

Human Resources Management

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MGM 243

Lecture 02



Strategic Human Resource Management

Chapter
02

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**Chapter
02**

Learning Objectives

After you read this chapter, you should be able to:

- Explain Strategic HR Management and describe its linkage to organizational strategies.
- Discuss two primary contributors to competitive advantage — human capital and organizational culture — and explain how HR practices develop each.
- Define HR planning and outline the full HR planning process.
- Describe the methods used to scan the external and internal HR environments, including PESTLE analysis.
- Discuss strategies for managing both surplus and shortage conditions, and ethical downsizing, including forecasting HR Supply and demand methods .
- Assessing HR Effectiveness using the latest measures of HR Effectiveness.

Nature of Strategy and HR Management

❑ Strategic Human Resources Management

- The deliberate and proactive organizational use of human capital to achieve and sustain competitive advantage (Boxall & Purcell, 2022).
- Contemporary SHRM incorporates three integrated dimensions:
 - (1) Workforce analytics and data-driven decision-making
 - (2) Agile HR practices that adapt to rapid market changes
 - (3) Employee experience as a strategic lever.

Strategic HR Management Process

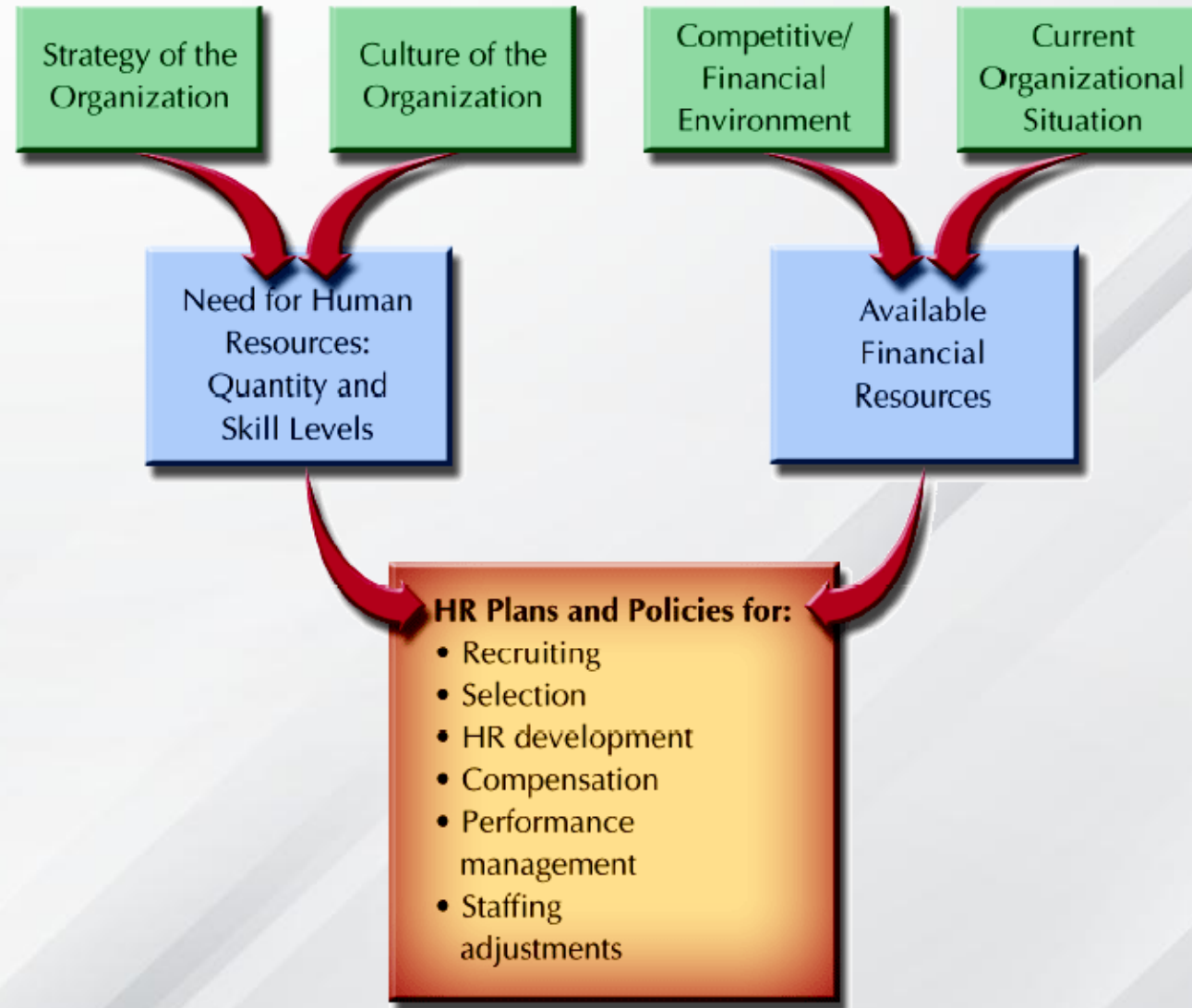


Figure 2-1

Strategic Success With HR Practices

Studies found companies that follow HR best practices have more than 50% higher market value than those who do not.

• Employee Well-Being & Mental Health Support	• Training/cross-training
• Selective recruiting	• Promotion from within
• High wages/incentives	• AI literacy: training entire workforce on responsible AI use
• Information sharing/participation	• People Analytics & Data-Driven Decision Making
• Skills-Based Workforce Planning	• Hybrid Work Infrastructure & Collaboration Tools

Operationalizing HR Strategy

- How specifically can HR professionals provide the perspective and expertise to be a successful part of the strategic planning process?
 - ✓ Understand the business.
 - ✓ Focus on the key business goals.
 - ✓ Know what to measure.
 - ✓ Prepare for the future.

Using Human Resources As A Core Competency

Some ways in which human resources might become a core competency are through

- Attracting and retaining employees with unique professional and technical capabilities
- Investing in training and development of those employees and compensating them.

Possible HR Areas for Core Competencies



FIGURE 2-2

HR-based Core Competencies

