Functional Area #1:
HR Strategic Planning

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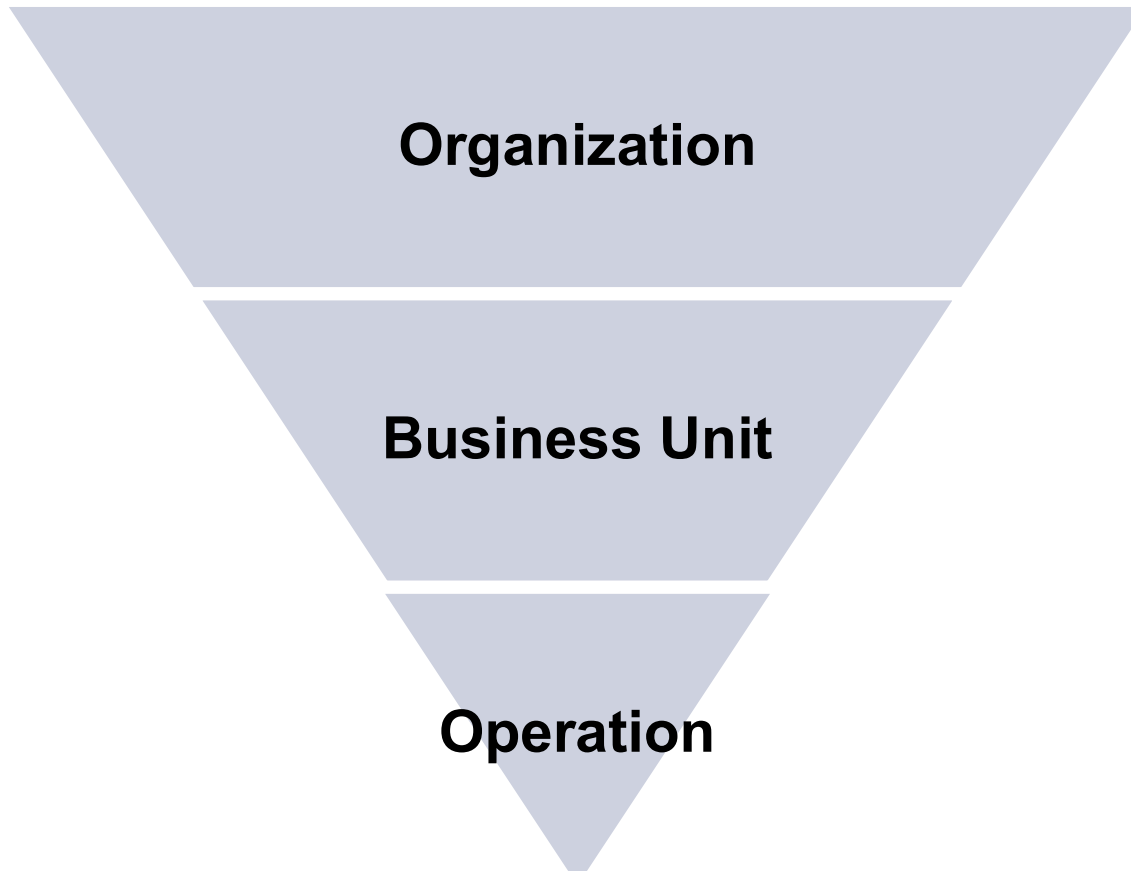
Strategy

Strategy is…

- A long-range plan of action oriented to achieving defined goals.

- Created and refined through a **strategic planning** process.

- Implemented through **strategic management.**

Levels of Strategy

Organization

Business Unit

Operation

- Strategic planning is repeated at each level with increasing focus and specificity.

- Business unit and operational strategies are closely aligned with the organizational strategy to better support its implementation.

Critical Success Factors
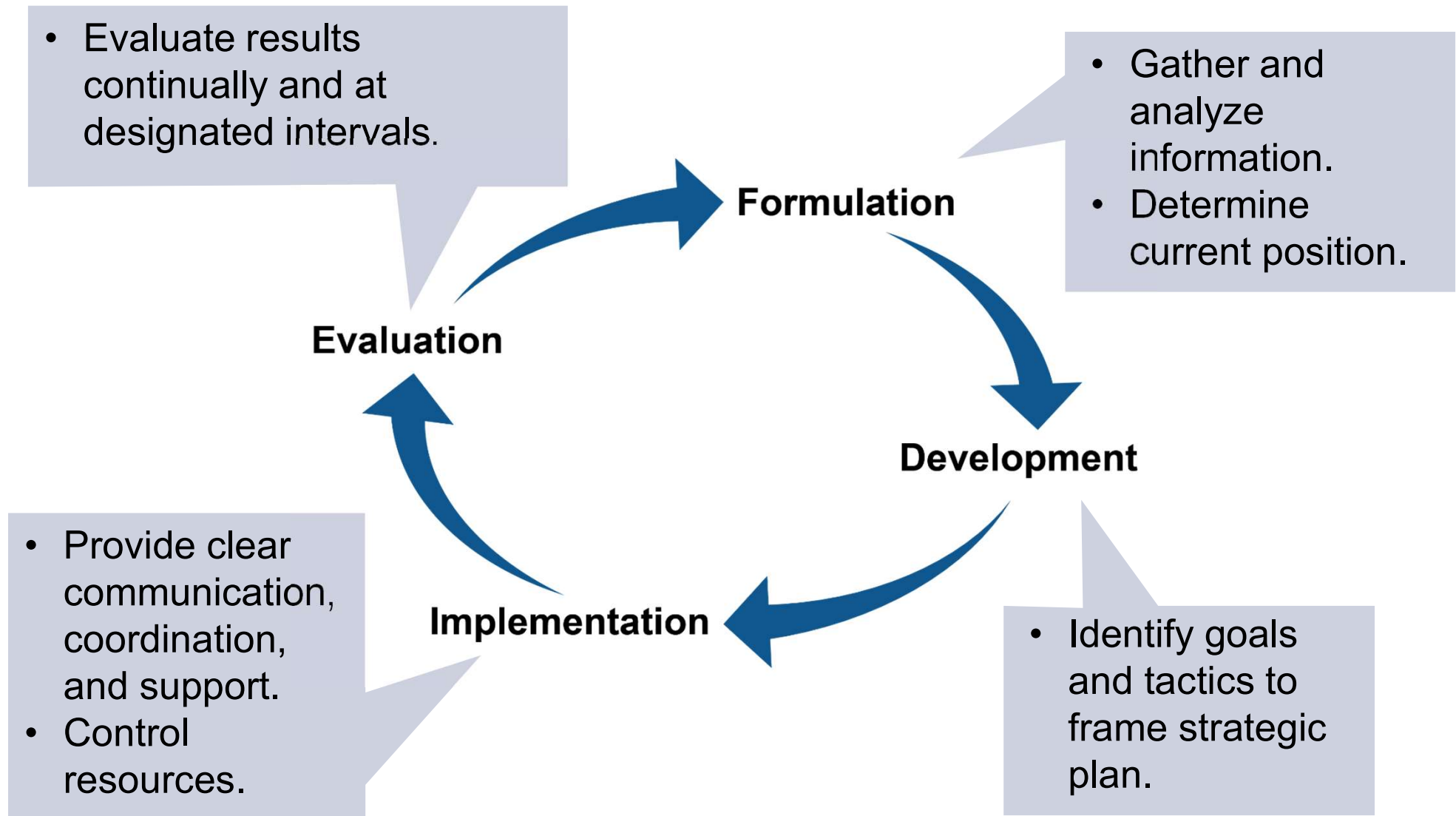
- ✓ **Alignment of effort**

