

PREFACE:

The actual topic summarizes the strategic planning process and how it drives the organizational activities and outline how strategic HR management is linked to the organizational strategies.

1- STRATEGIC HR MANAGEMENT AND PLANNING

The strategy an organization follows is its proposition for how to compete successfully and thereby survive and grow. Several different approaches to strategy formation exist. Most organizations have a relatively formal process for developing a written strategy encompassing a 5-year period with objectives and goals for each unit.

Strategic decisions relate to using resources in such a way that the organization can outperform its competitors. Organizations seek to achieve and maintain a competitive advantage in the marketplace by delivering high-quality products and services to their customers in a way that competitors cannot duplicate. Strategies might include revising existing products, acquiring new businesses, or developing new products or services using existing capabilities. Other strategic approaches might be to maintain a secure position with a single stable product (like WD-40) or to emphasize a constant stream of new products (like Apple). These are all viable strategies for different businesses, but the strategies chosen will determine the number, nature, and capabilities of people needed in the organization. Further, the people already in the organization may limit the strategies that might be successful.

Regardless of which specific strategies are adopted for guiding an organization, having the right people in the right place at the right time will be critical to make the overall strategies work. If a strategy requires worker skills that are currently not available in the company, it will require time to find and hire people with those skills. Strategic HR management entails providing input into organizational strategic planning and developing specific HR initiatives to help achieve the organizational goals. While it seems important to consider HR in the overall organizational strategy, estimates are that only 30% of HR professionals are full strategic partners. Their primary role remains that of providing input to top management.

Although HR administrative and legally mandated tasks are important, strategic HR means adding value by improving the performance of the business. Some businesses are highly dependent on human capital for a competitive advantage; others are less so. For example, the productivity of a steel mill depends more on the efficiency of furnaces and quality of raw materials than on human resources. However, every business strategy must be carried out by people, and therefore human capital is a vital element to business success.

1-1 Strategic Planning

Strategic planning is the process of defining an organizational strategy, or direction, and making decisions on allocating the resources of the organization (capital and people) to pursue this strategy. Successful organizations engage in this core business process on an ongoing basis. The plan serves as the roadmap that gives the organization direction and aligns resources.

The process involves several sequential steps that focus on the future of the organization.

Figure 07: Strategic Planning Process



1-2 Strategy Formulation

The strategic planning cycle typically covers a 5-year time frame, and management considers both internal and external forces when formulating the strategic plan. **Figure 07** shows the strategic planning process for the organization³⁷.

The guiding force behind the strategic planning process is the organizational mission, which is the core reason for the existence of the organization and what makes it unique. The mission statement is usually determined by the organizational founders or leaders and sets the general direction for the organization.

The planning process begins with an assessment of the current state of the business and the environmental forces that may be important during the planning cycle. Analysis of the strengths, weaknesses, opportunities, and threats (SWOT) is a typical starting point because it allows managers to consider both internal and external conditions; the analysis helps managers to formulate a strategic plan that considers the organizational ability to deal with the situation at hand.

The planning process is an ongoing cycle with managers continuously monitoring and responding to changes in the environment and competitive conditions.

Managers then determine the objectives for the planning cycle and formulate organization-level strategies to accomplish those objectives. Each function within the organization then formulates strategies that will link to and support the organization-level strategies. The strategic plan is evaluated periodically because conditions may change and managers must react to the ever-changing environment. Strategic HR management refers to the use of human resource management (HRM) practices to gain or keep a competitive advantage. Talent acquisition, talent deployment, talent development, and rewarding talent are all strategic HRM approaches that can impact the organizational ability to achieve its strategic objectives³⁹. The focus of HR initiatives is evolving from a traditional emphasis to a strategic emphasis, as detailed in **Figure 8**. Because business strategies affect HR plans and policies, consideration of human resource issues should be part of the strategy formulation process. Strategic HR deals with the contributions that HR strategies make to achieving organizational effectiveness and competitive advantage and how these HR contributions are accomplished. Therefore, HR should be involved in implementing strategies that affect and are influenced by people.

