WEEK TWO
Strategic HRM

- HRM and Organisational Strategy
- Optimising the performance of an organisation's Human Resources
- The purposes, processes and limitations of HR planning
- High Performance Working

Organisations

INTRODUCTION

Setting of organizational objectives is the starting point of managerial actions. An organisation's end results for which an organization strives is termed as "mission", purpose, objective, goal, target etc. Many times these terms are used interchangeably as all these denote end results.

OBJECTIVES OF ORGANISATIONS

- **Strategic Objectives (goals)**
  Strategic goals set out the direction of the organisation; they are a statement of its priorities in the medium to long term. Everything the organisation does should be related back to a strategic goal.

  Strategy is the planning and processes put in place to achieve the long term goals of the organisation to maintain competitive advantage.

- **Operational Objectives**
  Operational objectives are detailed, costed and timed plans of what the organisation will do to meet each strategic goal. Operational objectives are set out in the plan for the organisation, typically over a twelve-month period.

MISSION STATEMENTS

A Mission Statement defines the organization's purpose and primary objectives. Its prime function is internal – to define the key measure or measures of the organization's success – and its prime audience is the leadership team and stockholders. Mission statements are the starting points of an organisation's strategic planning and goal setting process. They focus attention and assure that internal and external stakeholders understand what the organization is attempting to accomplish.

MISSION AND PURPOSE

Mission and purpose are used interchangeably, though at theoretical level, there is a difference between two. Mission has external orientation and relates the organization to the society in which it operates. A mission statement helps the organization to link its activities to the needs of the society and legitimize its existence. Purpose is also externally focused but it relates to that segment of the society to which it serves; it defines the business which the institution will undertake.

Human Resources and Organisational Strategy

Human Resources Management is how you manage the people in your organisation. How the interface between them is managed can drastically change how an organisation functions.

Hard versus soft people management

The word "strategy" has a military origin and for many it implies an authority-driven top-down approach similar to how a General might command his troops. Employees are a resource, to be utilised in the way that is best for the organisation.

Hard People Management

In this top-down hard management style the decision making capabilities of the organisation are held by a few individuals at the top. This hard strategic management also has a significant downside in that it takes little account of the people in the organisation.

Soft People Management

In "soft" people management more value is attributed to the organisation's members. Employees can be proactive and make real changes in the organisation. In return the organisation has more motivated and dedicated staff.

As a strategic model the soft approach has potential issues in direction and focus. It takes a lot more time to establish group consensus, assuming that one can be reached, than it does for an individual to make a decision.

Understanding the Strategic Role of HR

The fundamental role of HRM is essentially to maximize profitability, quality of work life and profits through effective management of people (Cascio, 2003).

Given this premise, it can be easily said that HR's role is to help create value to the organization. In today's business environment, organizations need to be constantly evaluating their internal and external environment for challenges and opportunities to remain competitive and to sustain growth. Political, economic, social, and even psychological changes within our societies create significant impact on organizations. Given any significant change or event, how ready is the organization to react in order to remain competitive?

So what is Strategic Human Resource Management (SHRM)?

Strategic Human Resource Management (strategic HRM, or SHRM) may be regarded as an approach to the management of human resources in the organisation that provides a strategic framework to support long-term business goals and outcomes. The approach is concerned with

longer-term people issues and concerns about structure, quality, culture, values, commitment and matching resources to future need.

Strategy determines the direction in which the organization is going in relation to its environment. It is the process of defining intentions (strategic intent) and allocating or matching resources to opportunities and needs (resource‑based strategy), thus achieving strategic fit between them.

Business strategy is concerned with achieving competitive advantage. The effective development and implementation of strategy depends on the strategic capability of the organization, which will include the ability not only to formulate strategic goals, but also to develop and implement strategic plans through the process of strategic management.

Competitiveness refers to a company's ability to maintain and gain market share in its industry. A firm's human resource management practices can help to support the company's business strategy and provide services the customer values. The value of a product or service is determined by its quality and how closely the product fits customer needs.

