

Human Resource Management

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HRM 611

Lecture 2





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Lecture 2

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Human Resource Management Strategy

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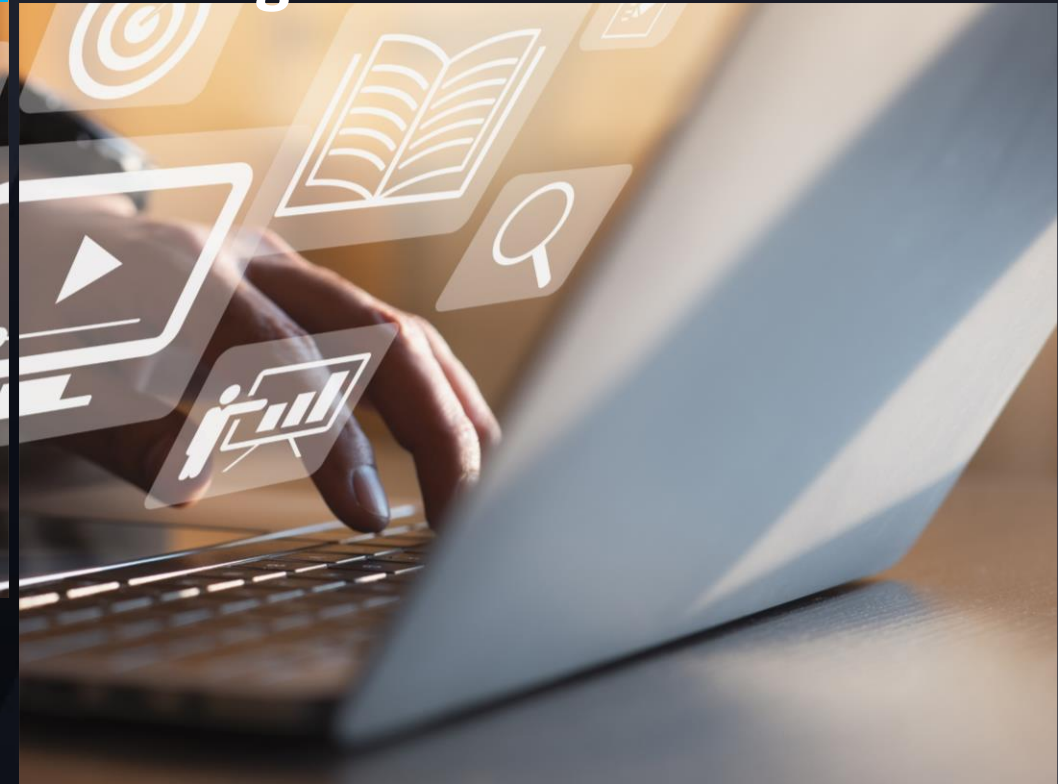
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Introduction to Human Resource Management



In this chapter we look more closely at how managers formulate and implement plans, and how they analyze and evaluate their results.



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LEARNING OUTCOMES

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

The Strategic Management Process

Goal-Setting and the Planning Process

Whether the manager is planning to boost a hotel's profitability or something more ordinary, the basic planning process is the same. It involves setting objectives, making basic planning forecasts, reviewing alternative courses of action, evaluating which options are best, and then choosing and implementing your plan. A plan shows the course of action for getting from where you are to where you want to go in other words, to the goal. Planning is always goal-directed.

