

HRM Strategy

HRM 611

Lecture 2: HRM Strategy

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**Ch.
02****Main Topics**

- Explain why strategic planning is important to all managers.
- Explain each of the seven steps in the strategic planning process.
- List with examples the main generic types of corporate strategies and competitive strategies.
- Define strategic human resource management and give an example of strategic human resource management in practice.
- Briefly describe three important strategic human resource management tools.

Introduction

Strategic Management

Strategic management is the process of formulating and implementing an action plan to achieve corporate objectives, specifically including how these objectives are to be met.

Senior management must find “fit” between the organization, its strategy and its environment. Strategic plans are long-range in nature, and require review and updating to ensure continued fit.



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02

The Hierarchy of Goals

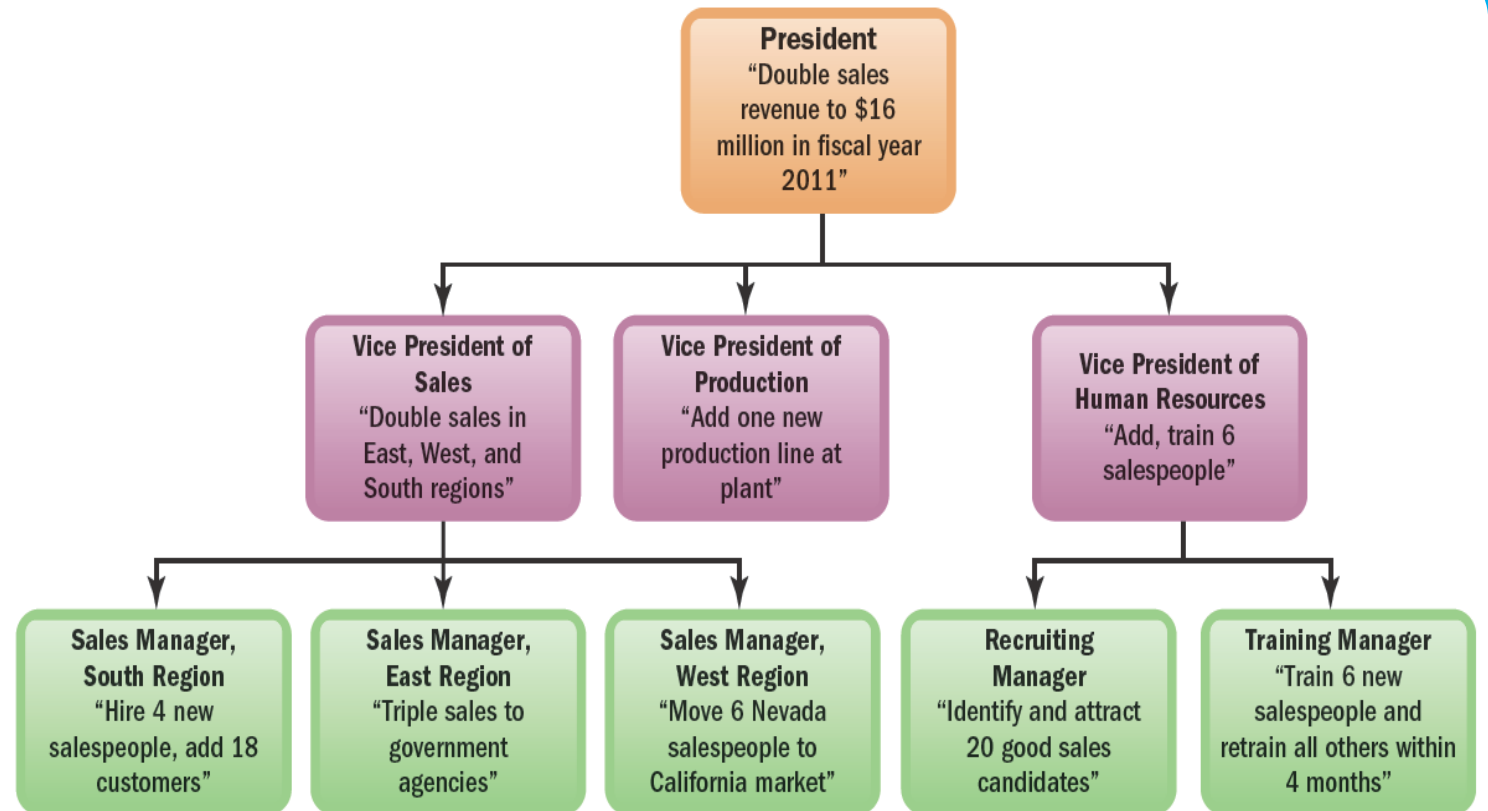
- Strategic planning involves setting goals and developing a course of action to achieve them.
- Goals are typically structured in a hierarchy, from top-level strategic goals (set by top-level executives) to operational goals (set by subsequent levels)
- The planning process begins with formulating long-term strategic plans and goals.
- This hierarchical structure ensures alignment and consistency throughout the organization.