Competitiveness is related to company effectiveness, which is determined by whether the company satisfies the needs of stakeholders. Stakeholders are groups affected by the business practices. Important stakeholders include;
1. stockholders, who want a return on their investment;
2. customers, who want a high-quality product or service; and employees, who desire interesting work and reasonable compensation for their services.
3. The community, which wants the company to contribute to activities and projects and minimize pollution of the environment, is also an important stakeholder.

Companies that do not meet stakeholders' needs are unlikely to have a competitive advantage over other firms in their industry.

Varying perspectives on the Roles of Human Resources Management in organisations:

- HR's roles in building a competitive organization include management of strategic human resources, management of transformation and change, management of firm infrastructure and management of employee contribution (Ulrich, 1997a).

- In the role of Players, according to Ulrich & Beatty, HR contributes to the profitability of the organization, they deliver results and they do things to make a difference. The roles of players are to a) coach b) design, c) construct, d) change the organization, e) creating followers, and f) playing by the rules.

- Another perspective on the role of HRM suggests that in leading-edge companies, HR professionals play four key roles: a) strategic business partners, b) innovators, c) collaborators, and d) facilitators (Schueler & Jackson, 2000)

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As a strategic business partner, HR professionals should understand the nature of the business from strategic, operational, financial, and other aspects necessary to be part of an effective team managing an organization. Functioning as an innovator, HR professionals are challenged to continuously search for strategies that will create value for the organization and not merely function in a reactionary mode. Furthermore, HR professionals will also serve as collaborators with senior leaders and all employees to implement business strategies forming the strategic link throughout the organization. As facilitators, HR professionals function as the change agent providing rationale, support, and readiness for planned changes designed to support the business strategies.

Optimising the performance of an organisation's Human Resources

What is HR Optimisation and Process Re-engineering

In a world of rapid flux, organizations must change their priorities from a traditional focus on planning and control to emphasize speed, innovation, flexibility, quality, service and cost. The HR team has to demonstrate their commitment to meet these key business drivers. A major problem confronting HR managers today is to increase line management and employee productivity, provide higher more value-adding levels of HR service and internal customer responsiveness and at the same time reduce costs. What is needed is a HR team that is customer-focused and market-driven in its external relations with customer and process-focused and team-oriented in its internal operations. Only such a HR team can look at the way work is performed across the organization and seek to make HR processes more logical, effective and efficient. Such an effort is at the heart of HR Optimisation and Process Re-engineering.

Over the past few years, the term re-engineering has been heavily misused, and simply abused. In essence, HR Optimization and HR Process Re-engineering is the fundamental rethinking and radical redesign of business process to bring about dramatic improvements in performance. There are four key words in this definition:

"Rethinking" – it refers to total rethinking. Beginning with the proverbial clean slate and reinventing how you would do your HR work.
"Radical" – means going to the root of things and not about improving what already exists.
"Process" – refers to a group of related tasks that together create a value for internal customers"Process" – refers to a group of related tasks that together create a value for internal customers
"Dramatic" – significantly increased labour productivity; simplifying the work; reduced cost; rapidly reduced cycle time; greater accuracy and management of information, reduce non-value added activity in the organisation; creating internal customer and end-user awareness; increased internal customer satisfaction.

HR Optimisation is an important service quality management philosophy. It aims to achieve significant and sustainable improvements in performance by re-engineering and „co-designing" the processes through which an organisation operates, maximising their value-added content and minimising everything else. This approach can be applied at an individual process level or to the whole organisation.

Requirements of a Successful HR Optimisation Project

There are a number of critical success factors that have been identified by leading HR practitioners:

- Listen to the voice of the internal customers and end user;
- Introduce service quality values and behaviour;
- Recognise and articulate an extremely compelling need to change;
- Start with and maintain executive level support;
- Understand the organisations readiness to change;
- Communicate effectively to create buy-in then communicate more;
- Create a powerful project and internal customer team;
- Use a structured HR re-engineering framework;
- Select the right processes for re-engineering;
- Use consultants effectively to access essential skills;
- Maintain focus on the issues that matter most to the internal customers and end-users; don"t try to re-engineer too many processes;
- Maintain teams as the key vehicle for change;
- Quickly come to an „As-Is" understanding of the HR processes to be re-engineered;
- Position information technology as an enabler;
- Choose and use the right HR process and people outcome metrics;
- Understand the project risks and develop contingency plans;
- Be willing to change – based on customer needs and ongoing feedback;
- Be prepared to learn and continuously improve.