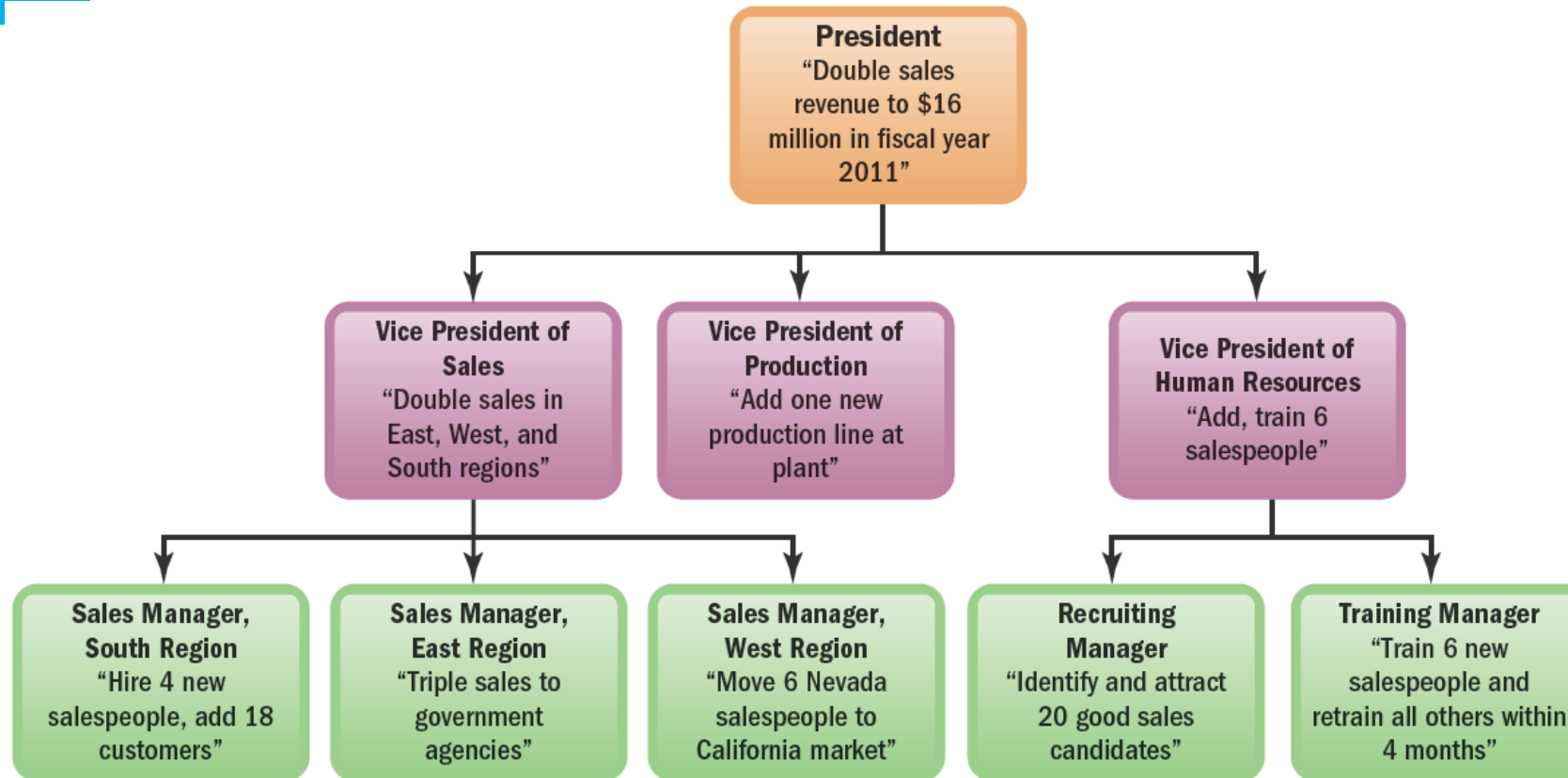
The Strategic Management Process

THE HIERARCHY OF GOALS In companies, it is traditional to view the goals from the top of the firm down to front-line employees as a chain or hierarchy of goals. Figure in the next slide illustrates this. 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 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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Sample Hierarchy of Goals Diagram for a Company



The Strategic Management Process

A **strategic plan** is the company's plan for how it will match its internal strengths and weaknesses with external opportunities and threats in order to maintain a competitive advantage. The essence of strategic planning is to ask, Where are we now as a business, where do we want to be, and how should we get there? The manager then formulates specific (human resources and other) plans to take the company from where it is now to where he or she wants it to be.

A **strategy** is a course of action. The company's long-term plan for how it will balance its internal strengths and weaknesses with its external opportunities and threats to maintain a competitive advantage.