Ch.
02

Example- The Hierarchy of Goals

In this Figure. At the top, the president sets long term or strategic goals (such as Double sales revenue to \$16 million in fiscal year 2011).

His or her vice presidents/Lower levels then set goals, such as add one production line at plant, which flow from and make sense in terms of accomplishing the presidents' goal.



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Strategic Planning

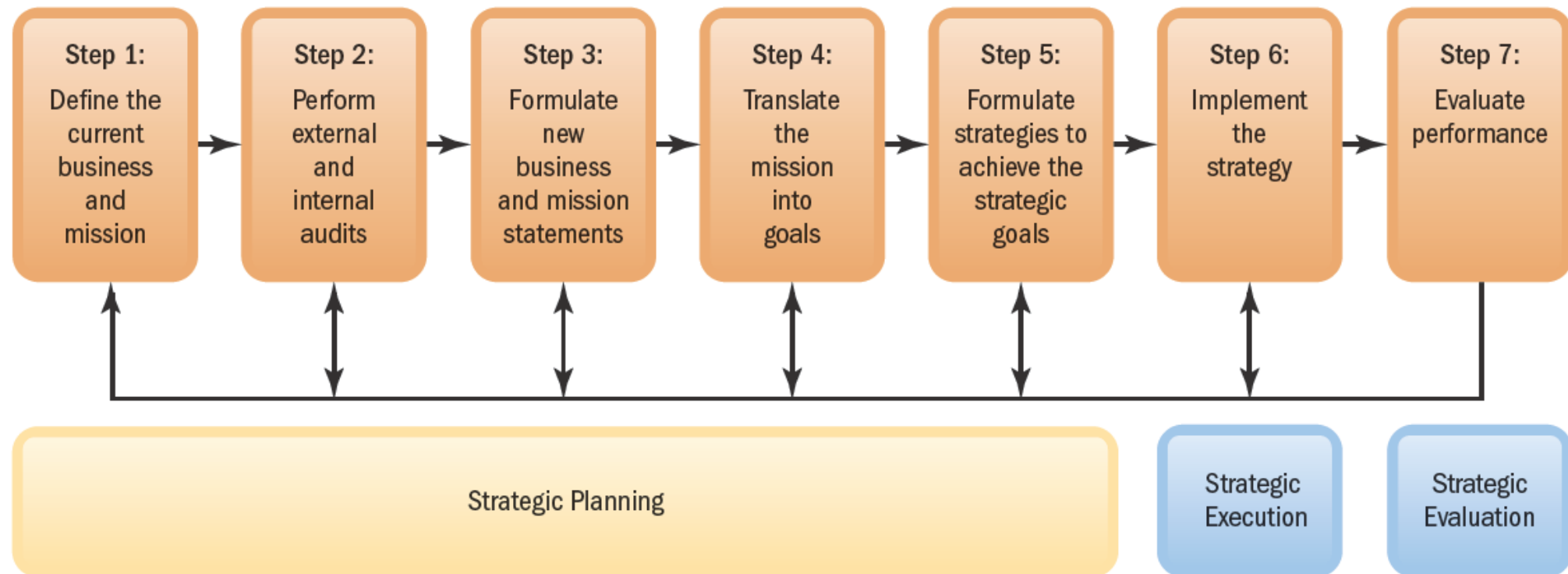
Strategic planning is the process of aligning a company's internal capabilities with external opportunities and threats to achieve a competitive advantage.

It involves defining the company's mission, assessing its strengths and weaknesses, formulating a new direction, setting strategic goals, and implementing and evaluating a strategic plan.

It focuses on the overall direction and goals of the company.

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Strategic Planning



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Strategic Planning Process

Define the business and develop a mission: Clearly articulate the company's purpose and values.

Conduct a SWOT analysis: Evaluate the company's internal strengths and weaknesses, as well as external opportunities and threats.

Formulate a new business direction: Determine the desired future state of the company.

Translate the mission into strategic goals: Set specific, measurable, achievable, relevant, and time-bound (SMART) goals.

Formulate strategies: Develop action plans to achieve the strategic goals.

Implement the strategic plan: Put the strategies into action.

Evaluate the strategic plan: Assess the effectiveness of the plan and make adjustments as needed.

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Step 1: Define Your Current Business

Core Business: Clearly identify the products or services you offer, your target market, and how your offerings differ from competitors.

Example

- **Products and Services:** Ford offers a wide range of vehicles, including cars, trucks, SUVs, and commercial vehicles.
- **Target Market:** Ford targets a diverse customer base, including individuals, families, businesses, and government agencies.
- **Competitive Differentiation:** Ford differentiates itself through its brand heritage, strong dealer network, and focus on innovation and technology.



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Step 2: Conduct External and Internal Audits

Environmental Scan: Analyze external factors like economic conditions, competition, and political trends that may impact your business.