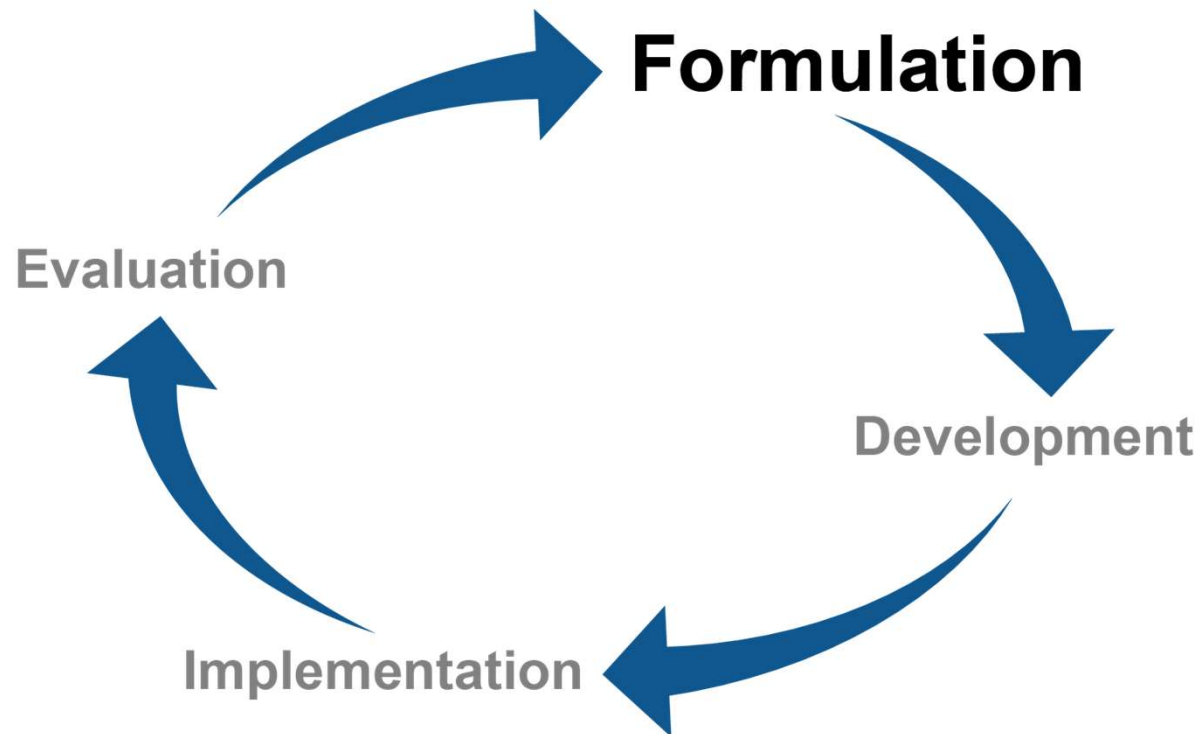- ✓ **Control of drift**

- ✓ **Focus on core competencies**

Strategic Planning and Management Process

- Evaluate results continually and at designated intervals.

- Gather and analyze information.
- Determine current position.

Formulation

Evaluation

Development

Implementation

- Provide clear communication, coordination, and support.
- Control resources.

- Identify goals and tactics to frame strategic plan.

Formulating Strategy

Formulation

Evaluation

Development

Implementation
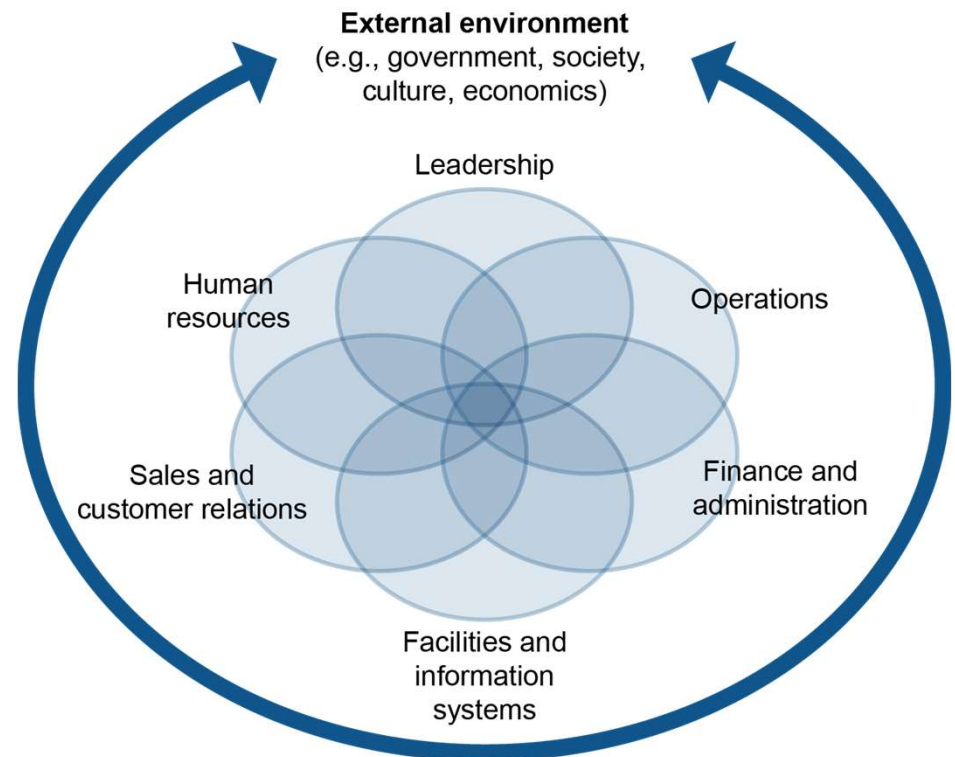
Deepening one's understanding of the organization and its internal and external environments and opportunities and challenges

Systems Theory

- Strategic planning and management requires systems thinking. The challenge is to coordinate interacting and sometimes interdependent parts to achieve strategic goals.

External environment
(e.g., government, society, culture, economics)

Leadership

Human resources

Operations

Sales and customer relations

Finance and administration

Facilities and information systems

IPO Model

An input-process-output (IPO) model is often used to analyze actions.

Inputs → Process → Outputs

Inputs can include internal and external constraints as well as organizational resources and external conditions. All of these inputs can affect the outcome.

Environmental Scanning

Systematic survey and interpretation of relevant internal and external data to:

- Identify external threats and opportunities.
- Strengthen strategic plans and goals.

