

3 Human Resource Management Strategy and Analysis



Learning Objectives

1. Explain why strategic planning is important to all managers.
2. Explain with examples the steps in the strategic planning process.
3. List with examples the main generic types of corporate strategies and competitive strategies.



Learning Objectives

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.
6. Explain the importance of metrics for managing human resources.

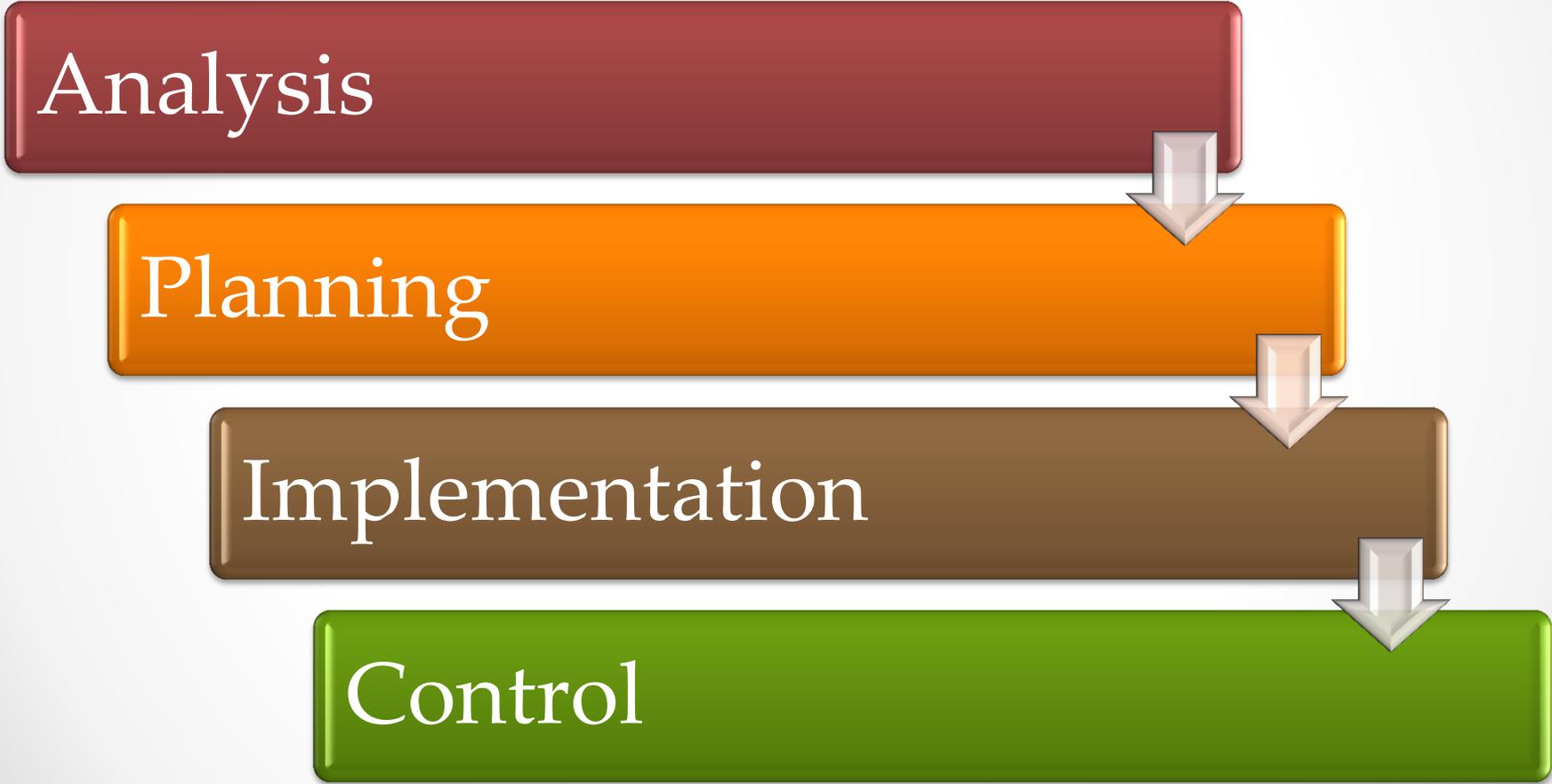


Why Strategic Planning is Important to all Managers



The strategic process

Analysis



Planning

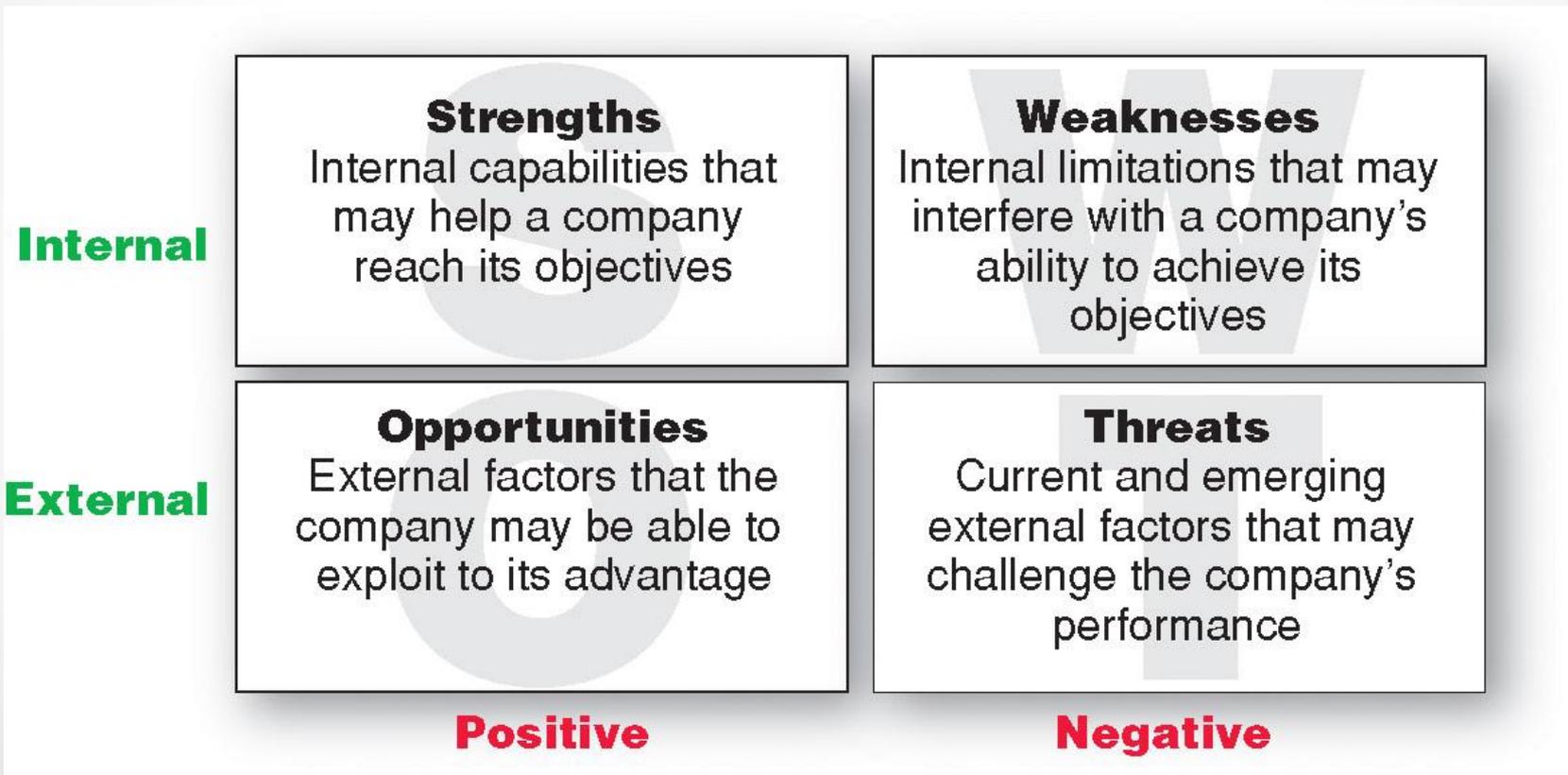
Implementation

Control



Analytical tools

S.W.O.T. Analysis



Analytical tools

PESTLE analysis

- PESTLE is an analytical tool which considers external factors and helps you to think about their impacts



The factors in PESTLE analysis

- **P – Political**

- The current and potential influences from political pressures

- **E - Economic**

- The local, national and world economic impact

- **S - Sociological**

- The ways in which changes in society affect the project

- **T - Technological**

- How new and emerging technology affects our project / organization

- **L - Legal**

- How local, national and global legislation affects the project

- **E - Environmental**

- Local, national and global environmental issues



Companywide Strategic Planning

Strategic Planning

- A **strategic plan** is the company's plan for how it will match its internal strengths and weaknesses with external opportunities and threats.
- A successful strategic plan helps ensure a **competitive advantage**.