Example:

- **Economic Trends:** The global automotive market is facing challenges due to economic uncertainty and geopolitical tensions.
- **Competitive Landscape:** The automotive industry is highly competitive, with major players like Toyota, Volkswagen, and General Motors.
- **Technological Advancements:** Rapid advancements in electric vehicles, autonomous driving, and connected car technologies are reshaping the industry.
- **Regulatory Environment:** Governments worldwide are imposing stricter regulations on fuel efficiency, emissions, and vehicle safety.



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Step 2: Conduct External and Internal Audits

SWOT Analysis: Assess your company's internal strengths, weaknesses, opportunities, and threats.

Example:

- **Strengths:** Strong brand recognition, extensive global presence, robust manufacturing capabilities, and a diverse product portfolio.
- **Weaknesses:** Dependence on traditional internal combustion engine vehicles, challenges in transitioning to electric vehicles, and high costs associated with research and development.
- **Opportunities:** Growth in emerging markets, increasing demand for electric vehicles and autonomous driving technologies, and opportunities for partnerships in mobility services.
- **Threats:** Competition from emerging electric vehicle manufacturers, potential disruptions from new technologies, and regulatory challenges.



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Step 3: Formulate a New Direction

Vision Statement: Define the company's desired future state and the essence of its business.

Example: Ford Vision Statement: "To be the world's leading mobility company, providing sustainable and innovative transportation solutions that enrich people's lives."

Ford Mission Statement: To help build a better world, where every person is free to move and pursue their dreams.



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Step 4: Translate the Desired New Direction into Strategic Goals

Specific Goals: Break down the vision into concrete, measurable goals.

Goal 1: Accelerate the transition to electric vehicles, with a target of 50% of global sales to be electrified by 2030.

Goal 2: Expand into new mobility services, such as ride-sharing and autonomous driving.

Goal 3: Enhance customer satisfaction and loyalty through exceptional product quality and customer service.



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Step 5: Formulate Strategies to Achieve Strategic Goals

Action Plans: Develop specific strategies or courses of action to achieve the goals.

Strategy to Accelerate the Transition to Electric Vehicles:

- Invest heavily in research and development of electric vehicle technologies.
- Expand manufacturing capabilities for electric vehicles.
- Develop a comprehensive charging infrastructure.
- Partner with suppliers and technology companies to accelerate the development of electric vehicle components.



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Step 5: Formulate Strategies to Achieve Strategic Goals

Strategy to Expand into New Mobility Services:

- Acquire or invest in mobility startups.
- Pilot and scale mobility services in select markets.
- Leverage existing technology and infrastructure to support mobility services.

Strategy to Enhance Customer Satisfaction:

- Implement a customer-centric approach throughout the organization.
- Invest in customer experience initiatives, such as personalized services and digital tools.
- Continuously monitor and address customer feedback.



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Step 6 Implement the Strategies

- **Allocate resources** to support the implementation of the strategic plan.
- **Create a cross-functional team** to oversee the execution of the strategies.
- **Monitor progress** and make necessary adjustments.



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Step 7: Evaluate Performance

Continuous Assessment: Monitor the progress of the strategic plan and make adjustments as needed.

Example:

- **Track key performance indicators** such as market share, sales volume, customer satisfaction, and profitability.
- **Conduct regular reviews of the strategic plan** to assess progress and identify areas for improvement.
- **Utilize customer feedback** to inform future strategy development.



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Improving Productivity with Technology

HRIS (Human Resource Information Systems): Streamline HR functions and improve employee productivity through automated tasks and data management. (Not mentioned in the provided excerpt).

Business Planning Software: Facilitate the creation of strategic plans:

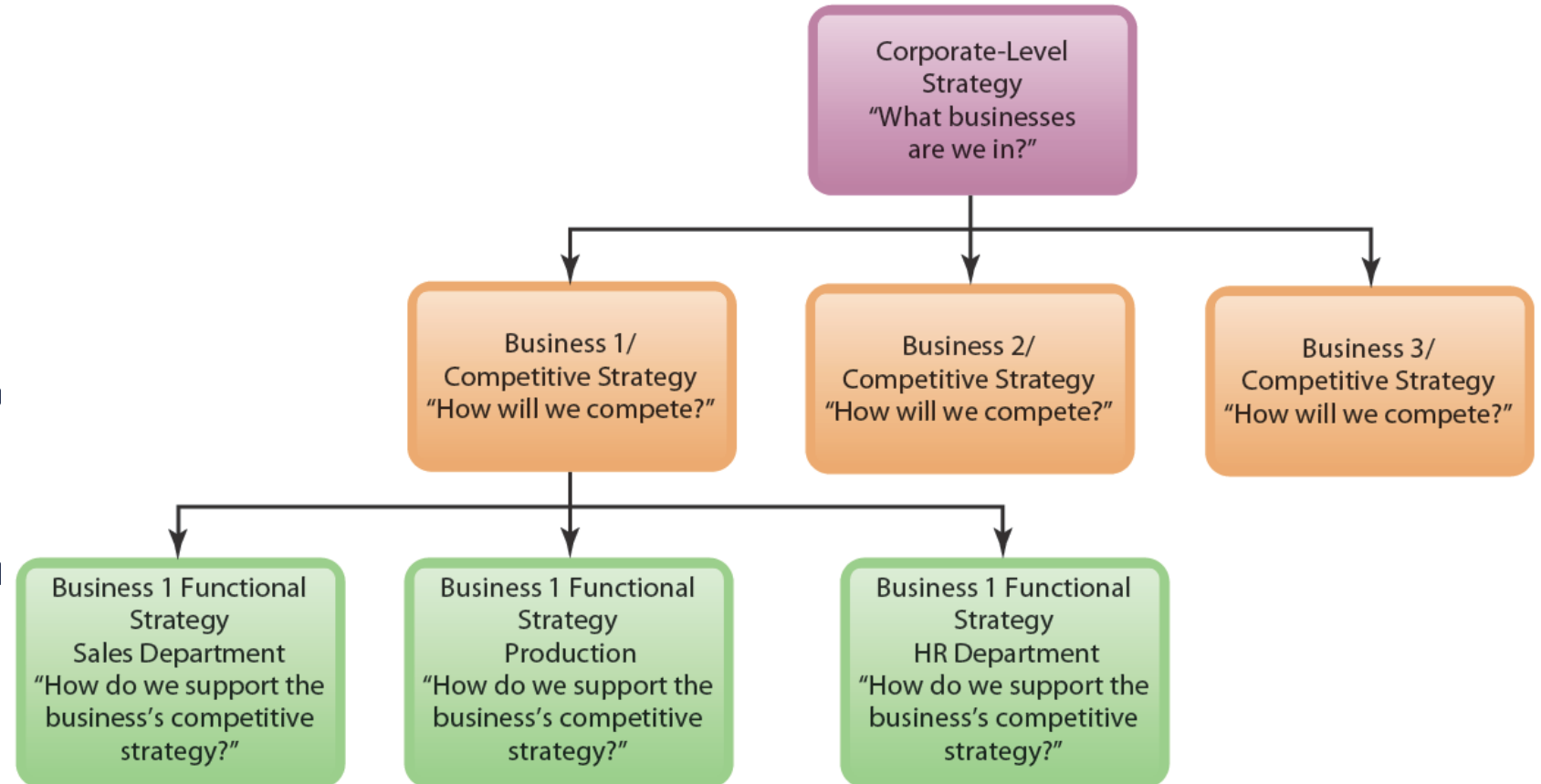
- **CheckMATE (www.checkmateplan.com [invalid URL removed]):** Offers user-friendly tools like SWOT analysis for strategic planning, even for beginners.
- **Business Plan Pro from Palo Alto Software:** Provides comprehensive templates and guidance for crafting business plans, including sample plans, step-by-step instructions, and financial planning tools.

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Types of Strategies

Types of Strategies

In practice, managers formulate three strategies. There is corporate-wide strategic planning, business unit (or competitive) strategic planning, and functional (or departmental) strategic planning.



Corporate Strategies

Concentration	Diversification	Vertical Integration	Consolidation:	Geographic Expansion
Focus on a single product or product line within a specific market. Example: Tesla: Primarily focuses on electric vehicles, energy storage, and solar panels, maintaining a strong concentration in the sustainable transportation and energy sectors.	Expand into new product lines or markets. Example: PepsiCo, which diversified into snacks and beverages.	Expand by taking control of different stages of the value chain, such as producing raw materials or selling directly to consumers. Example: Apple opening its own retail stores.	Reduce the company's size through measures like divestitures or layoffs. EX. General Motors: In recent years, GM has consolidated its operations by divesting non-core businesses and focusing on its core automotive business.	Enter new territorial markets, such as expanding into foreign countries. Ex. Netflix has successfully expanded its operations globally, offering its streaming service in numerous countries and regions.

Business Strategies

Cost Leadership

Operational Efficiency: focus on optimizing operations to reduce costs. This can involve streamlining processes, improving supply chain management, and investing in cost-saving technologies.

Economies of Scale: they can reduce costs per unit as they produce larger quantities.

Bargaining Power with Supplier: Greater bargaining power with suppliers due to large purchasing volume.

Differentiation

Unique Value Proposition: Differentiated companies offer products or services that are perceived as superior to competitors in terms of quality, features, performance, or design.

Premium Pricing: Differentiated products often command premium prices, allowing for higher profit margins.

Customer Loyalty: Differentiation can create strong customer loyalty, reducing price sensitivity and increasing customer retention.

Differentiation Focus

Niche Market: target specific market segments with unique needs or preferences.