Why Process Re-engineering Projects Fail?
The most common reasons for failure are:

- Lack of focus and priority – trying to do too much;
- Lack of strategic relevance;
- Lack of leadership
- Lack of focus on processes;
- Lack of perseverance;
- Placing some aspects of HR activity off limits;
- Lack of planning;
- Lack of effective project risk management;
- Lack of effective change management;
- Ignoring the concerns of your people.

Before an organisation undertakes a HR optimisation project, it is important to recognise the most typical obstacles preventing the smooth completion of the project, for instance:

- Management not buying into the idea;
- No clear owner of the programme;
- Failure to consider end user and internal customer requirements;
- Change of project sponsor before completion of the programme;
- Programme taking too long; loss of interest;
- Not involving the right staff in the HR process re-engineering;
- Conflicting objectives of the organisation;
- Project team not measuring issues it agreed to address;
- Programme causing too much disruption of work; not seen as relevant work.

Benefits of HR Optimisation

Optimising the HR processes can demonstrate to the stakeholders of the business commitment to customer-driven continuous improvement.

- The success achieve through optimization will give the HR team the confidence to stretch further.
- The HR teams will develop new skills in using multi-disciplinary teams;
- The HR Team will develop new skills in working with a rigorous process
- The HR Team will develop new skills in measuring performance to create a lasting capacity for positive change.

Is Benchmarking Useful in HR Process Redesign?

Benchmarking promotes a climate for change by allowing HR staff and employees to gain an understanding of their performance, what their HR processes and practices are achieving now and how they compare to other processes within and beyond their organisation in order that they become aware of what they could achieve. There are four types of benchmarking that can be undertaken by an organisation:

- Internal company data
- Direct competitors
- Non-competitive benchmarking
- Best practice world class comparison

Leading companies are conducting benchmarking on a regular basis and using it as a stimulus to help transform HR and business performance.

The purposes, processes and limitations of HR planning

Businesses grow based on the work performed by the employees of the company. Companies rely on their human resource departments to build the workforce that will drive the business in the future.

Human resource planning involves the hiring, development and retention of employees in the achievement of organizational goals. This includes analysis of the current workforce and how it aligns with future employment needs. By planning for the future, human resources creates action plans aimed to satisfy organizational goals.

What is HR Planning?

Human resource planning involves recruiting the best employees, training those employees and developing those employees for the future.

Purpose/Aims of Human Resources Planning

Human resources planning is directed mainly at filling positions in a timely and appropriate manner and ensures that staff can handle unanticipated situations that arise as the company evolves.

Aspects of HR Planning

Hiring. Hiring is a vital aspect of human resources planning because it provides the gateway for bringing in new employees and choosing individuals suited to the company's culture and activities. When hiring, your human resources department can look for an applicant who specifically fits the job criteria or someone who is the most versatile individual. The former approach is safe and relatively predictable, while the latter approach more effectively prepares your company for changing markets and circumstances such as new products and new challenges.

Staffing. The staffing aspect of human resources planning is important for an organization because it ensures that individual employees are delegated responsibilities suited to their skills and proclivities. When creating a schedule, your human resources department can schedule employees for job responsibilities that specifically fit their experience and skill sets or assign them to situations that build skills and expand their comfort zones. The former approach meets immediate needs, but the latter approach more effectively prepares your organization for new challenges.