Strategic management is the process of identifying and executing the organization's strategic plan, by matching the company's capabilities with the demands of its environment. Figure next slide sums up the strategic management process.

Business Mission and Its Vision

Vision

A general statement of its intended direction that evokes emotional feelings in organization members.

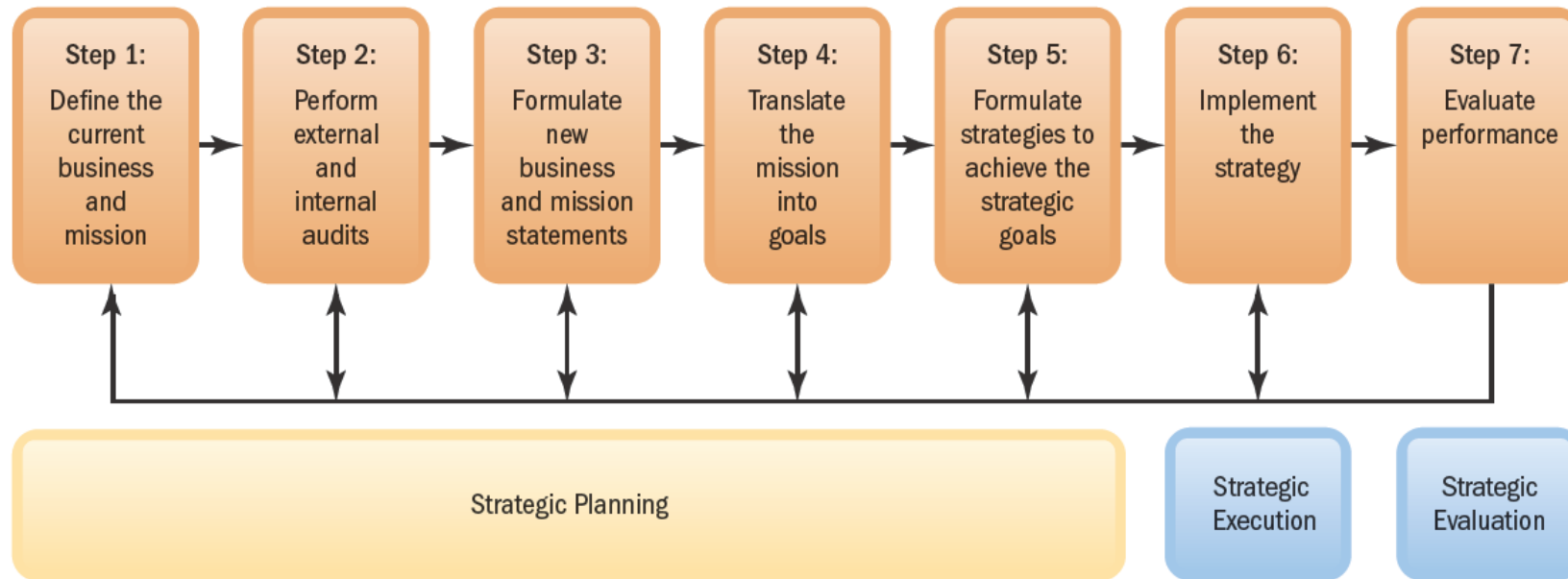
Mission

Spells out who the company is, what it does, and where it's headed.

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The Strategic Management Process



The Strategic Management Process

STEP 1: DEFINE THE CURRENT BUSINESS The logical place to start is by defining one's current business. Specifically, what products do we sell, where do we sell them, and how do our products or services differ from our competitors.

STEP 2: PERFORM EXTERNAL AND INTERNAL AUDITS The next step is to ask, Are we heading in the right direction? No one is immune to competitive pressures. Managers need to audit both the firm's environment, and the firm's strengths and weaknesses.

STEP 3: FORMULATE A NEW DIRECTION Managers sometimes formulate a vision statement to summarize how they see the essence of their business down the road. The vision statement is a general statement of the firm's intended direction; it shows, in broad terms, what we want to become.