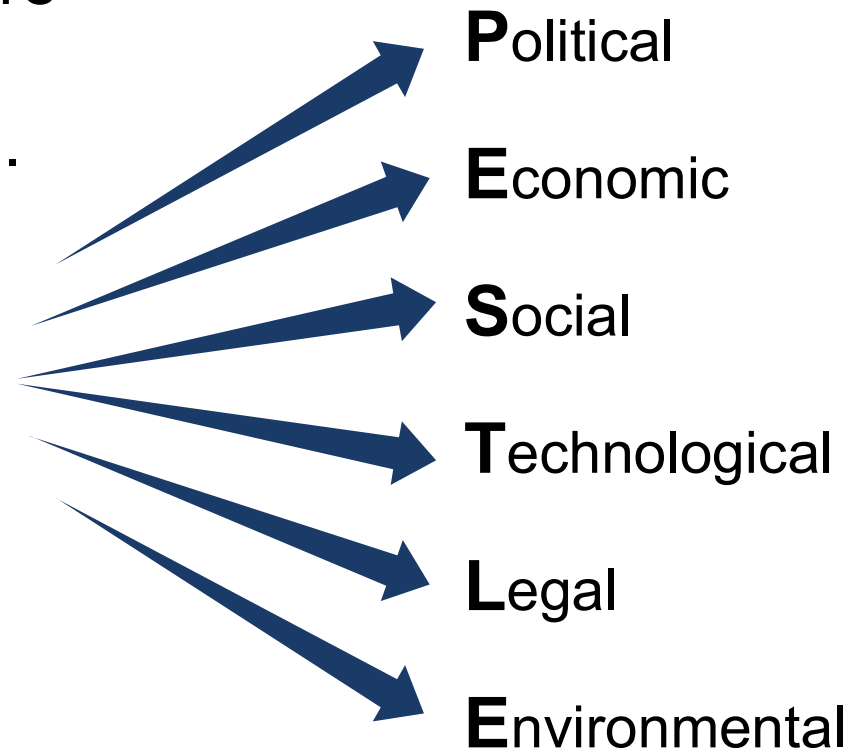✓ PESTLE analysis

✓ Growth-share matrix

✓ SWOT analysis

✓ Scenario analysis

PESTLE Analysis

- Systematic search for environmental forces organized under specific categories.

- PESTLE can be used for the entire enterprise, for individual units or functions, or for specific activities.
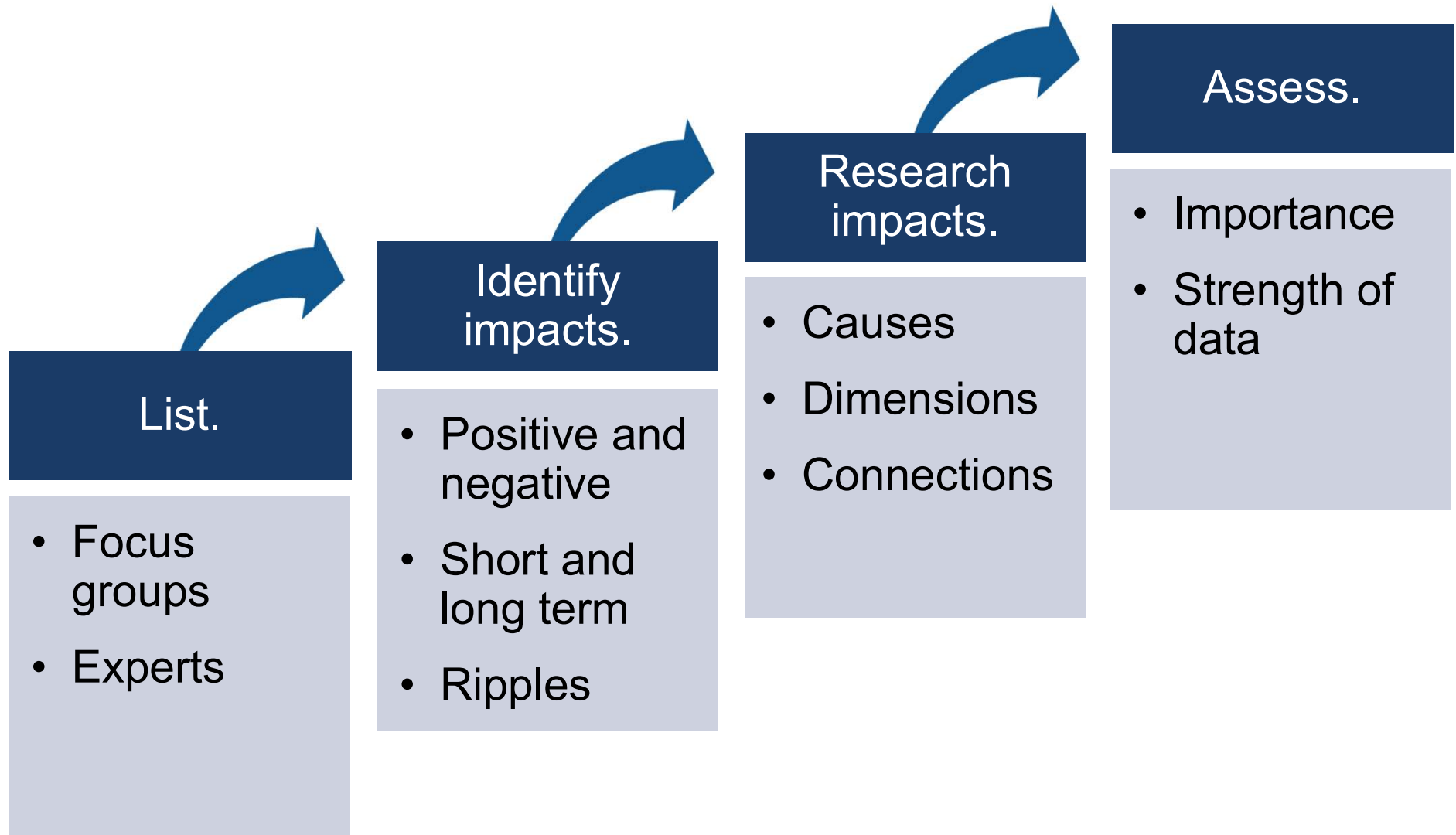
PESTLE

Political

Economic

Social

Technological

Legal

Environmental

PESTLE Process

List.
- Focus groups
- Experts

Identify impacts.
- Positive and negative
- Short and long term
- Ripples

Research impacts.
- Causes
- Dimensions
- Connections

Assess.
- Importance
- Strength of data

SWOT Analysis

- Uses data to assess strategic capabilities in comparison to threats and opportunities identified during environmental scanning.

- Can be performed for organizations, functions, initiatives.

- Can be applied to specific HR activities.

Internal **S**trengths

Internal **W**eaknesses

SWOT

External **O**pportunities

External **T**hreats
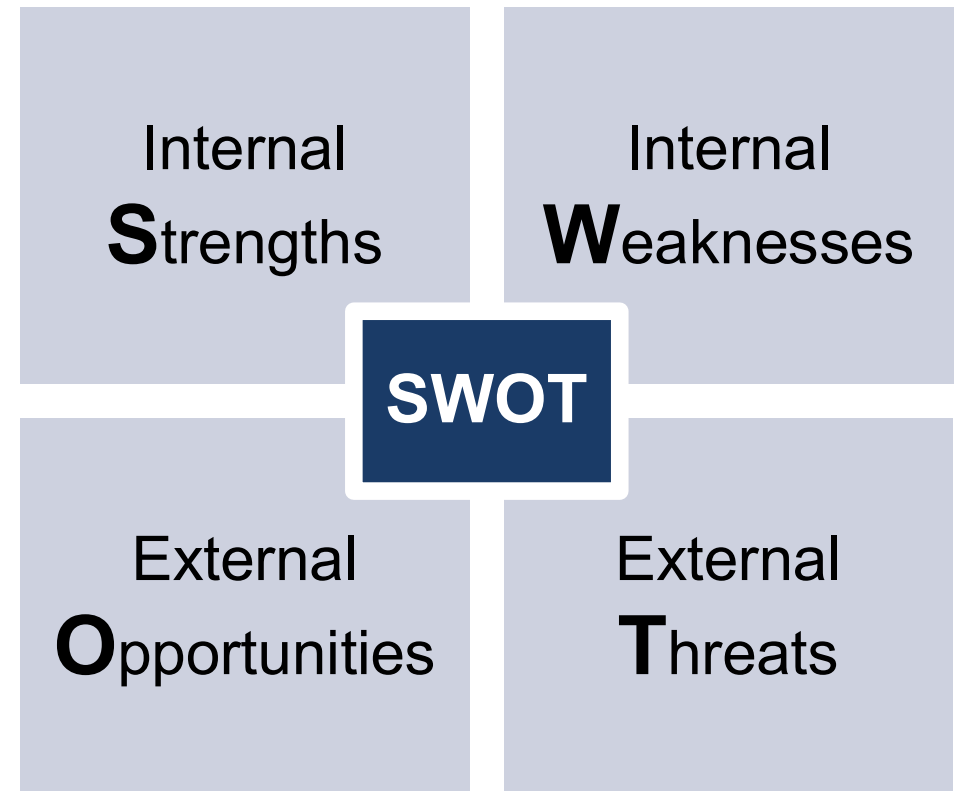
Growth-Share Matrix