Specialized Expertise: Companies pursuing a focus strategy often have deep knowledge and expertise in their niche market.

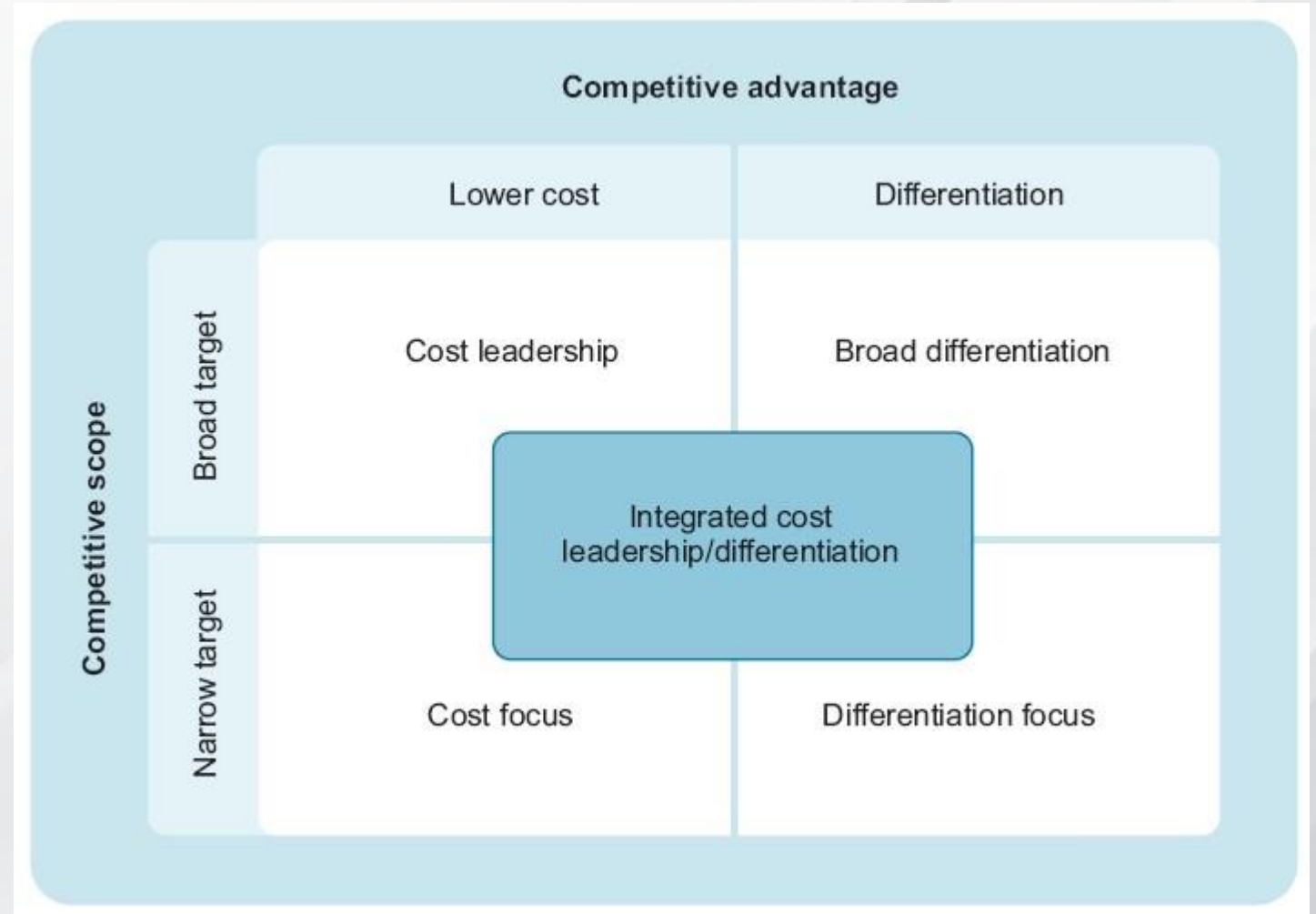
Customer Intimacy: Focus strategies allow companies to develop close relationships with their customers, understanding their needs and providing tailored solutions.

Business Strategies

Hybrid Strategies:

In some cases, companies may combine elements of different competitive strategies.

For example, a company might pursue a differentiation strategy in certain markets while focusing on cost leadership in others.



Ch.
02

Functional Strategy

- Finally, functional strategies identify what each department must do in order to help the business accomplish its competitive goals.
- As an example, a hotel might want to differentiate itself with exceptional service. Therefore, its human resources department must put in place policies and practices that will enable the hotel to select and train employees who are exceptionally customer oriented.

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02

Managers' Roles in Strategic Planning

Strategic planning is a collaborative process involving managers at all levels. While top management ultimately makes the final decisions, input from lower-level managers is essential.

Key Roles of Managers:

Provide Competitive Intelligence: Managers, especially HR managers, have valuable insights into industry trends, competitor activities, and employee concerns.