- **Organizational Culture:** The shared values and beliefs of the workforce
- **Productivity:** A measure of the quantity and quality of work done, considering the cost of the resources used. A ratio of the inputs and outputs that indicates the value added by an organization.
- **Quality Products and Services:** High quality products and services are the results of HR-enhancements to organizational performance.

Approaches to Improving Organizational Productivity



FIGURE 2-3

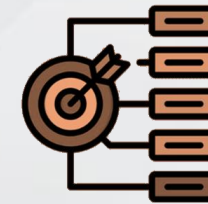
HR Effectiveness and Financial Performance

- **Effectiveness** :The extent to which an organization achieves its intended goals and objectives..
- **Efficiency** :The degree to which operations are conducted in an economical, resource-optimal manner.

Effectiveness vs Efficiency

Effectiveness

Achieving the goal



Example:

The project is delivered on time

Efficiency

Achieving the goal
with a minimum of
resources



Example:

The project is delivered on time
and with minimal cost, waste,
and effort

Global Competitiveness and Strategic HR

- The globalization of business means organizations operate across multiple national contexts — navigating divergent labor laws, cultural norms, talent markets, and economic conditions.
- Remote and hybrid work has created a new dimension of global HR: hiring globally across borders without physical relocation, raising questions of tax compliance, employer-of-record (EOR) solutions, and equitable pay for distributed teams.

Types Of Global Organizations

- **Importing and Exporting** The first phase of international interaction consists of importing and exporting.
- **Multi-national enterprise (MNE)** Organization that has operating units located in foreign countries.
- **Global organization** Firm that has corporate units in a number of countries integrated to operate as one organization worldwide
- **Born-global firms and platform companies** (Airbnb, Spotify, Wise) operate globally from inception — requiring agile IHRM from day one, often leveraging EOR platforms (e.g., Deel, Remote.com).

Global Cultural Factors

- **Culture** Societal forces affecting the values, beliefs, and actions of a distinct group of people.

Five dimensions useful in identifying and comparing cultures

- Inequality in power
- Individualism/group orientation
- Masculinity/femininity
- Uncertainty avoidance
- Long-term/short-term orientation

Global Economic Factors

- Economic factors are linked to political, legal, and cultural issues, and different countries have different economic systems.
- In many developed countries, especially in Europe, employment restrictions and wage levels are high.