Uses data to find where the greatest value in the organization resides:

- **Stars**—high value

- **Cash cows**—create value reliably but with little opportunity for growth

- **Dogs**—consume resources without offering strong value or future growth

- **Question marks**—could be winners or losers

Market share

Market growth rate

| Stars | Question marks |
| Cash cows | Dogs |
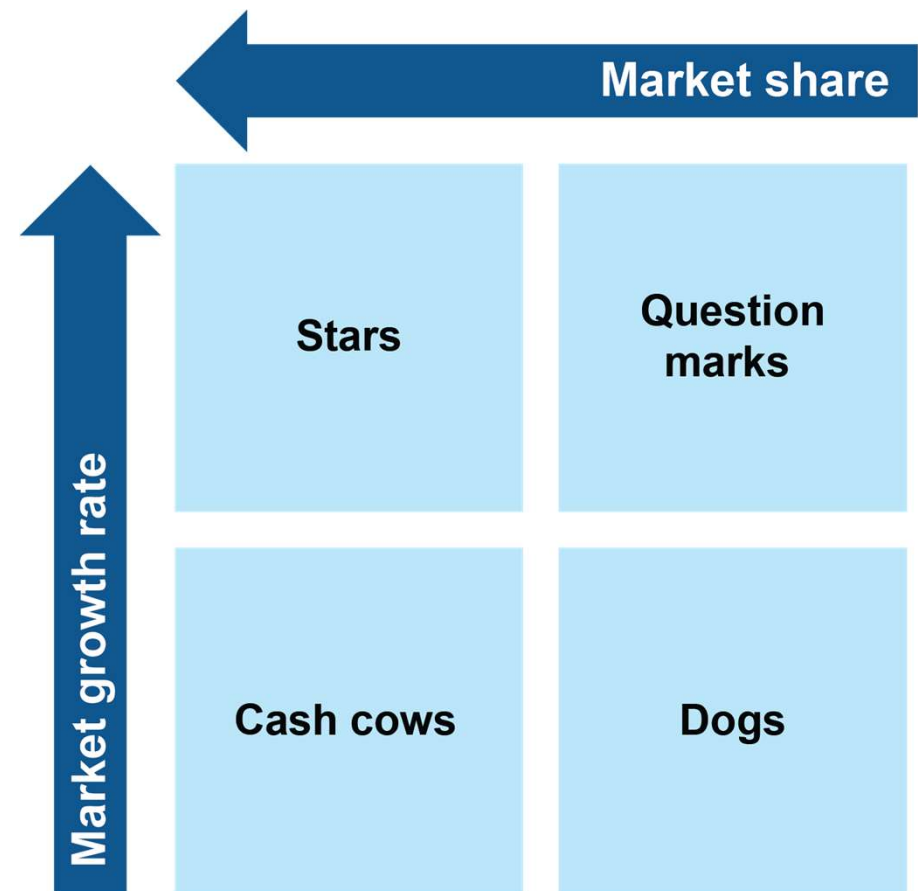
Scenario Analysis

Compares the impact of changes in the environment on the organization's outputs

Identifies environmental factors that have the greatest potential for positive or negative impact

Facilitates the application of risk management principles to strategy formulation

Mission, Vision, Values

Mission
- What the organization/function intends to pursue and its charted management course
- Provides focus and purpose of strategy

Vision
- What the organization/function aspires to become in the future
- Provides motivation and unity

Values
- What beliefs the organization/function supports through behaviors and actions
- Provides guidepost for decision making

Setting Goals

General goals suggest how the organization will focus its resources.

Starts moving the organization and people in the intended direction.
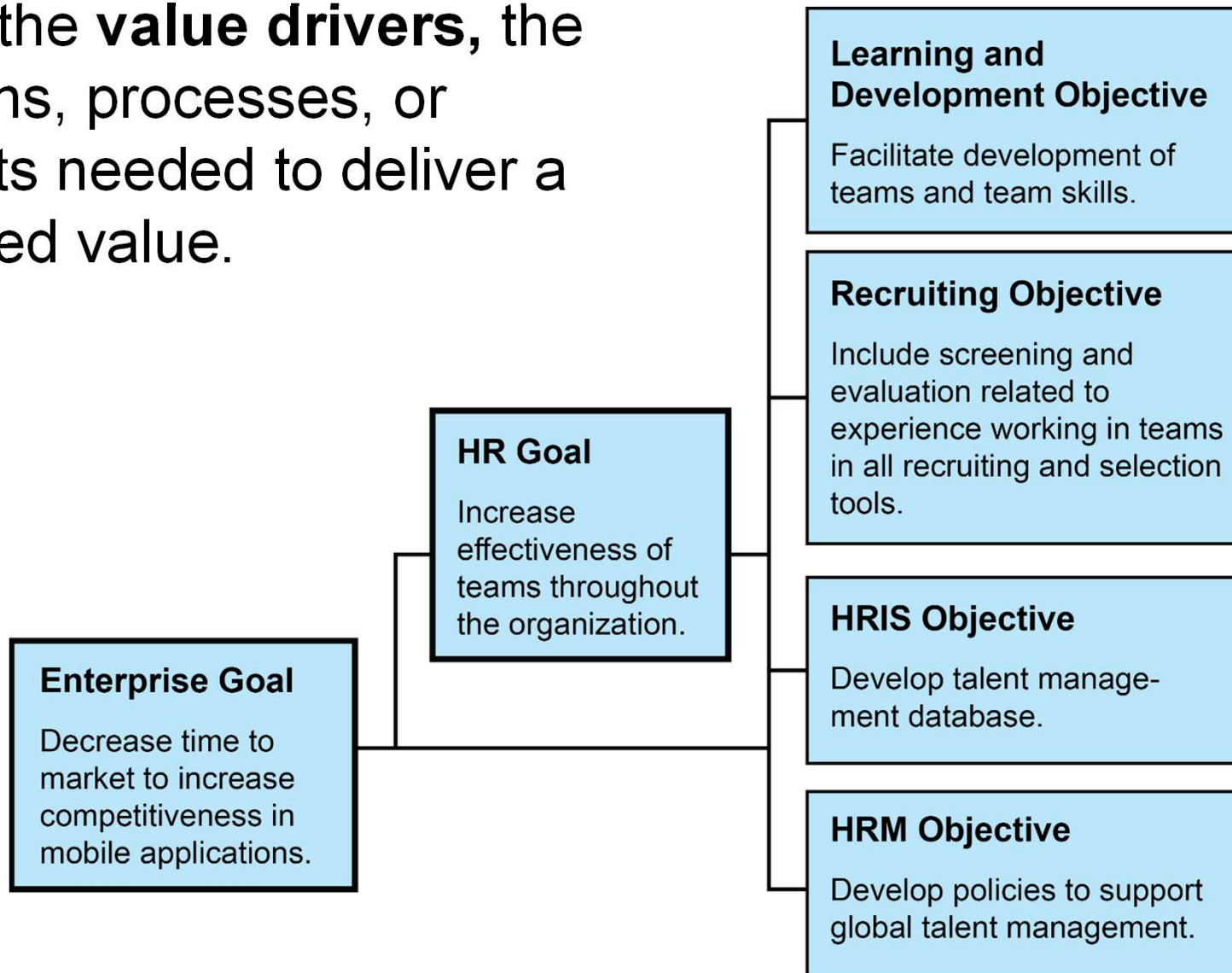
Example: Increase productivity.