Offer Expertise: Managers contribute their knowledge and experience to inform strategic decision-making.

Facilitate Collaboration: Managers participate in discussions and meetings to develop and refine the strategic plan.

Ch.
02

Strategic Human Resource Management: Aligning HR with Business Goals

Strategic human resource management (SHRM) is the process of aligning HR policies and practices with a company's overall strategic goals. It ensures that the company has the right people with the right skills and behaviors to achieve its objectives.

Key Elements of SHRM:

- **Strategic Alignment:** HR policies and practices should be consistent with the company's strategic direction.
- **Employee Competencies:** Identify the specific skills and behaviors employees need to contribute to the company's success.
- **HR Policies and Practices:** Develop and implement HR policies and practices that support the development and retention of employees with the required competencies.

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Strategic Human Resource Management: Aligning HR with Business Goals- Example

A high-end retailer like Neiman Marcus would have different HR policies than a mass retailer like Walmart. Neiman Marcus might focus on attracting and retaining highly skilled employees with exceptional customer service abilities, while Walmart might prioritize efficiency and cost-effectiveness.

The SHRM Process:

- **Formulate Strategic Plans and Goals:** Define the company's overall direction and objectives.
- **Identify Required Employee Competencies and Behaviors:** Determine the skills and behaviors needed to achieve strategic goals.
- **Develop HR Policies and Practices:** Implement HR policies and practices that support the development and retention of employees with the required competencies.

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Strategic Human Resource Management: Aligning HR with Business Goals

Human resource strategies are the specific HR policies and practices implemented to support a company's strategic goals. These strategies should be aligned with the company's overall direction and business objectives.

Example: A Technology Company

Scenario: A technology company is transitioning from a traditional software development model to a more agile methodology.

Ch.
02

Strategic Human Resource Management: Aligning HR with Business Goals

HR Strategies Example:

- **Skill Assessment:** Evaluate the current workforce's skills and identify any gaps in agile methodologies and tools.
- **Training and Development:** Implement training programs to equip employees with the necessary agile skills, such as Scrum, Kanban, and continuous integration.
- **Performance Management:** Modify performance metrics to align with agile principles, focusing on outcomes rather than solely on individual tasks.
- **Cross-Functional Teams:** Encourage the formation of cross-functional teams to foster collaboration and knowledge sharing.
- **Flexible Work Arrangements:** Implement flexible work arrangements to support agile methodologies and improve employee satisfaction.

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02

Strategic Human Resource Management Tools

Three key tools used in strategic human resource management: **the strategy map**, the **HR scorecard**, and the **digital dashboard**.

1. Strategy Map

- **Visualizes Strategic Alignment:** The strategy map illustrates how each department's performance contributes to the overall strategic goals.
- **Clarity and Understanding:** Helps employees understand how their work connects to the company's broader objectives.
- **Example:** Southwest Airlines' strategy map shows the link between employee motivation, on-time flights, and financial performance.

Ch.
02

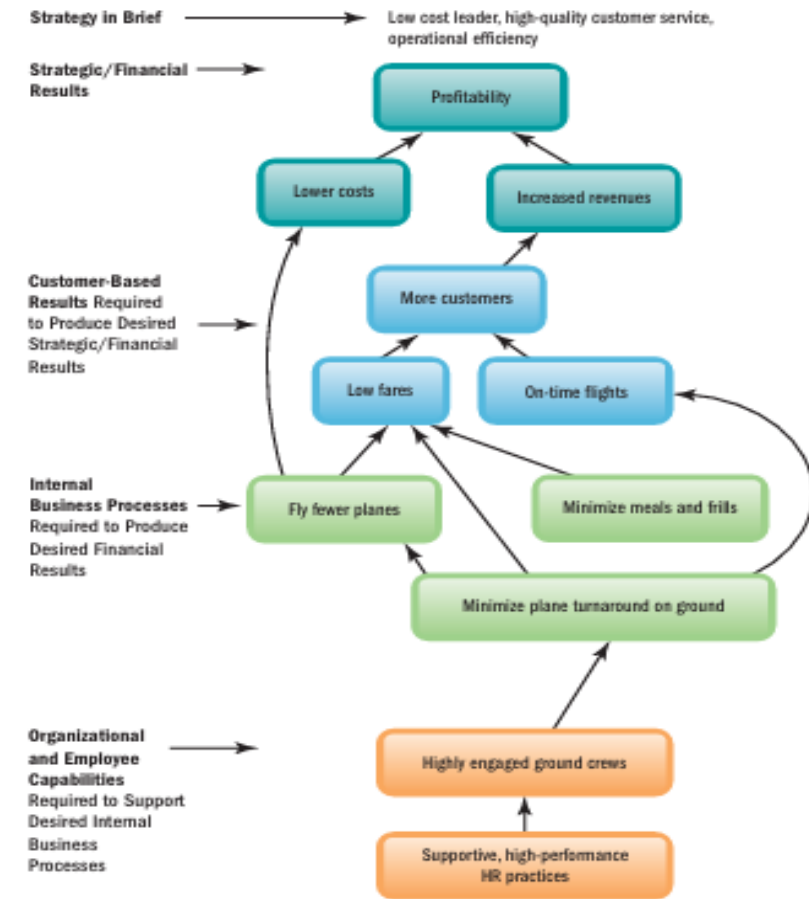
Example: Southwest Airlines' strategy map

Southwest's strategy map likely outlines a clear connection between its **low-cost leader strategy** and its **operational efficiency**.