STEP 4: TRANSLATE THE MISSION INTO STRATEGIC GOALS Next, translate the mission into strategic objectives. The company and its managers need strategic goals.

A SWOT Chart

SWOT Analysis

The use of a SWOT chart to compile and organize the process of identifying company

Strengths, Weaknesses, Opportunities, and Threats.



The Strategic Management Process

STEP 5: FORMULATE STRATEGIES TO ACHIEVE THE STRATEGIC GOALS

Next, the manager chooses strategies courses of action that will enable the company to achieve its strategic goals.

STEP 6: IMPLEMENT THE STRATEGIES Strategy execution means translating the strategies into action. The company s managers do this by actually hiring (or firing) people, building (or closing) plants, and adding (or eliminating) products and product lines.

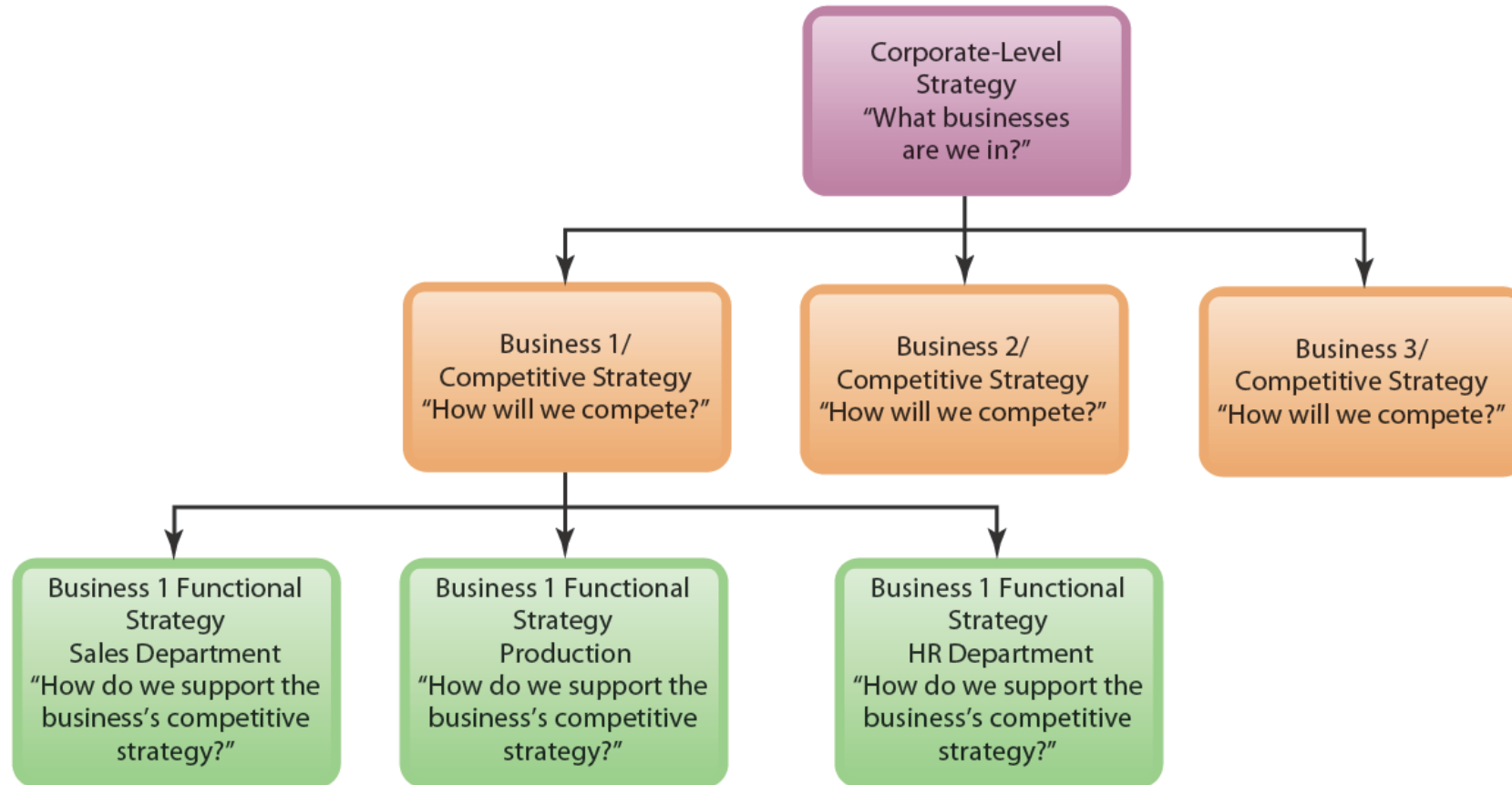
STEP 7: EVALUATE PERFORMANCE Things don t always turn out as planned. continually needs to assess its strategic decisions.

