since they are now working for the common good of this whole network of partners, the comparative reference may change from their own individual organization to the whole virtual organization.

Since a virtual organization is not the kind that we defined as an organization traditionally (Davidow & Malone 1992), people who work for it are very likely to encounter a feeling of uncertainty at the beginning and, thus, there arises a need to reduce this uncertainty in order to retain competitive advantage in the market.

SHARED SOCIAL IDENTITY: GAINING COMPETITIVE ADVANTAGE

What does this suggest for the virtual organization? For those working in a virtual organization, it would be expected that members of the core organization would perceive other members of their core organization as the in-group whereas partners would constitute the out-group.

We suggest that organizations must learn to control and effect changes in these identities. Left uncontrolled, organizations will be confronted with a quasi group where participants look suspiciously at each other. Necessarily, cooperation will suffer and, thus, the success of the virtual organization will be at the risk. Instead, the perception of one's in-group must be well clarified.

Successful virtual organizations are the ones who react and respond strategically in order to retain competitive advantage. Basing this upon the literature, the following are some strategic ways and planning of a new sense of shared social identity :

Increasing contact between groups.

Going back to Allport (1954), there has been a belief that the more contact exists between in-groups and out-groups, the less likely people are to rely upon stereotypes. Allport asserted that there must be some institutional support whereby contact is encouraged. The contact must be sufficiently frequent and meaningful so that relationships can develop.

Increasing mobility

Research suggests that when individuals recognize that there are opportunities to escape their group, their ties to their group diminish is significance (Brewer & Brown 1998). Thus, in virtual organization, the sense of being able to move to other groups will serve to weaken the ties to the pre-existing group. Organizations are obviously sensitive to the loss of good employees.

Selecting leaders who have required skills

A cursory examination of the typical topics covered in the academic leadership literature (Bass 1990) suggests that it is indeed rare for authors to focus explicitly on the set of unique competencies that might be required to lead effectively contemporary virtual organizations

Developing intersecting memberships

The virtual organization runs the risk that some other categories (such as membership in a professional group) may increase the persistence of the categories even in the face of contact (Brewer & Brown 1998). What may be necessary is to develop new groups that cut across the basic categories. For example, developing project teams where members of all partners are included will act to create a sense of identity.

Developing norms of shared information

Since one of the things organizations do to establish walls and boundaries between themselves and others is to have clear policies about what can be shared and not shared, it is essential that information be shared. Obviously, not only will it have the effect of removing some of the psychological differentiation but it also serves to enhance trust and remove some stereotypes.

THE IMPORTANCE OF A SHARED FRAMEWORK

The virtual nature of the workplace and lack of a common history may leave a virtual team with no culture to rely on (Pamela et al. 2001). Reviewing the organizational behaviour literature on the importance of culture is beyond the scope of these concluding remarks. In other words, virtual connectivity allows for independent contractors to pool their talent and focus on a common project. However, employee independence and potential distance, both physically and psychologically from each other than from the employing organization, can mean the absence of a shared framework (Robert et al. 2002).

The culture of an organization can be viewed as a set of distal stimuli from a cognitive perspective (Neisser 1967). According to Schein (1985) the array of practices, rituals and so on that make up the culture of an organization are external stimuli to the employee observing and experiencing the organization. If these external stimuli are of sufficient strength and interpreted as intended, a common cognitive framework among the workers will develop (Brogner et al. 2000). From a cognitive perspective, a shared cognitive framework is the essential outcome of organizational culture. If this framework is shared among organizational members it can dramatically smooth and streamline what occurs in the organization (Robert et al. 2002). Interaction can occur more smoothly and quickly and the common understanding would lead to fewer surprises at checkpoints along the way to project completion.

E-COMMERCE AND VIRTUAL KNOWLEDGE WORKERS

E-commerce begins with how the human race started amassing wealth. In reality, an entrepreneur sells a dream and turns into a reality. Commerce has gone electronic and on-line, creating a new model for creating wealth in the on-line world. According to Wen (2001), e-commerce refers to commercial activities being carried out using electronic media. There are many types of electronics devices and closing a business deal over the telephone is a type of e-commerce. The e-commerce we refer to these days commonly refers to the commercial activities carried out over the Internet. Indeed, e-commerce will be the future century. The speed, low cost and accessibility of the Internet make e-commerce a possibility for all future enterprises. E-commerce will reduce overheads considerably, speed up the development of retail sales, and ensure easier cash receipts and reduce the risk inherent in investments. These are the objectives of every enterprise. This is what people at the turn of century should be aware of. We are standing at the threshold of a new era, a turning point of civilization (Drucker 1996).

E-commerce is an electronic shop, which are sophisticated web applications. Being database-driven, they rely on technologies that have been deployed mainly on Intranets. Much of the technical know-how acquired from building Intranet applications can be replicated for electronic shops. As we have seen, Netscape and other companies offer merchant toolkits that greatly simplify the development of electronic shops, just as they offer products for Intranet development (Marchal 2001).

