



# INTEGRATED INSTITUTE OF PROFESSIONAL MANAGEMENT

## Our Accreditations



## Our Standards



# HUMAN RESOURCE STRATEGIES



## LEARNING OUTCOMES

- The purpose of HR strategy
- Specific HR strategy areas
- How HR strategy is formulated
- How the vertical integration of business and HR strategies is achieved
- How HR strategies can be set out
- General HR strategy areas
- The criteria for a successful HR strategy
- The fundamental questions on the development of HR strategy
- How horizontal fit (bundling) is achieved
- How HR strategies can be implemented



# What are HR strategies?

- HR strategies are sets of plans that set out what the organization intend to do about its human resource management policies and practices and how they should be integrated with the business strategy and each other.
- They are internally consistent bundles of human resource practices.



- *A strategy, whether it is an HR strategy or any other kind of management strategy must have two key elements: there must **be strategic objectives** (ie things the strategy is supposed to achieve), and there must be a **plan of action** (ie the means by which it is proposed that the objectives will be met).*



# Purpose of HR Strategies

- The purpose of HR strategies is to articulate what an organization intends to do about its human resource management policies and practices now and in the longer term, bearing in mind *that business and managers should perform well in the present to succeed in the future*. HR strategies aim to meet both business and human needs in the organization.



# General HR strategies

- General strategies describe the overall system or bundle of complementary HR practices that the organization proposes to adopt or puts into effect in order to improve organizational performance.
- The three main approaches are summarized below.



# *1. HIGH-PERFORMANCE MANAGEMENT*

- High-performance management or high-performance working aims to make an impact on the performance of the organization in such areas as productivity, quality, levels of customer service, growth and profits.
- High-performance management practices include rigorous recruitment and selection procedures, extensive and relevant training and management development activities, incentive pay systems and performance management processes.





## ***2. High-commitment management***

- One of the defining characteristics of HRM is its emphasis on the importance of enhancing mutual commitment.
- High-commitment management has been described by as a form of management which is aimed at eliciting a commitment so that behaviour is primarily self-regulated rather than controlled by sanctions and pressures external to the individual, and relations within the organization are based on high levels of trust.'



# Approaches to achieving high commitment

- The development of career ladders and emphasis on trainability and commitment as highly valued characteristics of employees at all levels in the organization.
- A high level of functional flexibility with the abandonment of potentially rigid job descriptions.
- The reduction of hierarchies and the ending of status differentials.
- A heavy reliance on team structure for disseminating information (team briefing), structuring work (team working) and problem solving (quality circles).



Additionally;

- job design as something management consciously does in order to provide jobs that have a considerable level of intrinsic satisfaction;
- a policy of no compulsory lay-offs or redundancies and permanent employment guarantees with the possible use of temporary workers to cushion fluctuations in the demand for labour;
- new forms of assessment and payment systems and, more specifically, merit pay and profit sharing;
- a high involvement of employees in the management of quality.



### ***3. High-involvement management***

*'High-involvement work practices are a specific set of human resource practices that focus on employee decision making, power, access to information, training and incentives.'* The term 'high involvement' was used to describe management systems based on commitment and involvement, as opposed to the old bureaucratic model based on control. The underlying hypothesis is that employees will increase their involvement with the company if they are given the opportunity to control and understand their work.



# Examples of general HR strategies

## ○ *A local authority*

As expressed by the chief executive of this borough council, their HR strategy is about:

*- having a very strong focus on the overall effectiveness of the organization, its direction and how it's performing; there is commitment to, and belief in, and respect for individuals, and I think that these are very important factors.*

## ○ *A public utility*

*The only HR strategy you really need is the tangible expression of values and the implementation of values... unless you get the human resource values right you can forget all the rest. (Managing Director)*



- **A manufacturing company**

*The HR strategy is to stimulate changes on a broad front aimed ultimately at achieving competitive advantage through the efforts of our people. In an industry of fast followers, those who learn quickest will be the winners. (HR Director)*


- **A retail stores group**

*The biggest challenge will be to maintain (our) competitive advantage and to do that we need to maintain and continue to attract very high calibre people. The key differentiator on anything any company does is fundamentally the people, and I think that people tend to forget that they are the most important asset. Money is easy to get hold of, good people are not. All we do in terms of training and manpower planning is directly linked to business improvement. (Managing Director)*



## Specific HR strategies

Specific HR strategies set out what the organization intends to do in areas such as:

- **Human capital management** – obtaining, analyzing and reporting on data that inform the direction of value-adding people management, strategic, investment and operational decisions.
  - **Corporate social responsibility** – a commitment to managing the business ethically in order to make a positive impact on society and the environment.
  - **Organization development** – the planning and implementation of programmes designed to enhance the effectiveness with which an organization functions and responds to change.
  - **Engagement** – the development and implementation of policies designed to increase the level of employees' engagement with their work and the organization.
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- **Knowledge management** – creating, acquiring, capturing, sharing and using knowledge to enhance learning and performance.
- **Resourcing** – attracting and retaining high quality people.
- **Talent management** – how the organization ensures that it has the talented people it needs to achieve success.
- **Learning and development** – providing an environment in which employees are encouraged to learn and develop.
- **Reward** – defining what the organization wants to do in the longer term to develop and implement reward policies, practices and processes that will further the achievement of its business goals and meet the needs of its stakeholders.
- **Employee relations** – defining the intentions of the organization about what needs to be done and what needs to be changed in the ways in which the organization manages its relationships with employees and their trade unions.
- **Employee well-being** – meeting the needs of employees for a healthy, safe and supportive work environment.



## Criteria for an effective HR strategy

An effective HR strategy is one that works in the sense that it achieves what it sets out to achieve. Its particular requirements are set out below.

- It will satisfy business needs.
- It is founded on detailed analysis and study, not just wishful thinking.
- It can be turned into actionable programmes that anticipate implementation requirements and problems.
- It is coherent and integrated, being composed of components that fit with and support each other.
- It takes account of the needs of line managers and employees generally as well as those of the organization and its other stakeholders.



# How should HR strategies be formulated?

## Propositions about the formulation of HR strategy

- The strategy formation process is complex, and excessively rationalistic models that advocate formalistic linkages between strategic planning and HR planning are not particularly helpful to our understanding of it.
- Business strategy may be an important influence on HR strategy but it is only one of several factors.
- Implicit (if not explicit) in the mix of factors that influence the shape of HR strategies is a set of historical compromises and trade-offs from stakeholders.

***1. Strategic options and choices***

***2. 'Inside-out' and 'outside-in' approaches to formulating HR strategies***



## *1. Strategic options and choices*

- The process of formulating HR strategies involves generating strategic HRM options and then making appropriate strategic choices.
- The choice of practices that an employer pursues is heavily contingent on a number of factors at the organizational level, including their own business and production strategies, support of HR policies, and cooperative labour relations.'
- The process of developing HR strategies involves the adoption of a contingent approach in generating strategic HRM options and then making appropriate strategic choices.



## ***2. 'Inside-out' and 'outside-in' approaches to formulating HR strategies***

- The 'inside-out' approach begins with the status quo HR function (in terms of skills, processes, technologies, etc) and then attempts (with varying degrees of success) to identify linkages to the business (usually through focusing on 'people issues'), making minor adjustments to HR activities along the way...*
- On the other hand, a few firms have made a paradigmatic shift to build their HR strategies from the starting point of the business. Within these 'outside-in' HR functions, the starting point is the business, including the customer, competitor and business issues they face.*
- The HR strategy then derives directly from these challenges to create real solutions and add real value.*



# Issues in developing HR strategies

Five fundamental questions that need to be asked in developing HR strategies are;

1. What are the firm's strategic objectives?
2. How are these translated into unit objectives?
3. What do unit managers consider are the 'performance drivers' of those objectives?
4. How do the skills, motivation and structure of the firm's workforce influence these performance drivers?
5. How does the HR system influence the skills, motivation and structure of the workforce?



# Vertical Fit and Horizontal Fit

There are two key issues to be addressed in developing HR strategies: achieving vertical fit or integration and achieving horizontal fit or integration (bundling).

## *1. Achieving vertical fit – integrating business and HR strategies*

HR strategy	Competitive strategy		
Resourcing	Achieve competitive advantage through innovation	Achieve competitive advantage through quality	Achieve competitive advantage through cost-leadership
	Recruit and retain high quality people with innovative skills and a good track record in innovation	Use sophisticated selection procedures to recruit people who are likely to deliver quality and high levels of customer service	Develop core/periphery employment structures; recruit people who are likely to add value; if unavoidable, plan and manage downsizing humanely