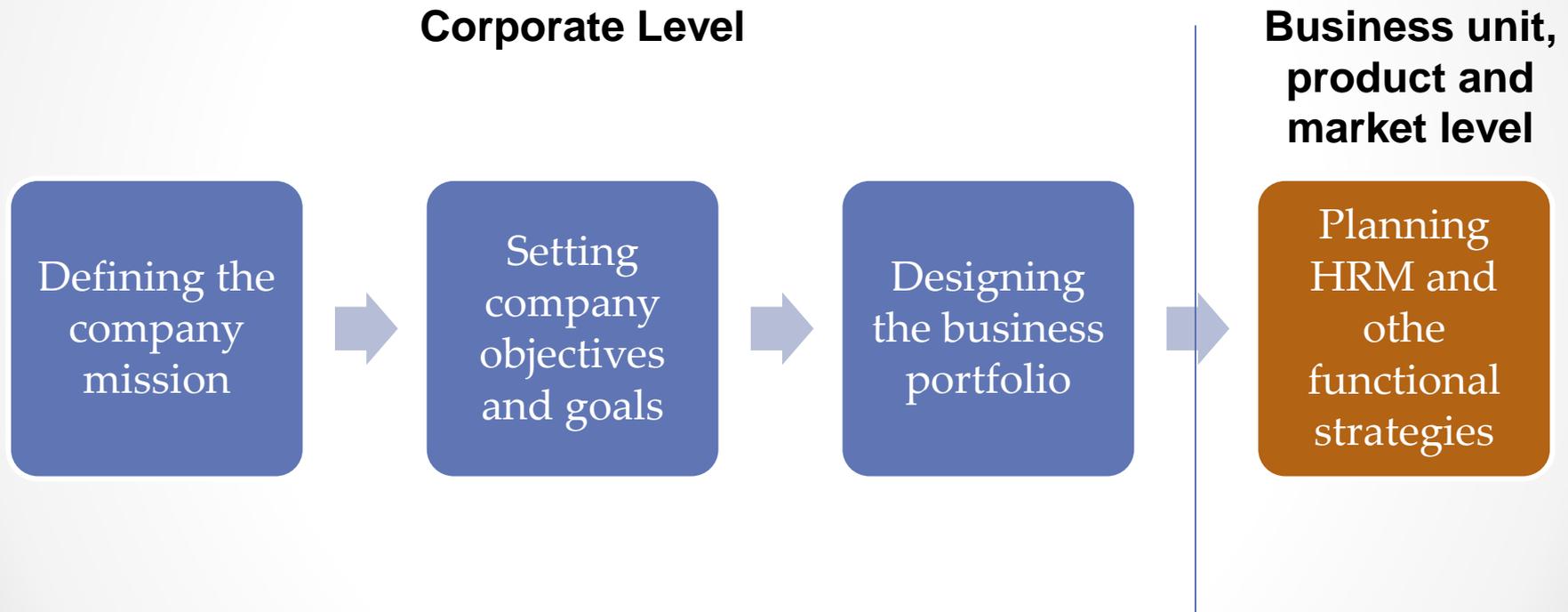
Companywide Strategic Planning

Strategic Planning

Strategic planning is the process of developing and maintaining a strategic fit between the organization's goals and capabilities and its changing marketing opportunities.



Companywide Strategic Planning



Companywide Strategic Planning

Defining a Market-Oriented Mission

- The mission statement is the organization's purpose, what it wants to accomplish in the larger environment
- Market-oriented mission statement defines the business in terms of satisfying basic customer needs



We help you organize the world's information and make it universally accessible and useful.



Companywide Strategic Planning

Setting Company Objectives and Goals

Objectives should always be **SMART**

Specific

Measurable

Achievable

Realistic and Relevant

Time Specific



How to write SMART Objectives

Decide exactly what you expect to create, and how you will recognize it when it comes to be.

Example: “Within the current year we want to hire and train 35 new salespeople”



Companywide Strategic Planning

Designing the Business Portfolio

The business portfolio is the collection of businesses and products that make up the company

Portfolio analysis is a major activity in strategic planning whereby management evaluates the products and businesses that make up the company



Companywide Strategic Planning

Analyzing the Current Business Portfolio

Identify key businesses (strategic business units, or SBUs) that make up the company



Assess the attractiveness of its various SBUs



Decide how much support each SBU deserves



The Main Types Strategy

3 Types of Strategies

Corporate
strategy

Competitive
strategy

Functional
strategy



Corporate Strategies

- Concentration
- Diversification
- Vertical integration
- Consolidation
- Geographic



Corporate Strategies

The corporate strategy question is, “How many and what kind of businesses should we be in?”

- With a **concentration** (single business) corporate strategy, the company offers one product or product line, usually in one market.
- A **diversification** corporate strategy implies that the firm will expand by adding new product lines.