Organizational goal-setting process must be repeated on unit or functional level.

Creates a line of sight from the organization's strategic goals to the goals and objectives of the organization's functions and units.

Example for HR: Improve quality and efficiency of talent supply chain.

Aligning HR Strategic Goals

Find the **value drivers,** the actions, processes, or results needed to deliver a desired value.

Enterprise Goal

Decrease time to market to increase competitiveness in mobile applications.

HR Goal

Increase effectiveness of teams throughout the organization.

Learning and Development Objective

Facilitate development of teams and team skills.

Recruiting Objective

Include screening and evaluation related to experience working in teams in all recruiting and selection tools.

HRIS Objective

Develop talent management database.

HRM Objective

Develop policies to support global talent management.

Using Balanced Scorecards

Provide a more strategy-focused, balanced, multi-perspective assessment of performance

Finance	Customers
Internal business processes	Learning and growth
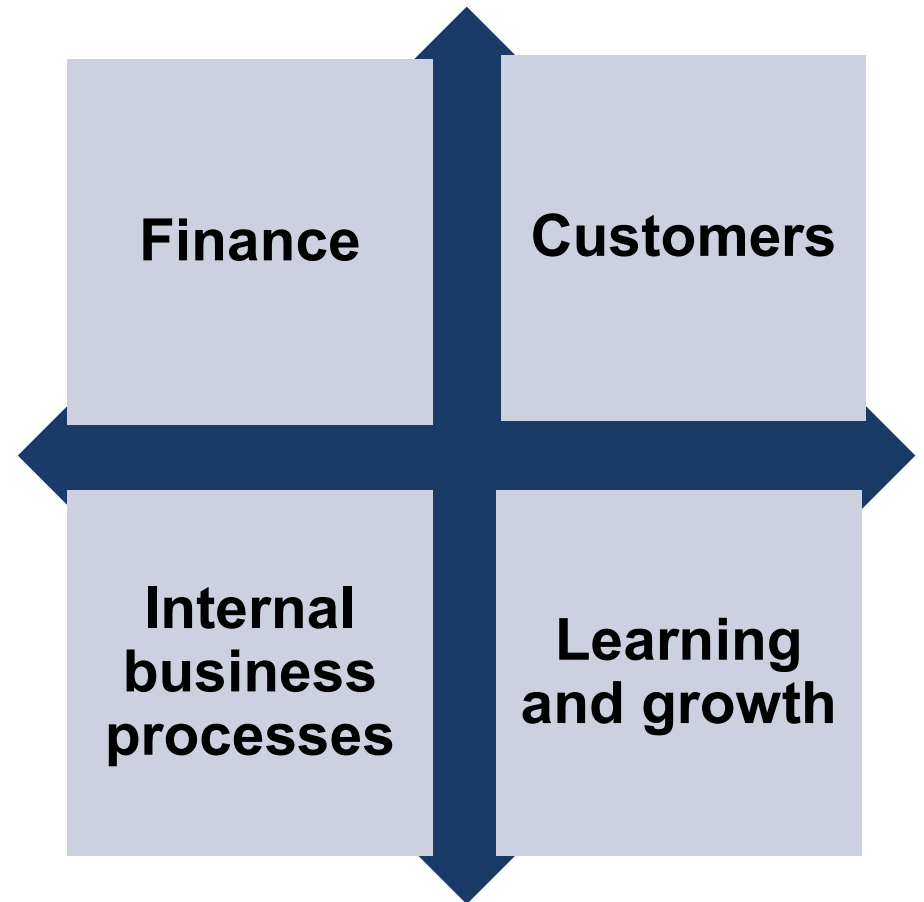
Original balanced scorecard developed by Robert Kaplan and David Norton

Leading/Lagging Indicators

Balanced scorecards include leading and lagging performance indicators.

Lagging ⬅   **Leading** ➡

Describes effects that have already occurred and cannot be changed.

For example, turnover rate indicates the success or lack of success in employee engagement.

Describes predictive actions that can change future performance and help achieve success.

For example, employee satisfaction indicates future retention rates and associated costs of hiring.

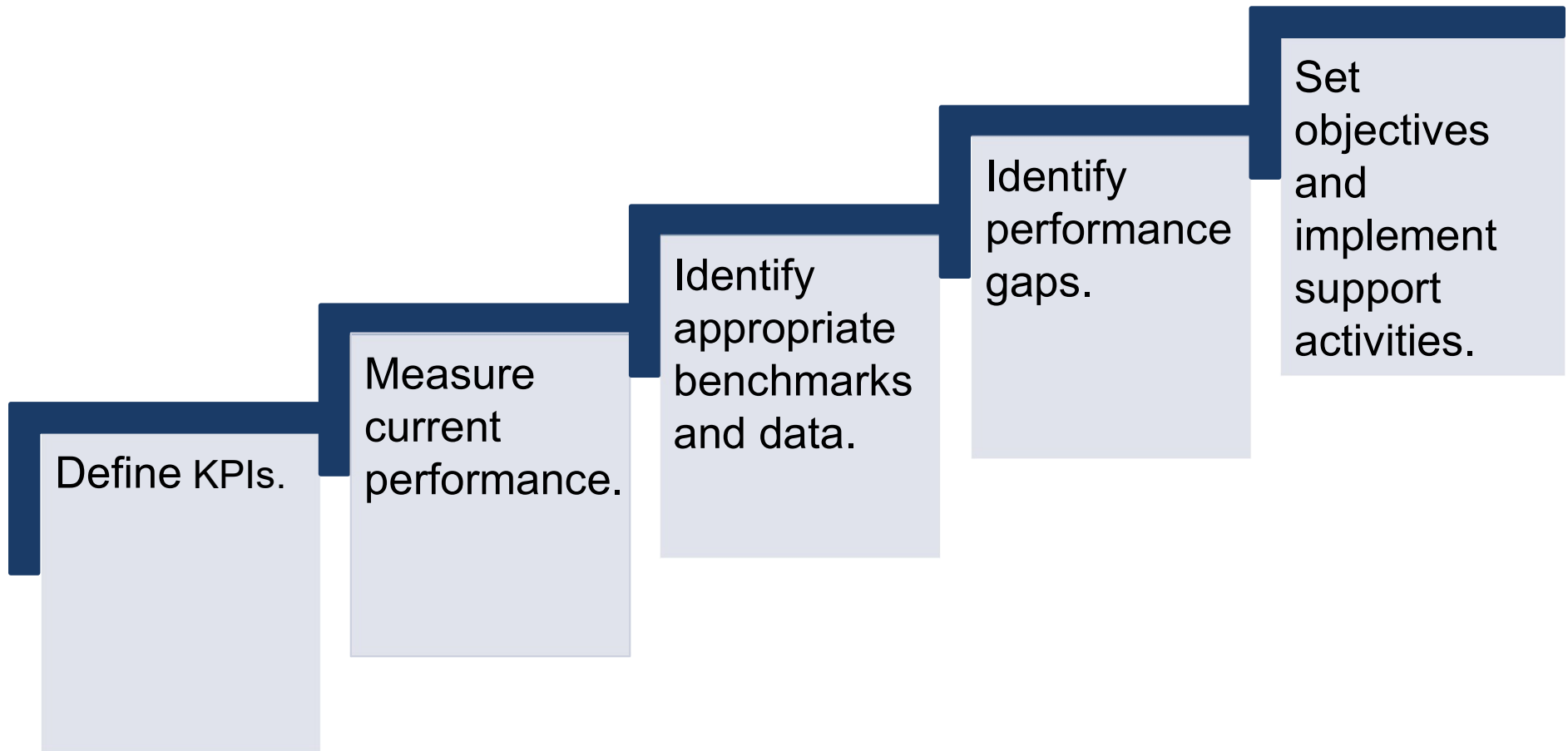# SMARTER Performance Objectives

S	Specific
M	Measurable
A	Attainable
R	Relevant
T	Timebound
E	Evaluated
R	Revised

Benchmarking Process

Define KPIs.