The Strategic Management Process

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.

The Strategic Management Process



The Strategic Management Process

➤ *Corporate-level strategy*

- Identifies the portfolio of businesses that, in total, comprise the company and the ways in which these businesses relate to each other.
 - **Diversification strategy** implies that the firm will expand by adding new product lines.
 - **Vertical integration strategy** means the firm expands by, perhaps, producing its own raw materials, or selling its products direct.
 - **Consolidation strategy** reduces the company's size
 - **Geographic expansion strategy** takes the company abroad.

The Strategic Management Process

➤ *Business-level/competitive strategy*

- Identifies how to build and strengthen the business's long-term competitive position in the marketplace.
 - **Cost leadership:** the enterprise aims to become the low-cost leader in an industry.
 - **Differentiation:** a firm seeks to be unique in its industry along dimensions that are widely valued by buyers.
 - **Focus:** a firm seeks to carve out a market position, and compete by providing a product or service customers can get in no other way.

The Strategic Management Process

➤ *Functional strategies*

- Identify the basic courses of action that each department will pursue in order to help the business attain its competitive goals.

Achieving Strategic Fit

➤ *Michael Porter*

- Emphasizes the “fit” point of view that all of the firm’s activities must be tailored to or fit its strategy, by ensuring that the firm’s functional strategies support its corporate and competitive strategies.

HR and Competitive Advantage

➤ *Competitive advantage*

- Any factors that allow an organization to differentiate its product or service from those of its competitors to increase market share.
- Superior human resources are an important source of competitive advantage

Strategic Human Resource Management

Once a company decides how it will compete, it turns to formulating functional departmental strategies to support its competitive aims. One of those departments is human resource management. Its functional strategies are human resource management strategies.