To achieve its financial goals, the airline must focus on:
Cost reduction: Minimizing expenses through efficient operations and negotiation with suppliers.

Revenue generation: Maximizing load factors (percentage of seats filled) and ancillary revenue (fees for baggage, seat selection, etc.).

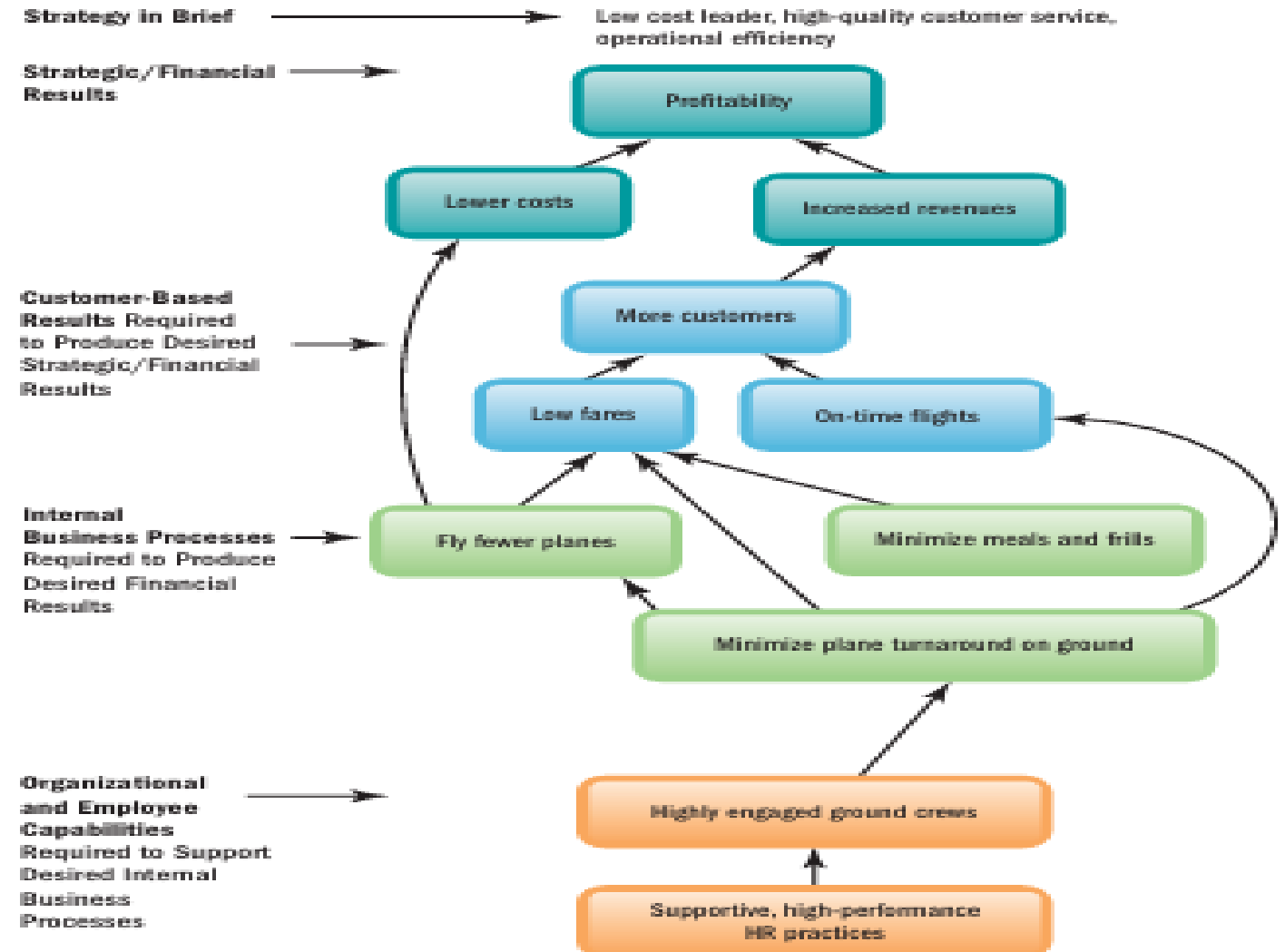
Southwest Airlines likely uses a strategy map to visually represent the interconnectedness of its various strategic initiatives



Ch.
02

Example: Southwest Airlines' strategy map

In essence, Southwest's strategy map demonstrates how **strong organizational capabilities** (e.g., employee engagement) enable **efficient internal business processes** (e.g., quick turnaround times), which in turn lead to **positive customer-based results** (e.g., high customer satisfaction and financial performance). This interconnectedness underscores the importance of aligning all aspects of the business to achieve strategic goals.



