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


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

<table>
<thead>
<tr>
<th><strong>Internal</strong></th>
<th><strong>External</strong></th>
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</thead>
<tbody>
<tr>
<td><strong>Strengths</strong></td>
<td><strong>Weaknesses</strong></td>
</tr>
<tr>
<td>Internal capabilities that may help a company reach its objectives</td>
<td>Internal limitations that may interfere with a company’s ability to achieve its objectives</td>
</tr>
<tr>
<td><strong>Opportunities</strong></td>
<td><strong>Threats</strong></td>
</tr>
<tr>
<td>External factors that the company may be able to exploit to its advantage</td>
<td>Current and emerging external factors that may challenge the company’s performance</td>
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**Positive**  **Negative**
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
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.
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

Corporate Level

- Defining the company mission
- Setting company objectives and goals
- Designing the business portfolio

Business unit, product and market level

- Planning HRM and other functional strategies
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
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

1. Identify key businesses (strategic business units, or SBUs) that make up the company
2. Assess the attractiveness of its various SBUs
3. 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
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

- Cost leadership
- Differentiation
- Focus
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

Employee need, behaviour and skills

HR policies and practices
Goal-Setting and the Planning Process

- The hierarchy of goals
- Strategic planning
Example

President
“Double sales revenue to $16 million in fiscal year 2011”

Vice President of Sales
“Double sales in East, West, and South regions”

Vice President of Production
“Add one new production line at plant”

Vice President of Human Resources
“Add, train 6 salespeople”

Sales Manager, South Region
“Hire 4 new salespeople, add 18 customers”

Sales Manager, East Region
“Triple sales to government agencies”

Sales Manager, West Region
“Move 6 Nevada salespeople to California market”

Recruiting Manager
“Identify and attract 20 good sales candidates”

Training Manager
“Train 6 new salespeople and retrain all others within 4 months”

Rome Business School
Management Roles in Strategic Planning

• Top Managers’ Role in Strategic Planning

• Departmental Managers’ Strategic Planning Roles
  o Devise
  o Support
  o Execution
Develop a strategic plan

- Analysis (P.E.S.T.E.L./S.W.O.T.)
- Mission statement
- Goals (SMART!)
- **Corporate Strategy** (concentration.; diversification., vertical integration., consolidation., geographic expansion.)
- **Competitive strategy** (cost leadership, differentiation., 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.
  o Demonstrate HR’s value and track its performance.

• Characteristics of good HR metrics:
  o Accuracy.
  o Linked to strategic and operational objectives.
  o Clear calculations.
  o Meet information needs.
  o Can be compared internally and externally
  o Can be used to drive HR management efforts
## Examples of Strategic and Operational HR Metrics

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<tr>
<th>Strategic</th>
<th>Operational</th>
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<tr>
<td>● Revenue generated per FTE</td>
<td>● Annual turnover rate</td>
</tr>
<tr>
<td>● Net income before taxes per FTE</td>
<td>● Benefits costs as percentage of payroll</td>
</tr>
<tr>
<td>● Ratio of managers to non-managers</td>
<td>● Training expenditures per FTE</td>
</tr>
<tr>
<td>● Labor costs as percentage of total operating costs</td>
<td>● Average time to fill openings</td>
</tr>
<tr>
<td>● ROI of human capital expenditures</td>
<td>● Workers’ compensation costs per FTE</td>
</tr>
<tr>
<td>● HR department expenses as percentage of total expenses</td>
<td>● Number of applicants per opening</td>
</tr>
<tr>
<td>● Payroll/benefits costs as percentage of revenues</td>
<td>● Absenteeism by employee level/department</td>
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</tbody>
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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
  o The scientific method
• Why should a manager be scientific?
High-performance Work Systems

• High-performance human resource policies and practices