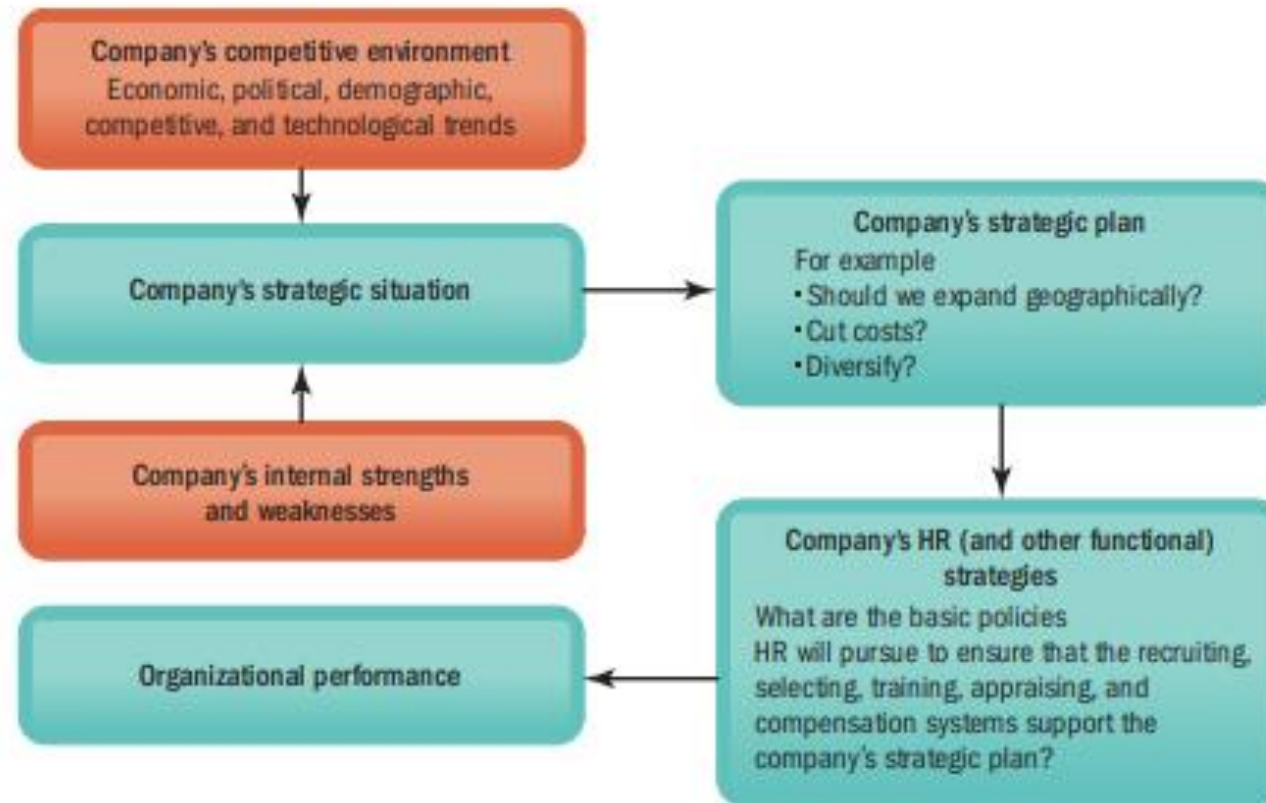
Defining Strategic Human Resource Management

Every company needs its human resource management policies and activities to make sense in terms of its broad strategic aims. Strategic human resource management means *formulating and executing human resource policies and practices that produce the employee competencies and behaviors the company needs to achieve its strategic aims*. Figure next slide shows the link between human resource strategy and the company's strategic plans.

Chapter 02

Strategic Human Resource Management

Linking Company Wide
and HR Strategies



Strategic Human Resource Management Tools

Managers use several tools to translate the company's broad strategic goals into human resource management policies and activities. Three important tools include the strategy map, the HR Scorecard, and the digital dashboard.

STRATEGY MAP The strategy map provides an overview of how each department's performance contributes to achieving the company's overall strategic goals. It helps the manager understand the role his or her department plays in helping to execute the company's strategic plan.

Strategic Human Resource Management Tools

THE HR SCORECARD Many employers quantify and computerize the strategy map's activities. The HR Scorecard helps them to do so. The HR Scorecard is not a scorecard. It refers to a process for assigning financial and nonfinancial goals or metrics to the human resource management related chain of activities required for achieving the company's strategic aims.

Managers use special scorecard software to facilitate this. The computerized scorecard process helps the manager quantify the relationships between (1) the HR activities (amount of testing, training, and so forth), (2) the resulting employee behaviors (customer service, for instance), and (3) the resulting firm-wide strategic outcomes and performance (such as customer satisfaction and profitability).

Strategic Human Resource Management Tools

DIGITAL DASHBOARDS The saying a picture is worth a thousand words explains the purpose of the digital dashboard. A **digital dashboard** presents the manager with desktop graphs and charts, showing a computerized picture of how the company is doing on all the metrics from the HR Scorecard process.

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Strategic Human Resource Management Tools

Three Important Strategic HR Tools

Strategy Map

Graphical tool that summarizes the chain of activities that contribute to a company's success, and so shows employees the "big picture" of how their performance contributes to achieving the company's overall strategic goals.

HR Scorecard

A process for managing employee performance and for aligning all employees with key objectives, by assigning financial and nonfinancial goals, monitoring and assessing performance, and quickly taking corrective action.

Digital Dashboard

Presents the manager with desktop graphs and charts, so he or she gets a picture of where the company has been and where it's going, in terms of each activity in the strategy map.