Measure current performance.

Identify appropriate benchmarks and data.

Identify performance gaps.

Set objectives and implement support activities.

Developing Strategy

Formulation

Evaluation

Development

Implementation
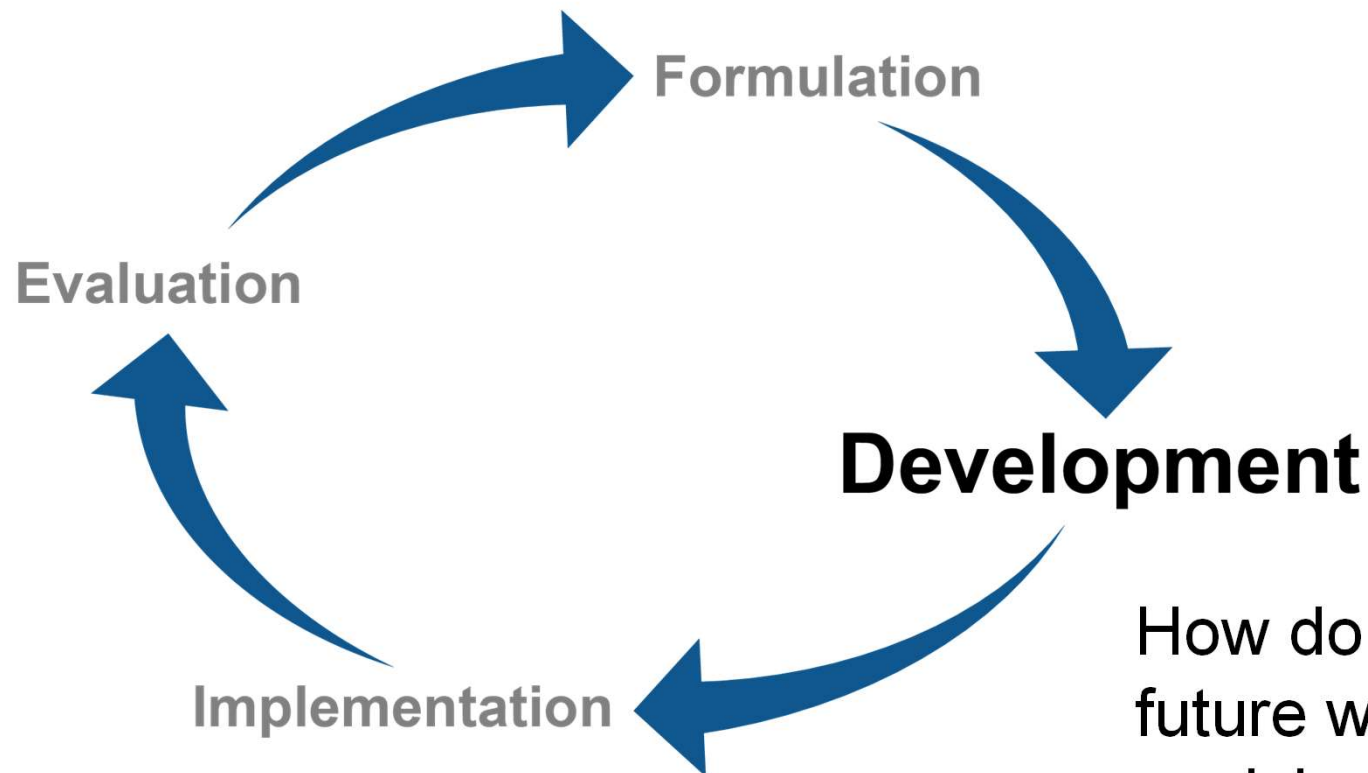
How do we get to the future we have envisioned?

What strategy or strategies have "fit"?

Strategic Fit

- Describes the consistency of strategy with internal and external environments.

- Reflects interconnectedness and alignment of activities throughout the organization (e.g., resources and capabilities deployed toward strategic goals).

- Strategic fit exists when activities:
  - ✓ Are consistent with the strategy.
  - ✓ Interact with and reinforce each other.
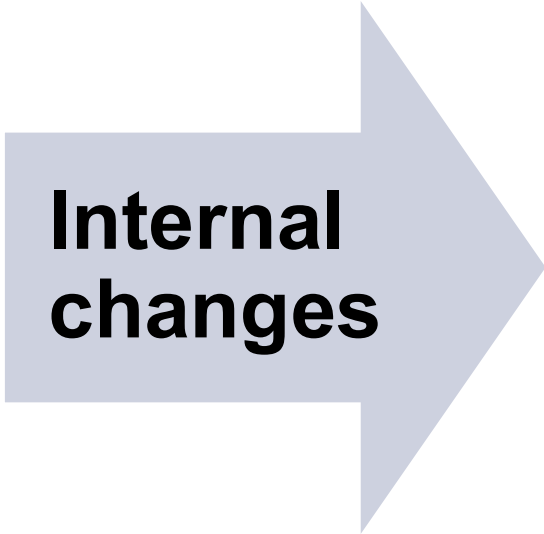 - ✓ Are "optimized" to reach the strategic goal.

Creating Competitive Advantage

There are two ways that an organization can create competitive advantage, and both involve change.

External changes

Internal changes

Compete by adapting quickly to changes in the external environment.

Compete through change, innovation, and reinvention.