Ch.
02

Strategic Human Resource Management Tools

2. HR Scorecard

- **Quantifies Strategic Activities:** Assigns financial and non-financial metrics to HR-related activities.
- **Measures Performance:** Tracks progress towards achieving strategic goals.
- **Example:** Southwest Airlines might use metrics like ;

Airplane Turnaround Time:

- **Definition:** The time it takes for an aircraft to disembark passengers, refuel, clean, and reboard passengers for the next flight.
- **Importance:** Faster turnaround times allow airlines to operate more flights per day, increasing revenue and efficiency.
- **Measurement:** Typically measured in minutes, comparing the actual turnaround time to the target or planned time.

Ch.
02

Strategic Human Resource Management Tools

3. Digital Dashboard

- **Visualizes Key Performance Indicators (KPIs):** Presents real-time data and trends in a visually appealing format.
- **Enables Proactive Action:** Allows managers to identify issues and take corrective measures.



Ch.
02

Strategic Human Resource Management Tools

Digital Dashboard Example

Southwest's digital dashboard would likely display real-time data on various KPIs, including:

- **On-time performance:** Monitors the percentage of flights that arrive and depart on time.
- **Baggage handling:** Tracks the rate of lost or mishandled baggage.
- **Customer satisfaction:** Displays customer satisfaction ratings and feedback.
- **Employee engagement:** Shows employee satisfaction surveys and other metrics related to employee morale and productivity.



Ch.
02

Evidence-Based HR: A Scientific Approach to Decision Making

Evidence-based human resource management (EBHRM) involves making HR decisions based on data, research, and analytics rather than relying solely on intuition or assumptions. It's akin to a scientific approach, where objectivity, experimentation, and evidence are prioritized.

Key Principles of EBHRM:

- **Objectivity:** Gathering data and evidence without bias or preconceived notions.
- **Experimentation:** Conducting controlled experiments to test hypotheses and measure outcomes.
- **Prediction:** Using data and analysis to forecast future trends and outcomes.

Ch.
02

Evidence-Based HR: A Scientific Approach to Decision Making

Benefits of EBHRM:

- **Improved Decision Making:** Data-driven decisions are more likely to be effective and lead to positive outcomes.
- **Enhanced Credibility:** Evidence-based practices enhance the credibility and professionalism of HR functions.
- **Increased Efficiency:** By using data to identify trends and patterns, organizations can streamline processes and allocate resources more effectively.

Ch.
02**Evidence-Based HR: A Scientific Approach to
Decision Making****Example: Evaluating the Impact of an Incentive Plan**

- To assess the effectiveness of a new incentive plan, a company could conduct an experiment by implementing it in a specific department or group of employees (the experimental group) while maintaining the previous incentive plan in a control group.
- By comparing the performance outcomes of both groups, the company can determine if the new incentive plan had a significant impact on productivity or other relevant metrics.

Conclusion

Key Steps in Strategic Management:

- **Defining the Business and Mission:** Organizations must clearly articulate their purpose, values, and core offerings.
- **Conducting SWOT Analysis:** This involves evaluating internal strengths and weaknesses alongside external opportunities and threats to assess the company's position.
- **Formulating a New Direction:** Establishing a vision statement and translating it into specific, measurable strategic goals.
- **Developing Action Plans:** Creating strategies to achieve these goals with clear action steps.
- **Implementation:** Allocating resources and executing the strategic plan.
- **Evaluation:** Continuously monitoring performance against key metrics to assess effectiveness and make necessary adjustments.

Conclusion

Types of Strategies discussed include:

Corporate Strategy: Focuses on the overall scope and direction of the company, including concentration, diversification, vertical integration, consolidation, and geographic expansion.

Competitive Strategies: Encompass cost leadership, differentiation, and focus strategies tailored to specific market segments.

Strategic Human Resource Management (SHRM) is presented as a vital component, ensuring that HR policies align with business goals and that the organization has the right talent to succeed. This includes conducting HR audits to assess practices, ensuring compliance, and identifying areas for improvement.

Ch.
02

Conclusion

Through **evidence-based HR practices**, organizations can make data-driven decisions that enhance credibility and efficiency. The chapter concludes by underscoring the importance of a collaborative approach to strategic planning, involving input from managers at all levels to foster alignment and promote a culture of continuous improvement.

Overall, this chapter serves as a guide for organizations seeking to develop robust strategic management practices that drive success in a competitive landscape.

References

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Additional Resources for extra reading.

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Thank You