Benefits. Human resources planning with respect to benefits ensures that your workforce will be satisfied and stay with your company long enough to build skills and knowledge. Your employees are arguably your company's most important resource because they develop insights, experience and innovations that are collectively greater than the contribution of any single individual. Benefits such as health insurance and matching IRA contributions can be expensive, but it can be even more expensive to lose employees and rebuild your company's knowledge base from scratch.

Troubleshooting. Few companies function smoothly all the time and this is fortunate because new challenges arise from trying new products and services and entering new markets. Troubleshooting is important for human resources planning because it enables your company to hire individuals who can deal with unforeseen circumstances. In addition, a human resources department engages in troubleshooting of its own by adjusting staffing needs and schedules as circumstances change and key employees move on or request scheduling adjustments because of shifting personal circumstances.

Objectives for Human Resources Planning

Consider Future Workforce. Organizations use strategic planning to achieve goals. This relates to the organization's vision, mission and strategic objectives. An organization must analyze its future employment needs. If an organization decides it must increase productivity by 25 percent, it may need to grow its workforce by 2 percent. If an organization wants to increase market share by moving offices into new locations, it must consider the human resource requirements.

Analyze Current Workforce. With future workforce needs considered, human resource planning must analyze the competency of the present workforce. Comparing future needs with current workforce strengths and abilities will identify gaps or surpluses.

Future Preparation. Considering workforce surpluses and deficits, human resources must prepare action plans for the workforce. This includes identifying the type and number of employees needed, employee competency, budget considerations, recruiting and retaining measures, and the development and training of employees.

Evaluation Process. Ensuring objectives are being met by the future workforce requires an evaluation process. This will determine if the workforce is adequate to satisfy strategic goals. Planning for this process now will more easily and quickly identify future workforce gaps or surpluses.

Steps in Human Resources Planning

1. **Designing the Management System.** A crosscutting issue in human resource planning is to ensure that a proper system is in place to handle the process. The overall aim of this system is to manage human resources in line with organizational goals. The system is in charge of human resource plans, policies, procedures and best practices. For example, the system should track emerging human resource management trends, such as outsourcing certain non-core functions, adopting flexible work practices and the increased use of information technology, and, if appropriate, implement them.

2. **Environmental Analysis.** The first step in the human resource planning process is to understand the context of human resource management. Human resource mangers should understand both internal and external environments. Data on external environments includes the following: the general status of the economy, industry, technology and competition; labor market regulations and trends; unemployment rate; skills available; and the age and sex distribution of the labor force. Internal data required include short- and long-term organizational plans and strategies and the current status of the organization's human resources.

3. **Forecasting Human Resource Demand.** The aim of forecasting is to determine the number and type of employees needed in the future. Forecasting should consider the past and the present requirements as well as future organizational directions. Bottom-up forecasting is one of the methods used to estimate future human resource needs by gathering human resource needs of various organizational units.

4. **Analyzing Supply**. Organizations can hire personnel from internal and external sources. The skill inventories method is one of the techniques used to keep track of internal supply. Skill inventories are manual or computerized systems that keep records of employee experience, education and special skills. A forecast of the supply of employees projected to join the organization from outside sources, given current recruitment activities, is also necessary.

5. **Reconciliation and Planning**. The final step in human resource planning is developing action plans based on the gathered data, analysis and available alternatives. The key issue is that the plans should be acceptable to both top management and employees. Plans should be prioritized and their key players and barriers to success identified. Some of these plans include employee utilization plan, appraisal plan, training and management development plan and human resource supply plan.

Limitations of HR Planning

Human resource planning identifies the number of people required by an organization in terms of quantity and quality. All human resource management activities start with human resource planning. So we can say that human resource planning is the principle/primary activity of human resource management. Although HRP is a very advantageous method it has some limitations which can be explained as follows

1. **The future is uncertain.** The future in any country is uncertain i.e. there are political, cultural, technological changes taking place every day. This affects the employment situation. Accordingly the company may have to appoint or remove people. Therefore HRP can only be a guiding factor. It is very difficult to ascertain the future manpower requirements of an organization, the future is always uncertain. As such the predictions are bound to go wrong.