Porter's Competitive Strategies

Cost Leadership

Lowest price

Economies of scale, efficient production, agility

Differentiation

Higher price for unique offering
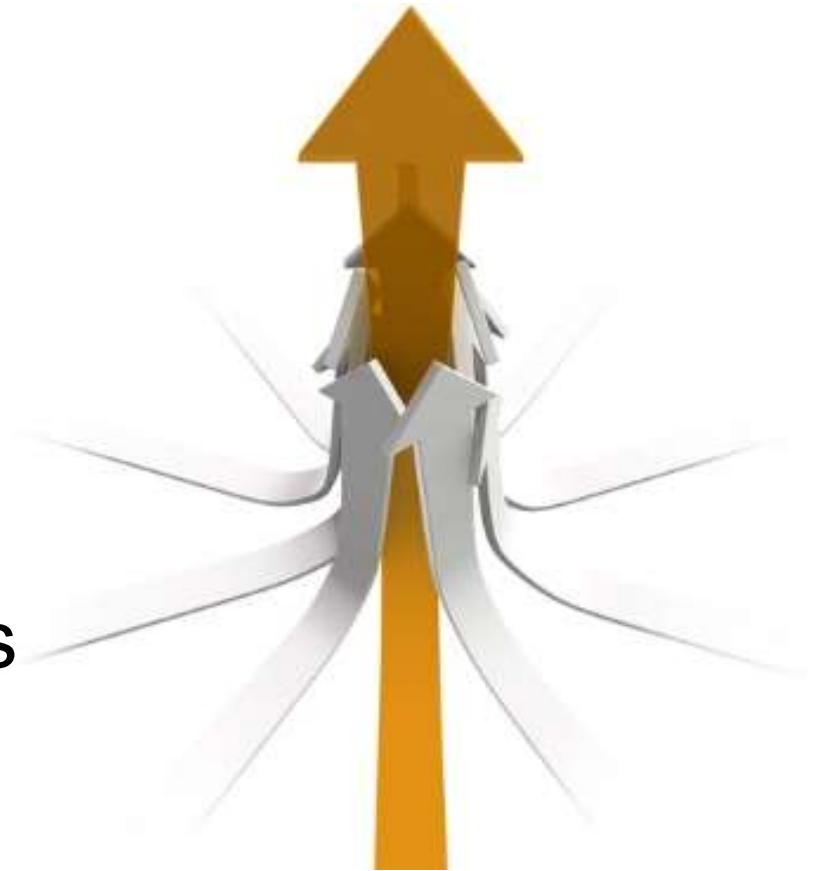
Skillful marketing and quality management

Focus

Apply either strategy in segment or niche

HR strategy can influence a primary lever of organizational strategy—employees:

- Talent management

- Workforce planning

- Compensation

- Employee engagement

- Organizational effectiveness

- Diversity and inclusion

Growth Strategy Options

Each strategy requires different levels of investment and offers different levels of control and return.

- Strategic alliance
- Joint venture
- Equity partnership
- Merger/acquisition
- Franchising
- Licensing
- Contract manufacturing
- Management contract
- Turnkey operation
- Greenfield operation
- Brownfield operation

- Greenfield operations will require involvement in HR areas of risk analysis, staffing, working with local authorities, and implementing HR policies and procedures in the new operations.

- Policies and procedures may require adjustment to meet local laws, business practices, and culture.

- Even when little integration is required, HR may be asked to audit workplace practices.

HR's Role in Divestiture Strategy

Identify the candidate.

Perform due diligence, identifying potential risks; participate in SWOT analysis.

Identify a target buyer.

Provide accurate information about the value of the workforce.

Restructure.

Identify and prepare strong leaders.
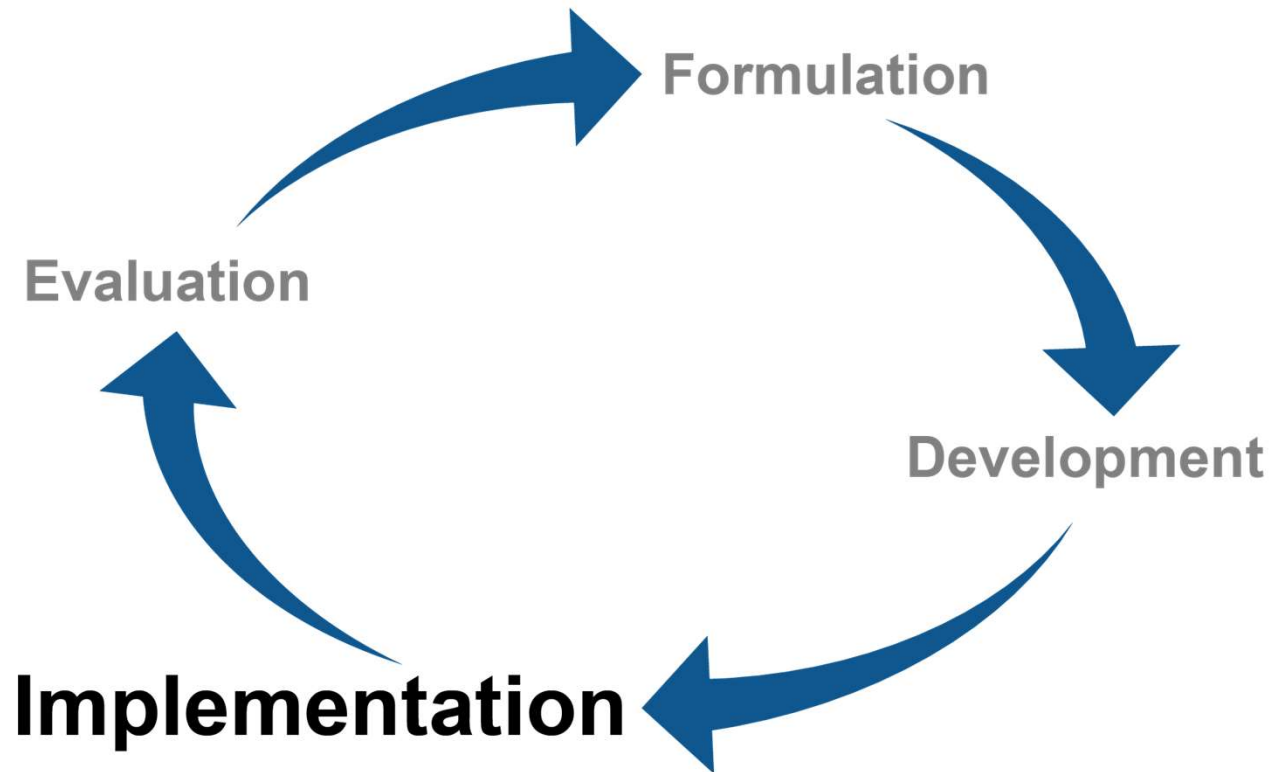
Design incentive offers.

Execute the deal.

Assemble a balanced transition team.

Facilitate the exit of departing employees.

Implementing Strategy

Formulation

Evaluation

Development

Implementation

Translates strategic intent into specific plans of action.

Requires communicating the value of the strategies to all members and effectively managing the implementation of plans.

Aligning Budgets with Strategies

Operational Budget	Strategic Budget
Funds ongoing activities required to provide HR services to internal customers *Examples:* • Talent acquisition costs • Compensation and benefits	Funds initiatives aligned with strategic goals (line of sight) *Examples:* • Development of mentoring program • Initiative to improve cultural alignment
Many items are variable and affected by organizational and HR strategies.	Initiatives must compete for available resources and are funded according to strategic priorities.

Communication Strategy

- Communication occurs in different ways and at different levels.

  Examples: Formal communication or team meetings

- The communication plan should include ongoing opportunities for feedback.

Core Elements of Success

✓ Outward toward entire team

✓ Inward toward leaders

✓ Leadership support

✓ Free flow of information across organizational boundaries

✓ Helping team members see how their work connects to the strategy

HR action plans are implemented through normal operations and through specific initiatives managed as time-limited projects.