An important element of strategic HRM is to develop processes in the organization that help align individual employee performance with the organizational strategic objectives. When employees understand the organizational priorities, they can better contribute by applying their skills to advance the organizational strategic goals. Employees who understand the “big picture” can make decisions that will contribute to the objectives of the firm. HRM practices that facilitate this include talent development and reward systems that channel employee efforts toward the organizational bottom line.

Figure 08: Traditional HR versus Strategic HR

FOCUS	TRADITIONAL HR	STRATEGIC HR
View of organization	<ul style="list-style-type: none"> • Micro • Narrow skill application 	<ul style="list-style-type: none"> • Macro • Broad skill application
Critical skills	<ul style="list-style-type: none"> • Organization • Administration • Compliance • Transactional • Tactical 	<ul style="list-style-type: none"> • Strategic • Planning • Diagnostic • Analytical (metrics) • Consultative
View of employees	<ul style="list-style-type: none"> • Head count • Cost-based • Exploitable resource 	<ul style="list-style-type: none"> • Contributors • Asset-based • Critical resource
Planning outlook	<ul style="list-style-type: none"> • Short-term • Low-risk • Traditional: utilizes tried-and-true approaches 	<ul style="list-style-type: none"> • Long-term • High-risk • Experimental: tries novel approaches
HR systems and practices	<ul style="list-style-type: none"> • Routine, traditional • Reactive • Responds to stated needs 	<ul style="list-style-type: none"> • Adaptive, innovative • Anticipatory, proactive • Recognizes unstated needs
Education and training	<ul style="list-style-type: none"> • Traditional HRM generalists and specialists • Other specialties 	<ul style="list-style-type: none"> • Business acumen • Comprehensive HRM body of knowledge • Organizational development

2- STRATEGIC COMPETENCIES FOR HR PROFESSIONALS

The HR professional wears many hats and must possess a wide variety of skills to successfully contribute at the strategic planning table. The following six primary strategic competencies are critical for HR professionals:

2-1 Credible Activist

challenges assumptions and offers a point of view.

2-2 Culture and Change Steward

shapes the organizational culture, makes changes happen.

2-3 Talent Manager/Organization Designer

acquires and deploys talent, embeds capabilities into the organizational structure.

2-4 Strategy Architect

Recognizes business trends, forecasts potential obstacles to business success, and builds overall strategy.

2-5 Operational Executors

Efficiently and effectively carries out tactical HR activities.

2-6 Business Ally

Understands the business value chain, and establishes internal partnerships with line managers.

3- OPERATIONALIZING HR MANAGEMENT

Strategies Specific HR management strategies depend on the strategies and plans of the organization. **Figure 9** highlights some common areas where HR should develop and implement appropriate strategies. to contribute in a meaningful way in the strategic planning process, HR professionals provide the perspective and expertise to managers by performing the following functions:

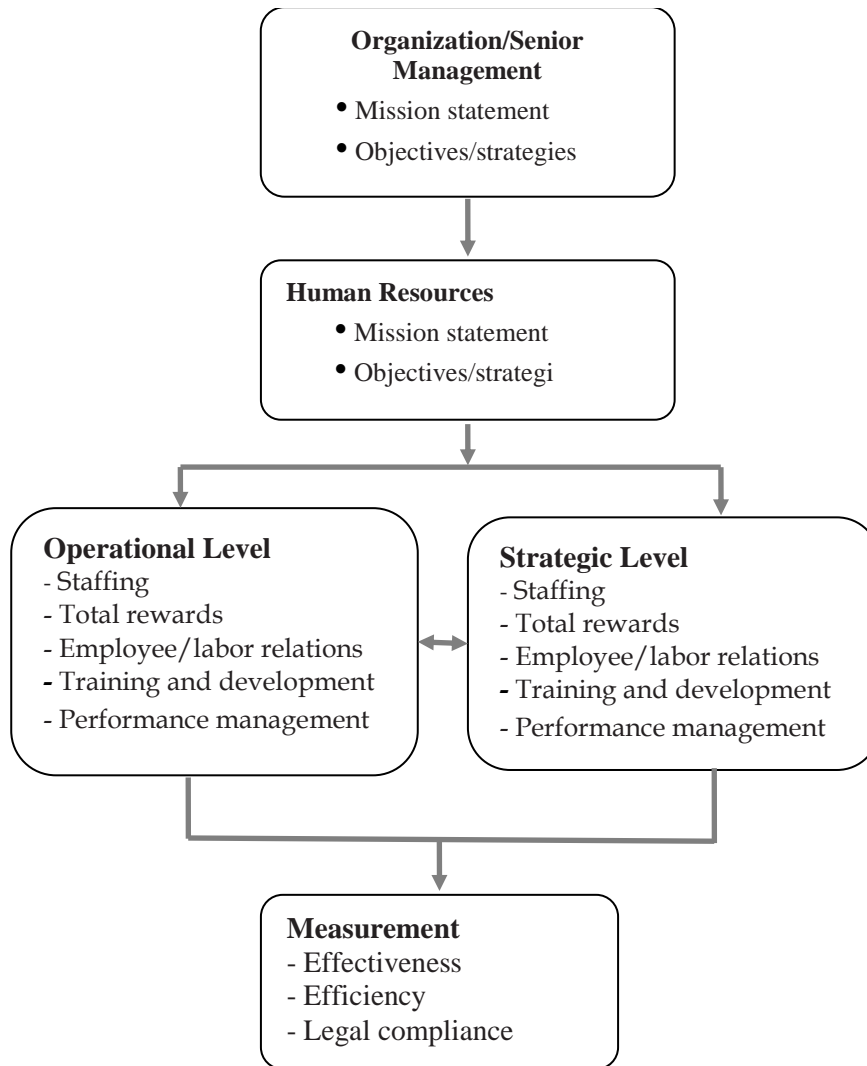
- **Understand the business:** Knowing the financials and key drivers of business success are important to understanding the need for certain strategies.
- **Focus on the key business goals:** Programs that have the greatest relevance to business objectives should get priority.
- **Know what to measure:** Metrics are a vital part of assessing success, which means picking those measures that directly relate to the business goals.
- **Prepare for the future:** Strategic thinking requires preparing for the future, not focusing on the past-except as a predictor of the future.

3-1 HR as Organizational Contributor

In organizations where there are identifiable core competencies related to people, HR practices play a significant strategic role in enhancing organizational effectiveness. Effective management of talent provides managers with high-quality human resources to carry out the organizational strategies. Strategic HR management plays a significant role in the following strategies:

- Organizational productivity.
- Customer service and quality.
- Financial contributions.

Figure 09: Strategic Human Resource Management



3-2 High-Performance Work Practices

A wide array of data from both academics and consulting firms shows that HR practices really do make a significant difference to business outcomes.

The examples will illustrate how HR strategies that foster these practices pay off for both employers and employees. Some recognized HR best practices include:

- **Incentive compensation:** Pay-for-performance systems that tie employee rewards directly to successful performance of job responsibilities.
- **Training:** Talent development programs to ensure that all employees have the proper knowledge, skills, and abilities to perform their jobs and to grow with the organization.
- **Employee participation:** Soliciting and using employee ideas and suggestions to give employees a sense of importance and value to the organization.

- **Selectivity:** Setting stringent hiring standards to maintain a high level of quality when bringing employees into the organization.
- **Flexible work arrangements:** Providing alternative work schedules to help employees balance their personal and professional lives.

Organizations that implement such practices have increased return on assets by 5% and reduced employment turnover by 20%. Research has also shown that market value, return on equity, and other operational performance measures are better in organizations that adopt high-performance work practices.

3-3 HR Effectiveness and Financial Performance Effectiveness

For organizations is a measure of the ability of a program, project, or task to produce a specific desired effect or result that can be measured.

Efficiency is the degree to which operations are done in an economical manner. Efficiency can also be thought of as a short-term measure that compares inputs and costs directly against outputs and benefits. HR management and financial executives work together to make certain that HR practices contribute financially to organizational effectiveness.

There are many different ways of measuring the financial contributions of HR and many challenges associated with doing so. Return on investment (ROI) is a common measure used by financial professionals to assess the value of an investment. For example, if a firm invests \$20,000 for a supervisory training program, what does it gain in lower worker compensation costs, lower legal costs, higher employee productivity, and lower employee turnover?

The benefits of HR programs are not always immediately visible which is what makes measuring HR's impact such a challenge. However, efforts should be made to financially assess HR practices.