Corporate Strategies

- A **vertical integration** strategy means the firm expands by, perhaps, producing its own raw materials, or selling its products directly to consumers.
- A **consolidation strategy** means the company reduces its size.
- With **geographic expansion**, the company grows by entering new territorial markets.



Competitive Strategies

A competitive strategy identifies how to build and strengthen the business's long-term competitive position in the marketplace.

- **Cost leadership** means becoming the low-cost leader in an industry.
- In a **differentiation strategy**, the firm seeks to be unique in its industry along dimensions that are widely valued by buyers.
- **Focusers** carve out a market niche (like Porsche).



Defining Strategic Human Resource Management with an Example of Strategic Human Resource Management in Practice



Strategic Human Resource Management

- Defining strategic human resource management
- Human resource strategies and policies



HRM Functional Strategy

Strategic Goals

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graph TD; A[Strategic Goals] --> B[Employee need, behaviour and skills]; B --> C[HR policies and practices];
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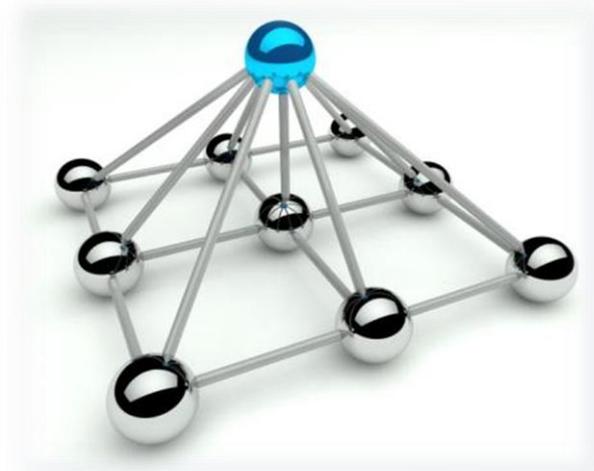
Employee need, behaviour
and skills