HR'S Strategic Roles

- *HR professionals should be part of the firm's strategic planning executive team.*
 - Identify the human issues that are vital to business strategy.
 - Help establish and execute strategy.
 - Provide alternative insights.
 - Are centrally involved in creating responsive and market-driven organizations.
 - Conceptualize and execute organizational change.

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Strategic Human Resource Management

Basic Model of How to
Align HR Strategy and
Actions with Business
Strategy

Formulate business strategy
“What are the strategic goals of the business?”



Identify workforce requirements
“What employee competencies and behaviors
must HR deliver to enable the business to
reach its goals?”



Formulate HR strategic policies and activities
“Which HR strategies and practices will
produce these employee competencies and
behaviors?”



Develop detailed HR scorecard measures
“How can HR measure whether it is executing
well for the business, in terms of producing
the required workforce competencies
and behaviors?”

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Strategic Human Resource Management

HR's Strategy Execution Role

The HR department's strategies, policies, and activities must make sense in terms of the company's corporate and competitive strategies, and they must support those strategies.

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Strategic Human Resource Management

HR's Strategy Formulation Role

- HR helps top management formulate strategy in a variety of ways by.
 - Supplying competitive intelligence that may be useful in the strategic planning process.
 - Supplying information regarding the company's internal human strengths and weaknesses.
 - Build a persuasive case that shows how—in specific and measurable terms—the firm's HR activities can and do contribute to creating value for the company.

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Strategic Human Resource Management

Creating a Strategy-oriented HR System

➤ *Components of the HR process*

- HR professionals who have strategic and other skills
- HR policies and activities that comprise the HR system itself
- Employee behaviors and competencies that the company's strategy requires.

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Strategic Human Resource Management

Human Resource Strategies and Policies

Managers call the specific human resource management policies and practices they use to support their strategic aims *human resource strategies*.

Strategic Human Resource Management Tools

Managers use several tools to translate the company's broad strategic goals into human resource management policies and activities. Three important tools include the strategy map, the HR Scorecard, and the digital dashboard.

What Are High-performance Work Systems?

One reason to measure, benchmark, and scientifically analyze human resource management practices is to identify and promote high-performance work practices. A high-performance work system is a set of human resource management policies and practices that together produce superior employee performance.

What are these high-performance work practices? Studies show that high-performance work systems human resource policies and practices do differ from less productive ones.

What Are High-performance Work Systems?

- *High-performance work system (HPWS) practices.*
 - High-involvement employee practices (such as job enrichment and team-based organizations),
 - High commitment work practices (such as improved employee development, communications, and disciplinary practices)
 - Flexible work assignments.
 - Other practices include those that foster skilled workforces and expanded opportunities to use those skills.

The HR Scorecard Approach

➤ *HR scorecard*

- Measures the HR function's effectiveness and efficiency in producing employee behaviors needed to achieve the company's strategic goals.

➤ *Creating an HR scorecard*

- Must know what the company's strategy is.
- Must understand the causal links between HR activities, employee behaviors, organizational outcomes, and the organization's performance.
- Must have metrics to measure all the activities and results involved.

Chapter Summary

1. Strategic planning is important to all managers. All managers personnel and other decisions should be consistent with the goals that cascade down from the firms overall strategic plan. Those goals form a hierarchy, starting with the presidents overall strategic goals (such as double sales revenue to \$16 million) and filtering down to what each individual manager needs to do in order to support that overall company goal.
2. Because each manager needs to make his or her decisions within the context of the company s plans, its important for all managers to understand management planning. The management planning process includes setting an objective, making forecasts, determining what your alternatives are, evaluating your alternatives, and implementing and evaluating your plan.
3. Again, because all managers operate within the framework of their company s overall plans, it's important for all managers to be familiar with the strategic management process.

1. What is the difference between a strategy, a vision, and a mission? Give one example of each.
2. Define and give at least two examples of the cost leadership competitive strategy and the differentiation competitive strategy.
3. Explain how human resources management can be instrumental in helping a company create a competitive advantage.



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Discussion Questions



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Thank You