2. **Conservative attitude of top management.** Much top management adopts a conservative attitude and is not ready to make changes.

3. **Problem of surplus staff**. HRP gives a clear out solution for excess staff i.e. Termination, layoff. However when certain employees are removed from company it mostly affects the psyche of the existing employee, and they start feeling insecure, stressed out and do not believe in the company. This is a limitation of HRP i.e. it does not provide alternative solution like re-training so that employee need not be removed from the company.

4. **Time consuming activity**. HRP collects information from all departments, regarding demand and supply of personnel. This information is collected in detail and each and every job is considered. Therefore the activity takes up a lot of time.

5. **Expensive process**. The solution provided by process of HRP incurs expense. E.g. overtime, etc. company has to spend a lot of money in carrying out the activity. Hence we can say the process is expensive. The recruitment and selection process is time consuming and requires the services of experts to conduct. This can all add to the cost.

High Performance Working

The way in which people are managed at work makes a difference to organizational performance. There is now considerable evidence that a coherent approach to managing people provides the basis for significant performance gains. Recently, a new approach to managing organizations has emerged that places people and their skills center-stage. This approach is known as 'High Performance Working'.

High Performance Working and involves securing greater employee involvement and commitment in order to achieve high levels of performance.

The precise form this takes varies, but it includes;
- activities in human resource management (e.g. pay and incentives, appraisal, workforce development),
- work organization (e.g. team working and job design),
- employment relations,
- management and leadership (including strategic management and business development as well as line management),
- organisational development.

In high performance workplaces all of these policies and practices are underpinned by a philosophy of people management that emphasizes autonomy, participation and learning. Many organizations are already taking a high performance working approach and are reaping the benefits of doing so, but for those who have not, it can sometimes seem a costly and daunting possibility. Despite the evidence of gains, the perceived difficulty of adopting such comprehensive change can be a real barrier.

WHAT ARE HIGH PERFORMANCE WORK PRACTICES?

High performance work practices are not radical 'new practices', they are simply work practices that can be deliberately introduced in order to improve organisational performance. Those organisations that adopt HPWPs are referred to as 'High performance work organisations' (HPWOs).

The concepts of HPWOs and HPWPs may be unfamiliar to some businesses. However, the practices associated with HPWOs are unlikely to be new. Many of the staff that use and implement HPWPs would not necessarily see themselves as in the vanguard of modern

Management practices, but merely as implementing what they see as 'common sense good practices'. These practices include appraisals, flexible working and other practices that deliver business results.

A widely accepted definition of HPWPs is that they are a set of complementary work practices covering three broad areas. These broad areas are sometimes referred to as **'bundles' of practice**:

1. High employee involvement practices –e.g. self-directed teams, quality circles and sharing/access to company information.

2. Human resource practices – e.g. sophisticated recruitment processes, performance appraisals, work redesign and mentoring.

3. Reward and commitment practices – e.g. various financial rewards, family friendly policies, job rotation and flexi hours.

Many factors are driving changes in organizations today including

- the use of technology,

- globalization,

- changes in workforce demographics,

- eliminating the bureaucracies in organizational structures, and

- balancing work-family issues.

Positive aspects of HR

- HR is the key source of creating the competitive advantage for the organization.
- HR contribute to the profitability of the organization
- HR deliver results through people and they do things to make a difference.

There are some negative aspects of HR. HR;

- has to bear the burden of blame if an employee performs poorly.
- can make some policies that may be detrimental to the Company.
- manages the human aspect of resources within an organisation and contributes approximately eighty percent of the organisation's value. This implies that if people are not managed properly, the organisation faces a serious chance of falling apart.

Improvements can be made to HRM can be done by

- arranging training for staff members
- organising activities for the organisation, and
- changing organisational culture.

The importance of people as a key organisational resource:

Research has shown that the human aspect of resources within an organisation contributes approximately eighty percent of the organisation's value.

> This implies that if people are not managed properly, the organisation faces a serious chance of falling apart. The Human Resource Department's main objective is to bring out the best in their employees and thus contribute to the success of the Company.

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