Human Resource Planning

- **Human Resource Planning (HRP)**
 - Human Resource Planning (HRP): The systematic process of forecasting, analyzing, and matching the supply of and demand for human resources to enable the organization to meet current and future objectives (Armstrong & Taylor, 2023).
- **HR Planning Responsibilities**
 - Top HR executive and subordinates gather information from other managers to use in the development of HR projections for top management to use in strategic planning and setting organizational goals.

HR Planning Process



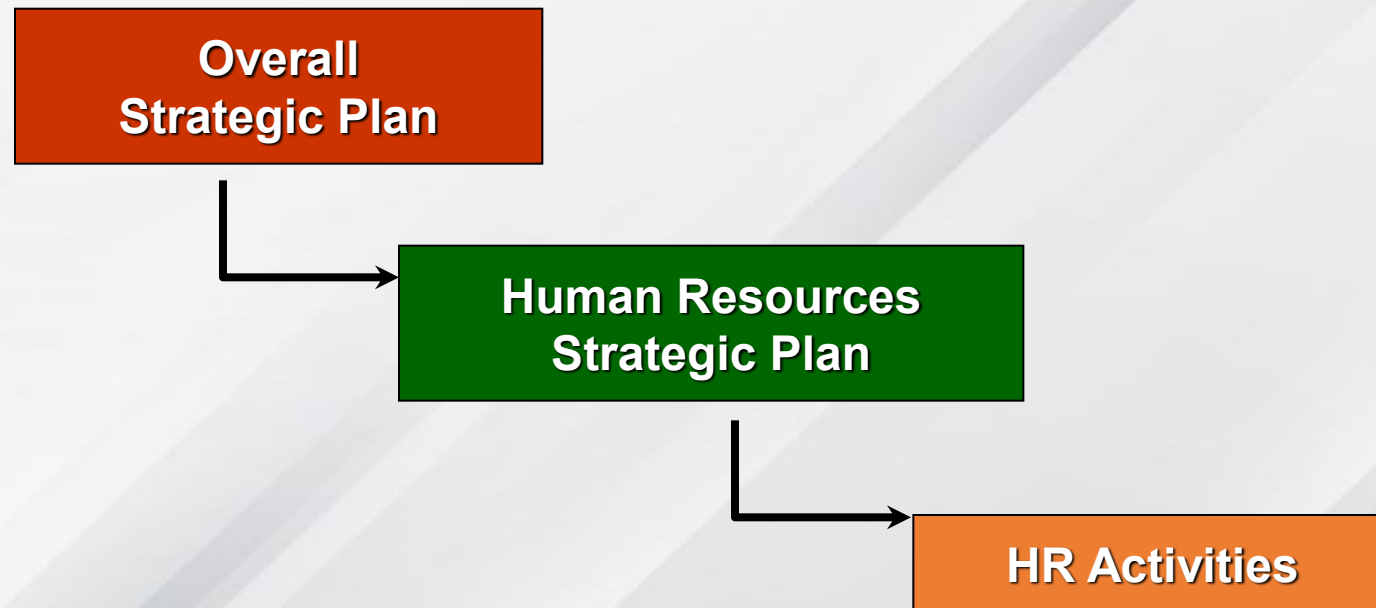
FIGURE 2-4



HR Planning Process (Cont)

- **HR Strategies**

- The means used to anticipate and manage the supply of and demand for human resources.
 - Provide overall direction for the way in which HR activities will be developed and managed.



Benefits of HR Planning

- Better view of the HR dimensions of business decisions
- Lower HR costs through better HR management.
- More timely recruitment for anticipate HR needs
- More inclusion of protected groups through planned increases in workforce diversity.
- Better development of managerial talent