HR strategy	Competitive strategy		
	Achieve competitive advantage through innovation	Achieve competitive advantage through quality	Achieve competitive advantage through cost-leadership
Learning and development	Develop strategic capability and provide encouragement and facilities for enhancing innovative skills and enhancing the intellectual capital of the organization	Encourage the development of a learning organization, develop and implement knowledge management processes, support total quality and customer care initiatives with focused training	Provide training designed to improve productivity; inaugurate just-in-time training which is closely linked to immediate business needs and can generate measurable improvements in cost-effectiveness
Reward	Provide financial incentives and rewards and recognition for successful innovations	Link rewards to quality performance and the achievement of high standards of customer service	Review all reward practices to ensure that they provide value for money and do not lead to unnecessary expenditure

## **The factors that can make the achievement of good vertical fit difficult are:**

- The business strategy may not be clearly defined.
- Even if the business strategy is clear, it may be difficult to determine precisely how HR strategies could help in specific ways to support the achievement of particular business objectives.
- Even if there is a link, HR specialists do not always have the strategic capability to make the connection .
- Barriers exist between top management and HR.





## ***2. Achieving horizontal fit (bundling)***

Horizontal fit or integration is achieved when the various HR strategies cohere and are mutually supporting. This can be attained by the process of 'bundling', which is carried out by first, identifying appropriate HR practices; second, assessing how the items in the bundle can be linked together so that they become mutually reinforcing; and finally drawing up programmes for the development of these practices, paying particular attention to the links between them.



## *The factors that inhibit the achievement of horizontal fit are difficulties in:*

- deciding which bundles are likely to be best;
- actually linking practices together – it is always easier to deal with one practice at a time;
- managing the interdependencies between different parts of a bundle;
- convincing top management and line managers that bundling will benefit the organization and them.
- These can be overcome by dedicated HR professionals, but it is hard work.



## Setting out the strategy

There is no standard model of how an HR strategy should be set out; it all depends on the circumstances of the organization. But the typical areas that may be covered in a written strategy are set out below.

- Basic considerations – business needs in terms of the key elements of the business strategy; environmental factors and analysis (SWOT/PESTLE) and cultural factors – possible helps or hindrances to implementation.
- Content – details of the proposed HR strategy.
- Rationale – the business case for the strategy against the background of business needs and environmental/cultural factors.
- Implementation plan – an action programme, definitions of responsibilities and resource requirements and arrangements for communication, consultation, involvement and training.
- Costs and benefits analysis – an assessment of the resource implications of the plan (costs, people and facilities) and the benefits that will accrue, for the organization as a whole, for line managers and for individual employees. (So far as possible these benefits should be quantified in terms of added value or return on investment.)

## ○ Implementing HR strategies

80/20% Rampart Strategic Planning Principle of design/implementation. This should be the other way round i.e. 20/80%. It is necessary to plan with implementation in mind.

○ The problem with strategic HRM *is that too often there is a gap between what the strategy states will be achieved and what actually happens to it.*

➤ The factors they identified as contributing to creating this say/do gap between the strategy as designed and the strategy as implemented include:

- the tendency of employees in diverse organizations only to accept initiatives they perceive to be relevant to their own areas;
- the tendency of long-serving employees to cling to the status quo;

- complex or ambiguous initiatives may not be understood by employees or will be perceived differently by them, especially in large, diverse organizations;
- it is more difficult to gain acceptance of non-routine initiatives;
- employees will be hostile to initiatives if they are believed to be in conflict with the organization's identity, eg downsizing in a culture of 'job-for-life';
- the initiative is seen as a threat;
- inconsistencies between corporate strategies and values;
- the extent to which senior management is trusted;
- the perceived fairness of the initiative;
- the extent to which existing processes could help to embed the initiative;
- a bureaucratic culture, which leads to inertia.



# Barriers to the implementation of HR strategies

Each of the factors listed above *can create barriers to the successful implementation* of HR strategies. Other major barriers include ;

- failure to understand the strategic needs of the business,
- inadequate assessment of the environmental and cultural factors that affect the content of the strategies,
- and the development of ill-conceived and irrelevant initiatives.



# Approaches to implementation

An implementation programme that overcomes these barriers needs to be based on:

- a rigorous preliminary analysis of the strategic needs of the business and how the strategy will help to meet them;
- a communication programme that spells out what the strategy is, what it is expected to achieve and how it is to be introduced;
- the involvement of those who will be concerned with the strategy, e.g. line managers, in identifying implementation problems and how they should be dealt with;
- the preparation of action plans that indicate who does what and when;
- project managing the implementation in a way that ensures that the action plans are achieved.