The term "Knowledge Worker" has replaced 'Information Workers" as the sobriquet of today's most valued members of the workforce. In e-commerce business, knowledge workers exhibit both benchmark competencies in their areas of specialization and the "lateral" competencies required sustaining e-commerce operations. Some of the issues concerning the knowledge workers are as follows:

Rewards or benefits

Crandall et al. (1997), suggested that unlike in the traditional organizations, benefits or rewards for the knowledge workers are no longer the responsibility of the single employer. The blended workforce has created new challenges for work and rewards due to the mixture of employees on-site. These employees are engaged in working together for the same objectives on the same equipment in common processes. However, because they are working for different companies, their pay and benefits will be differed. This will require common base pay and pay progression programs supporting skills development and individual performances for a common process, not withstanding the fact that the on-site employees work for diverse employers.

Variable pay program should have common set of measurement, universal participation, and common payouts (Crandall et al. 1997). According to Siti Maimon (2001), the benefits may be provided by professional, fraternal or other affinity groups. Total compensation is driven primarily by the direct economic impact of the use of skills on core business processes. The more impact an individual has on critical processes and the more that individual can do to increase speed and productivity, quality, and financial results of these processes, the more the individual will make (primarily through variable pay) and the more secure his or her employment will be (Crandall et. al. 1997).

As a result, the tendency of being less motivated among the knowledge workers may arise because of uncertainty in getting rewards or benefits. Finding ways to motivate temporary employees will become a key issue. When organizations fail to address this issue, problems can occur in performance and morale (Barner 1996).

Recruitment

Since the virtual team develops on the ad hoc basis, there is no time allowed for the recruitment of the knowledge workers. The teams are being developed based on the existing skills, abilities and expertise of the team members, with the help of the new technologies. Thus, the possibilities of failing do occur as mentioned by Pihkala (1999).

Furthermore, not every member of the team has something to contribute because of the different level of expertise (Chapman, 1999). Employees are responsible for developing, maintaining, and mastering basic skills. Companies will be much more likely to make longer-term commitments to people who obtain 'core' skills than those with ancillary skills (Crandall et al. 1997).

Job Satisfaction

According to Jensen (1995), some people change jobs every two years as religiously as they put on new steel-belted radials. To avoid those changes, it is important to recognize how dissatisfaction begins and learn how to prevent it. Seibert et al. (2001), suggested that any worker should experience job satisfaction depending on certain criteria such as the level salary and wages, bonuses, work incentives, promotion and other influential factors. In the viewpoint of a virtual knowledge worker, these workers have the talent and proper skills to operate virtually. Virtual knowledge workers usually are given salaries based on their basic skills and qualifications. Besides that, they shall be promoted based on the performance evaluation. Besides fair wages, there are many working incentives such as flexible hours online and working in their own homes.

These privileges given shall increase job satisfaction and increases performance of work. Anyway, according to Jamal (1985), jobs like these sometimes become routine and maybe boredom may arise but virtual knowledge workers are workers who are most interested in these certain jobs like hackers and computer experts. This task increases their expertise and to them they have the best job on earth.

CONCLUSION

As far as we are concerned, the advancement of information communication technology (ICT) has reshaped the entire of business management's operation as well as the diversity in the workplace. As

organizations become involved in the international business arena, they often find that their stakeholders' base becomes wider and more diverse. Organizations that must cope with stakeholders from across the globe will be facing special challenges that require a heightened sensitivity to and awareness of economic, political and social differences among groups. For example, globalizations firms must be responsive to customers with very different needs, owners with varied expectations and employees with distinct and perhaps dissimilar motivations and job satisfaction. Dealing effectively with such groups requires a focus on understanding the global nature of stakeholders and developing strategies that recognize and respond to such differences.

Now that all this hysteria is behind us, managers can once again turn their full attention to meeting the challenges of a highly dynamic and rapidly changing business environment. Change is coming from many directions. Advanced technology has radically changed the way individuals work and organizations functions; the global marketplace has redefined the competitive structure of many industries; the increasing predominance of entrepreneurial and quality management has radically changed the way many organizations do business. Organizations are being restructured and redesigned to be lean, flexible and adaptable to change; managers in all areas and at all levels of the organization are expected to be proactive and diversity in the workforce has become the rule rather than the expectation. Succeeding as a manager in the organization of today and tomorrow requires a special set of management skills and competencies as well as the formulation of strategic thinking that create strategic planning in order to gain competitive advantage. Managers of the future must be forward thinking and focused on achieving the goals of their work group and their organizations through effective strategic planning. Leaders for the future must be able to demonstrate effective strategic planning skills, which are among the key competencies that ensure a leader's success.

Finally, we must continue to bear in mind that diversity is a journey that takes time and a sustained effort. The culture of our organization was not created overnight. Patience is required to create a culture that will effectively include everyone. It may take one year, two years, or maybe more; but we must persevere. Begin our diversity journey with this in mind, and we will be well prepared to create a process that will add value for all and positively impact our organization's bottom line.

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