Scanning the External Environment

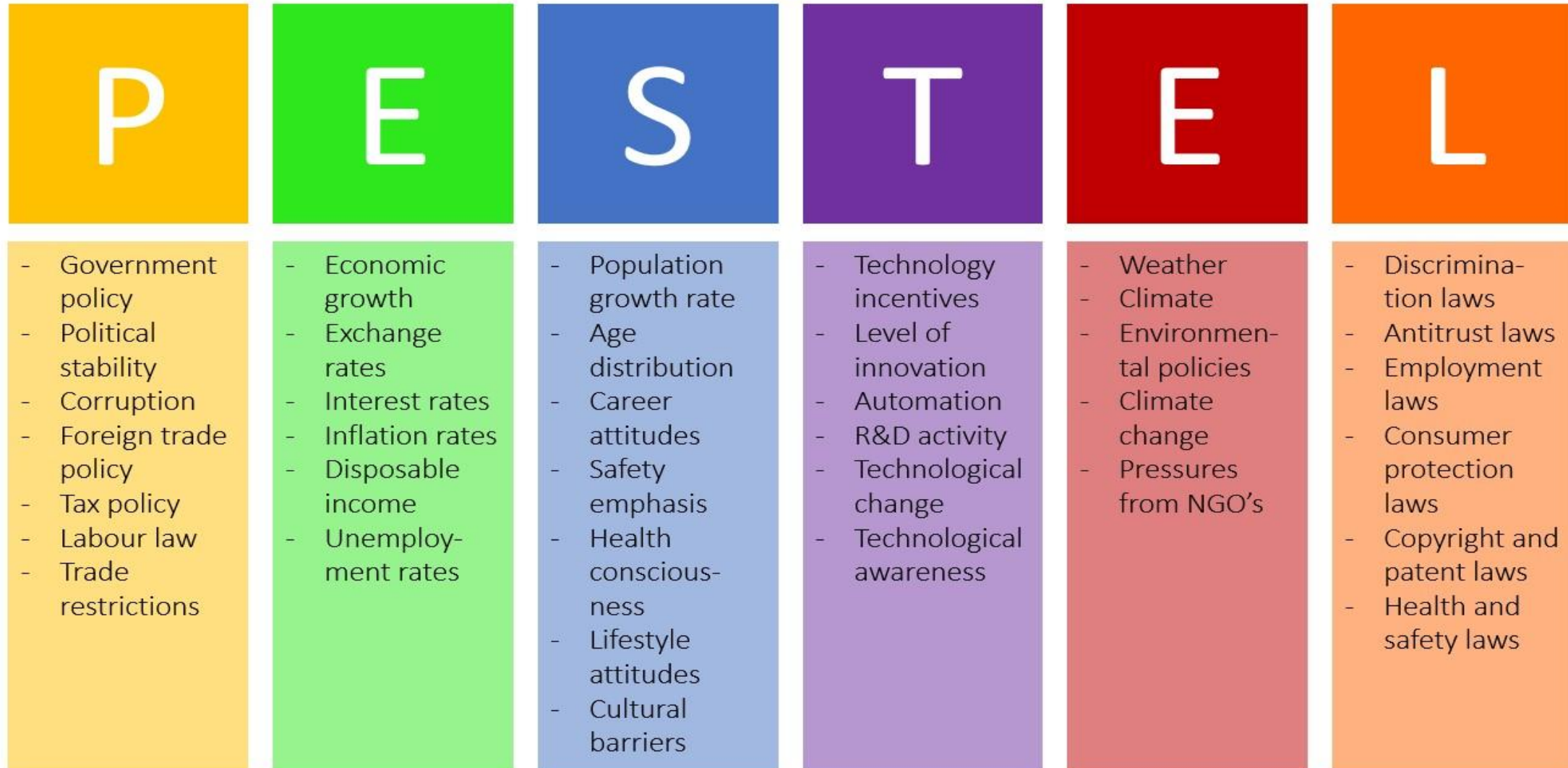


FIGURE 2-5

Scanning the External & Internal Environment (**SWOT**)