HR policies and practices

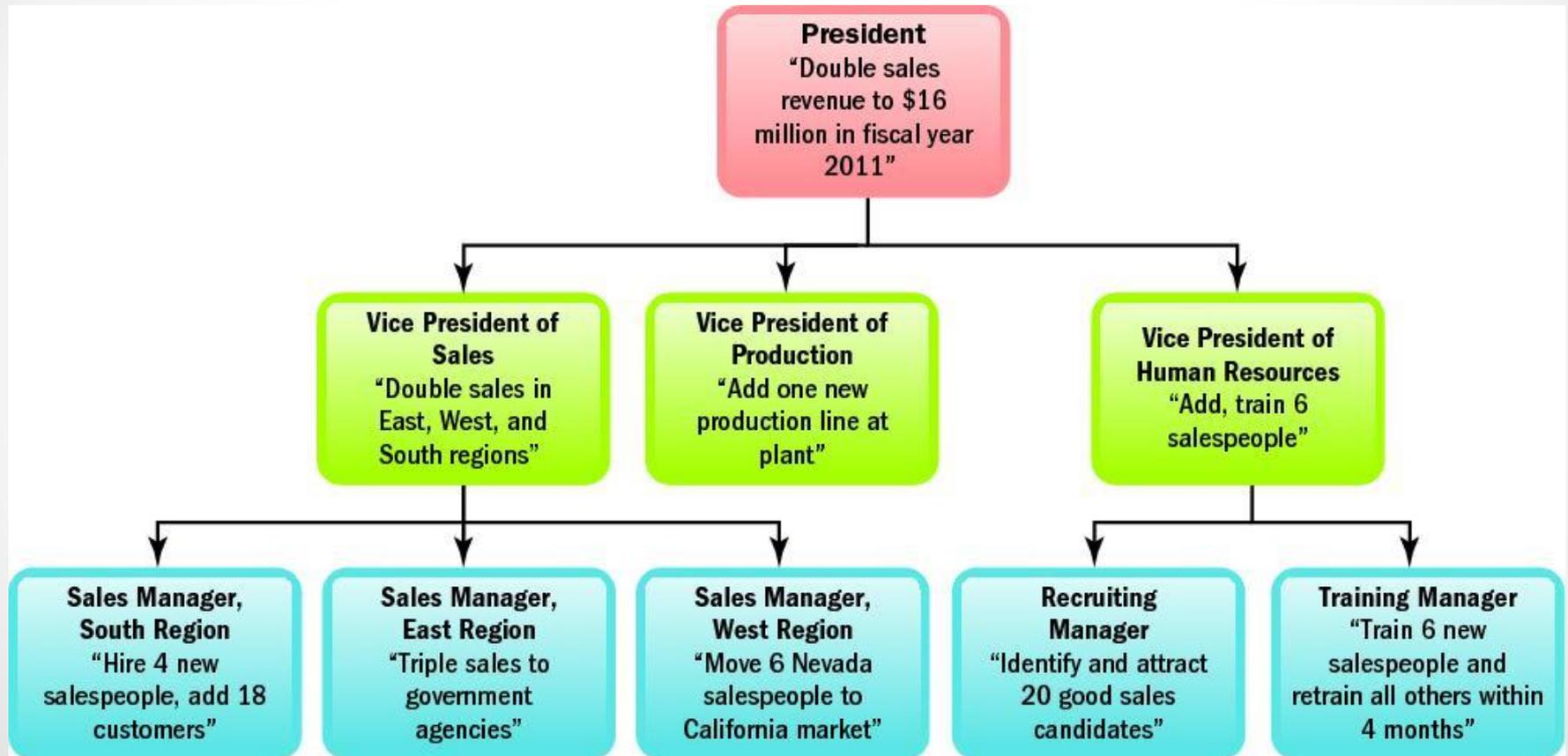


Goal-Setting and the Planning Process

- The hierarchy of goals
- Strategic planning



Example



Management Roles in Strategic Planning

- Top Managers' Role in Strategic Planning
- Departmental Managers' Strategic Planning Roles
 - Devise
 - Support
 - Execution



Develop a strategic plan

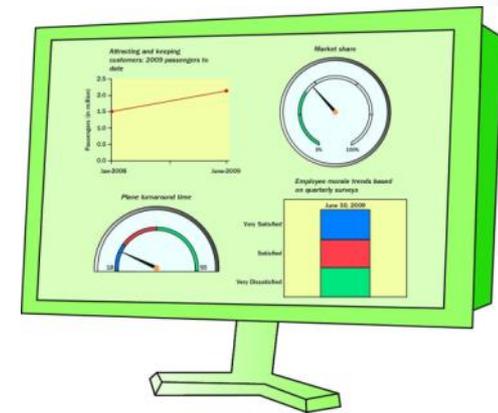
- Analysis (P.E.S.T.E.L./S.W.O.T.)
- Mission statement
- Goals (SMART!)
- **Corporate Strategy** (concentrat.; diversific., vertical integrat., consolidat., geographic expans.)
- **Competitive strategy** (cost leadership, differentiat., focus)
- **Functional strategy** for HRM (goals, hiring, behaviour and skills, policies and practices)



Three Important Strategic Human Resource Management Tools

Strategic Human Resource Management Tools

- Strategy map
- The HR scorecard
- Digital dashboards



Why Metrics are Essential for Managing Human Resources



HR Metrics and Benchmarking

- HR metrics
 - Types of metrics
- Benchmarking



Measuring Effectiveness Using HR Metrics

- **HR Metrics = Specific measures as HR performance indicators.**
 - Demonstrate HR's value and track its performance.
- **Characteristics of good HR metrics:**
 - Accuracy.
 - Linked to strategic and operational objectives.
 - Clear calculations.
 - Meet information needs.
 - Can be compared internally and externally
 - Can be used to drive HR management efforts



Examples of Strategic and Operational HR Metrics

| Strategic | Operational |
|--|--|
| <ul style="list-style-type: none">● Revenue generated per FTE● Net income before taxes per FTE● Ratio of managers to non-managers● Labor costs as percentage of total operating costs● ROI of human capital expenditures● HR department expenses as percentage of total expenses● Payroll/benefits costs as percentage of revenues | <ul style="list-style-type: none">● Annual turnover rate● Benefits costs as percentage of payroll● Training expenditures per FTE● Average time to fill openings● Workers' compensation costs per FTE● Number of applicants per opening● Absenteeism by employee level/department |

Note: FTE equals one employee working full-time one year.



Measures of Strategic HR Effectiveness

- **Return on Investment (ROI)**
 - Calculation showing the value of expenditures for HR activities.

$$\text{ROI} = \frac{C}{A + B}$$

A = Operating costs for a new or enhance system for the time period

B = One-time cost of acquisition and implementation

C = Value of gains from productivity improvements for the period



Metrics Calculator

- <http://www.shrm.org/templatestools/samples/metrics/pages/default.aspx>



Strategy and Strategy-Based Metrics

- Workforce/talent analytics
- Data mining
- HR audits
- Evidence-based HR
 - The scientific method
- Why should a manager be scientific?



High-performance Work Systems

- High-performance human resource policies and practices