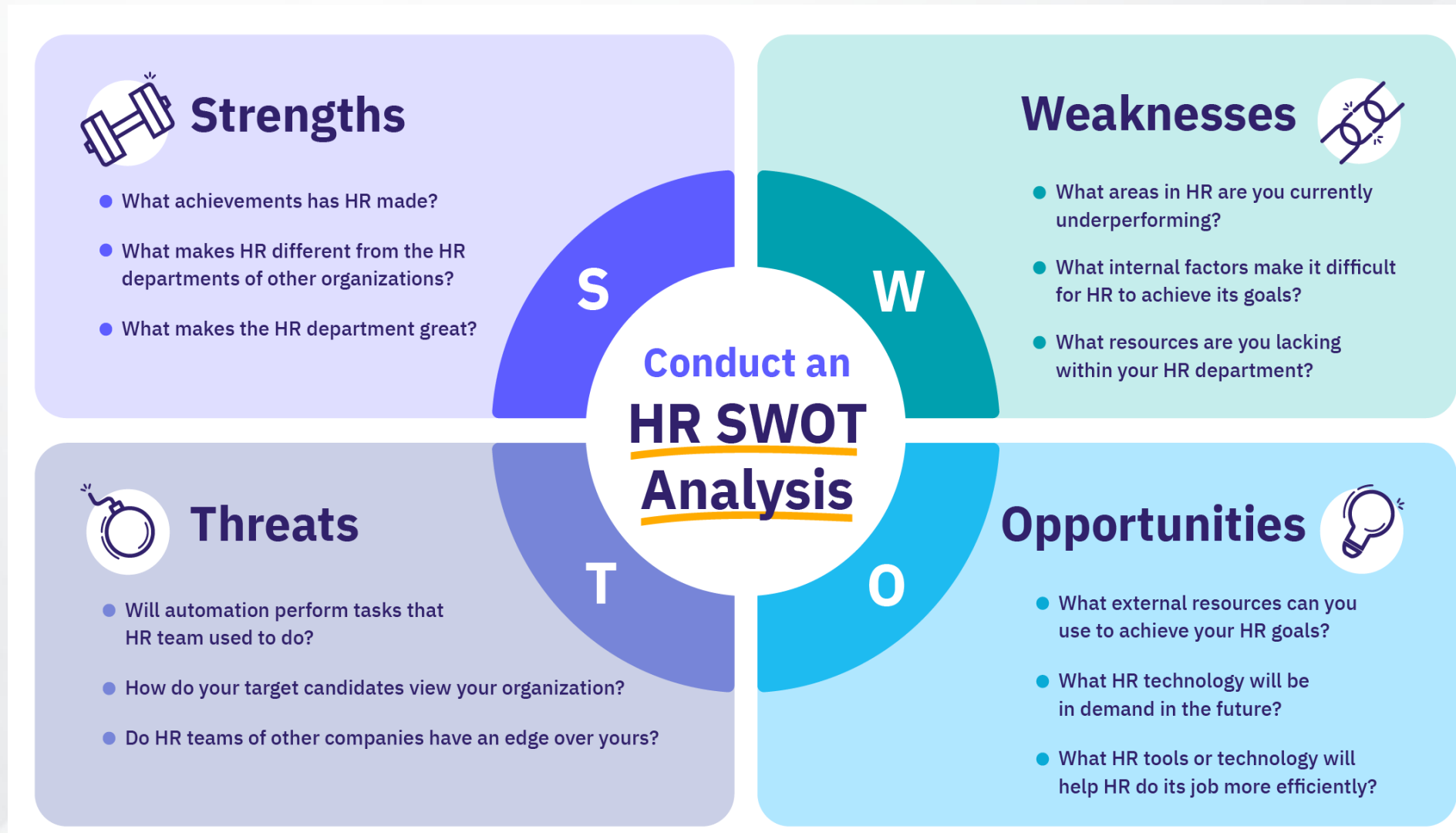


FIGURE 2-6

Internal Assessment of the Organizational Workforce

➤ Auditing Jobs and Skills

- What jobs currently exist? Are they still optimally designed?
- How many people perform each job? Is this ratio efficient?
- How critical is each role to strategic execution?
- What new roles will emerging technologies and strategies require?

Internal Assessment of the Organizational Workforce

➤ **Organizational Capabilities Inventory**

- **HRIS databases**—sources of information about employees' knowledge, skills, and abilities
- **Components of an organizational capabilities inventory**
 - Workforce and individual demographics
 - Individual employee career progression
 - Individual job performance data

Forecasting HR Supply and Demand

Forecasting

- The use of information from the past and present to identify expected future conditions.

Forecasting Methods

○ Judgmental

- Estimates—asking managers' opinions, top-down or bottom-up
- Rules of thumb—using general guidelines
- Delphi technique—asking a group of experts
- Nominal groups—reaching a group consensus in open discussion

Forecasting Methods (cont'd)

○ Mathematical

- Statistical regression analysis
- Productivity ratios—units produced per employee
- Staffing ratios—estimates of indirect labor needs
- AI-powered simulation models – scenario planning for workforce under different business conditions (*mergers, automation adoption, market shifts*)
- Predictive analytics models— using machine learning algorithms to forecast *attrition, performance trends, and future skills gaps*
- Skills intelligence platforms – forecasting future skill requirements based on *industry trends and technology adoption curves.*

Forecasting Periods

- Short-term—**less than one year**
- Intermediate—**up to five years**
- Long-range—**more than five years**

Dynamic/continuous forecasting is increasingly adopted alongside traditional periodic approaches

Estimating Internal Labor Supply for a Given Unit

Current Staffing Level	−	Projected Outflows This Year	+	Projected Inflows This Year	=	Unit's Internal Supply for This Time Next Year
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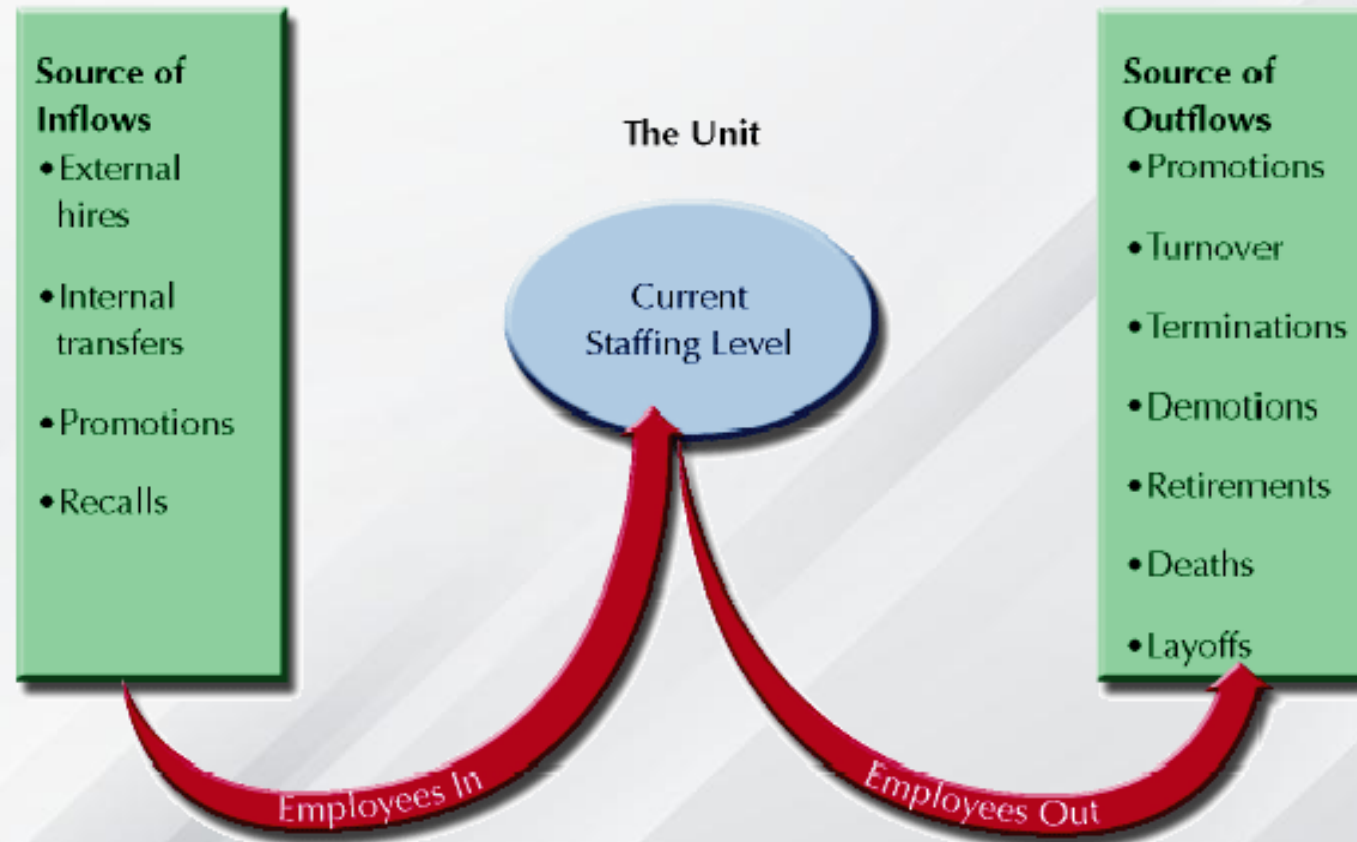


FIGURE 2-7

Managing Human Resource Surplus Or Shortage

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- **Workforce Realignment**
 - “Downsizing”, “Rightsizing”, and “Reduction in Force” (RIF) all mean reducing the number of employees in an organization.



Managing Human Resource

Causes of Downsizing

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- **Economic:** Declining product demand, competitive market-share loss, recessionary conditions.
- **Structural:** technological change (*especially AI-driven task automation*), mergers and acquisitions and digital transformation.
- **New Strategic restructuring:** skills obsolescence, shift to new business models, and post-pandemic workforce reconfiguration (*as seen in tech sector, 2022–2024: Amazon, Meta, Google collectively laid off over 60,000 employees*).

Managing Human Resource Consequences of Downsizing

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- **Positive:** Reduced labor costs, Flatter organizations, potential productivity per employee gains.
- **Negative:**
 - Loss of institutional knowledge, survivor syndrome, reputational damage to employer brand, reduced innovation capacity.
 - Loss of specialized skills and experience – intensified by rapidly evolving skill requirements in AI era

Managing Human Resource Managing Survivors

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How do HRM Manage survivors?

- Provide transparent, honest communication about decisions made and the organization's future direction.
- Actively involve survivors in transition and regrouping activities to restore engagement and trust.
- Survivor guilt and anxiety are well-documented — HR must deploy well-being support, psychological safety initiatives, and re-engagement programs post-downsizing.

Managing Human Resource

Downsizing approaches

What are the Main Downsizing Approaches?

- **Attrition and Hiring Freezes** Not replacing departing employees; cost-effective and humane but slow and difficult to target by skill area.
- **Early Retirement Buyouts** Incentivizing senior employees to leave voluntarily; reduces cost while preserving employer-brand reputation.
- **Layoffs** Involuntary separation; must comply with applicable labor law (UAE Labor Law, EU Directive, US WARN Act). Criteria: seniority, performance, or strategic role criticality.
- **Reskilling and redeployment programs:** Transferring surplus employees to growth areas of the business rather than terminating them; requires agile skills assessment and development.

- **Outplacement services provided to displaced employees to give them support and assistance:**
 - Personal career counseling
 - Resume preparation and typing services
 - Interviewing workshops
 - Referral assistance
 - Severance payments
 - Continuance of medical benefits
 - Job retraining

Assessing HR Effectiveness

• Diagnostic Measures of HR Effectiveness

Category	Metric
Efficiency	HR expense/employee; HR dept. as % of total expenses
Effectiveness	Turnover & absenteeism rates; quality-of-hire scores
Impact	Revenue/profit per employee; employee engagement score
Compliance	Worker's comp. per employee; legal claim rate

Assessing HR Effectiveness

- **HR Audit**

- A formal research effort that evaluates the current state of HR management in an organization
- **Audit areas:**
 - Legal compliance (e.g., EEO, OSHA, ERISA, and FMLA)
 - Current job specifications and descriptions
 - Valid recruiting and selection process
 - Formal wage and salary system
 - Employee handbook
 - Absenteeism and turnover control
 - Grievance resolution process
 - Orientation program
 - Performance management system
 - Benefits
 - Training and development

Using HR Research For Assessment

- **HR Research**

- The analysis of data from HR records to determine the effectiveness of past and present HR practices.

- **Primary Research**

- Research method in which data are gathered first-hand for the specific project being conducted.

- **Secondary Research**

- Research method using data already gathered by others and reported in books, articles in professional journals, or other sources.

HR Performance and Benchmarking

- **Benchmarking**
 - Comparing specific measures of performance against data on those measures in other “best practice” organizations
- **Common Benchmarks**
 - Total compensation as a percentage of net income before taxes
 - Percent of management positions filled internally
 - Dollar sales per employee
 - Benefits as a percentage of payroll cost

SUMMARY

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- **Strategic HR Management Process**
- **HR Strategies and Core Competencies**
- **Global Competitiveness and Strategic HR**
- **Global Organizations and Cultural Factors**
- **Human Resource Planning (HRP)**
- **External and Internal HR Environment Analysis**
- **Forecasting HR Supply and Demand**
- **Managing HR Surplus and Shortage**
- **Downsizing and Workforce Realignment**
- **HR Effectiveness, Metrics, and Audits**

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Thank You