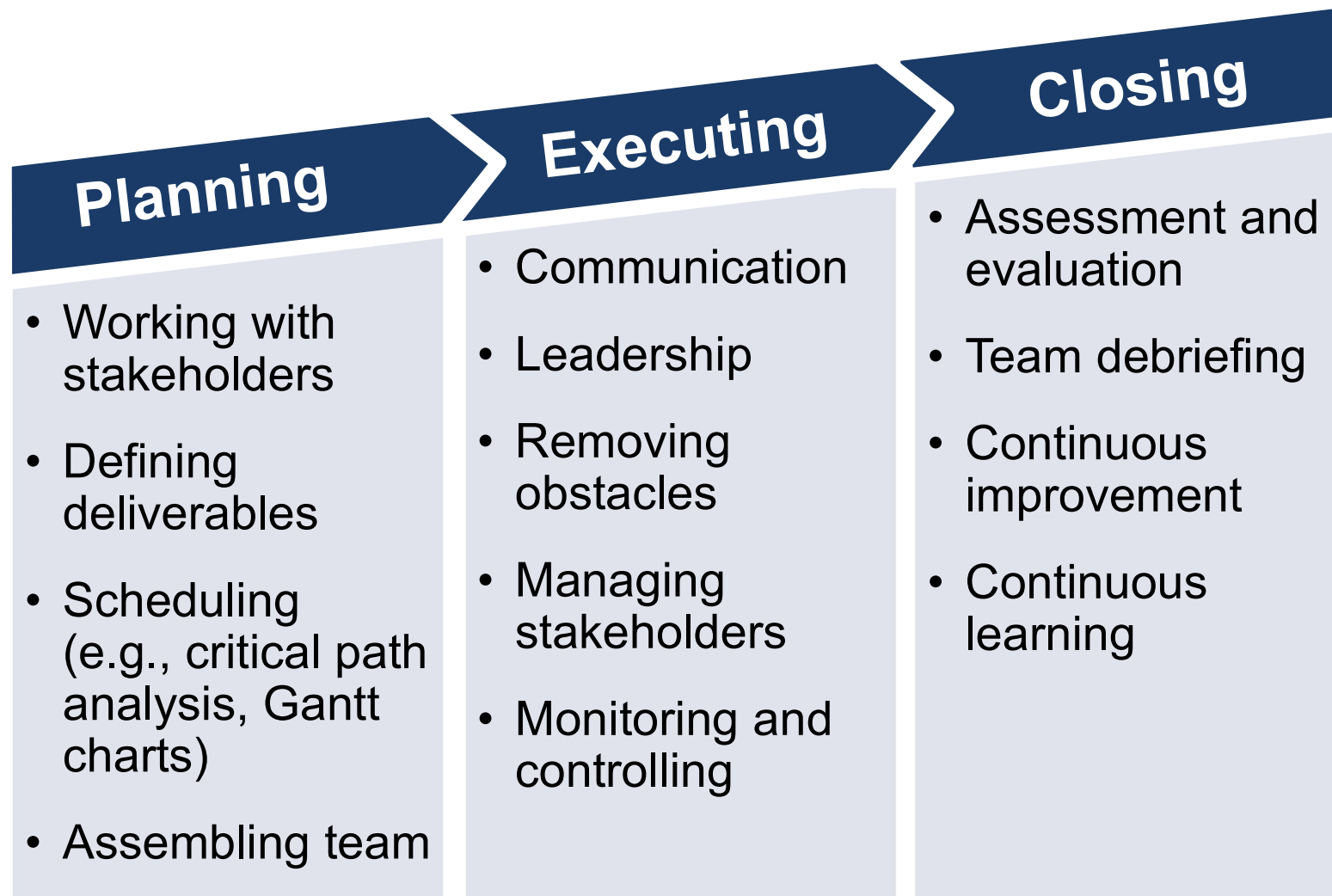**Multiple phases**

Simple or complex deliverables

Large or small budgets

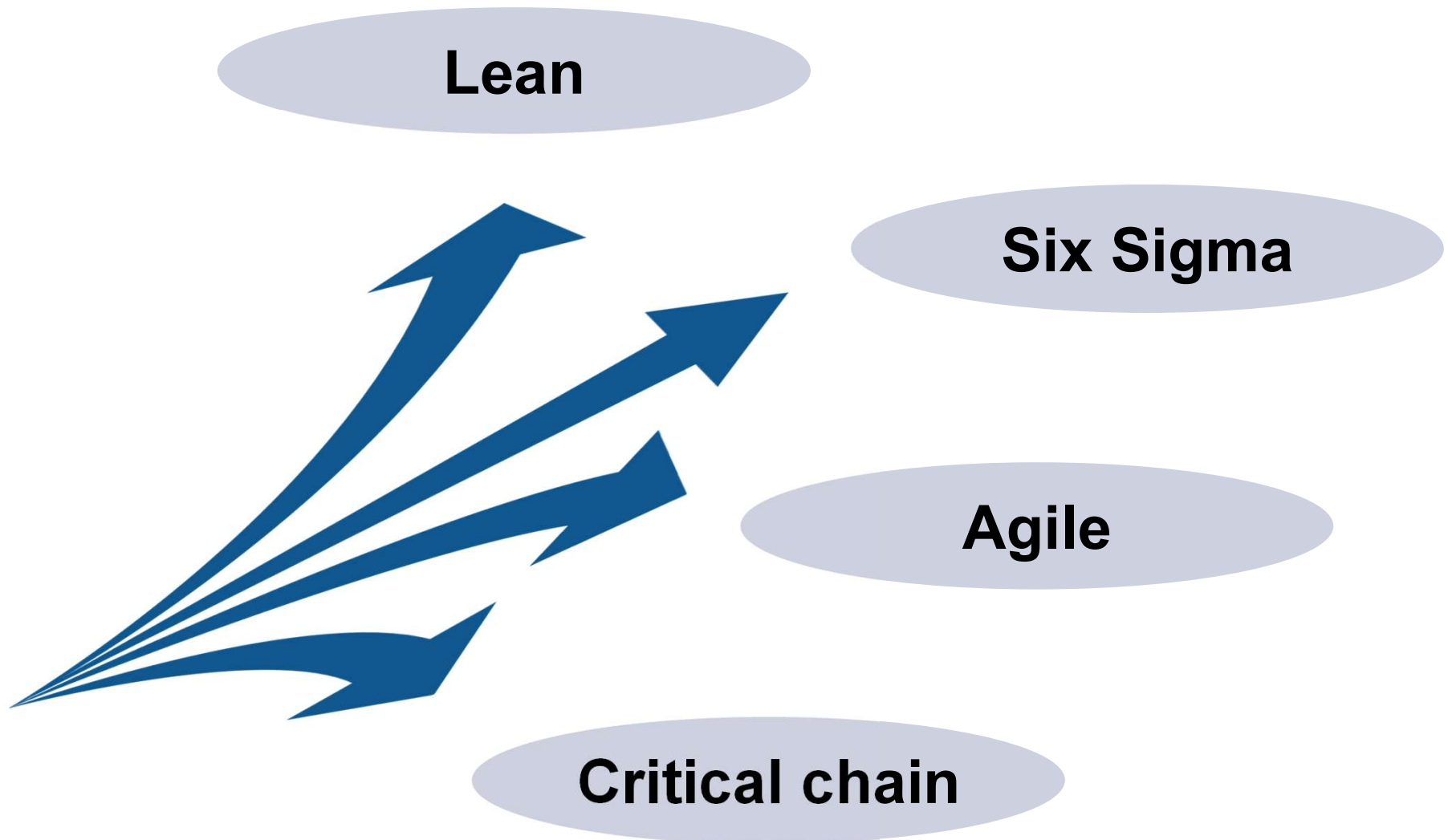Projects can vary in complexity. Some require dedicated project managers.

Project Stages

Planning

- Working with stakeholders
- Defining deliverables
- Scheduling (e.g., critical path analysis, Gantt charts)
- Assembling team

Executing

- Communication
- Leadership
- Removing obstacles
- Managing stakeholders
- Monitoring and controlling

Closing

- Assessment and evaluation
- Team debriefing
- Continuous improvement
- Continuous learning

Specialized Project Management Approaches

Lean

Six Sigma

Agile

Critical chain

Evaluating Strategy

Essential for:
- Sound management
- Good governance
- Continuous improvement

Formulation

Development

Implementation

Evaluation

Evaluating Strategic Results
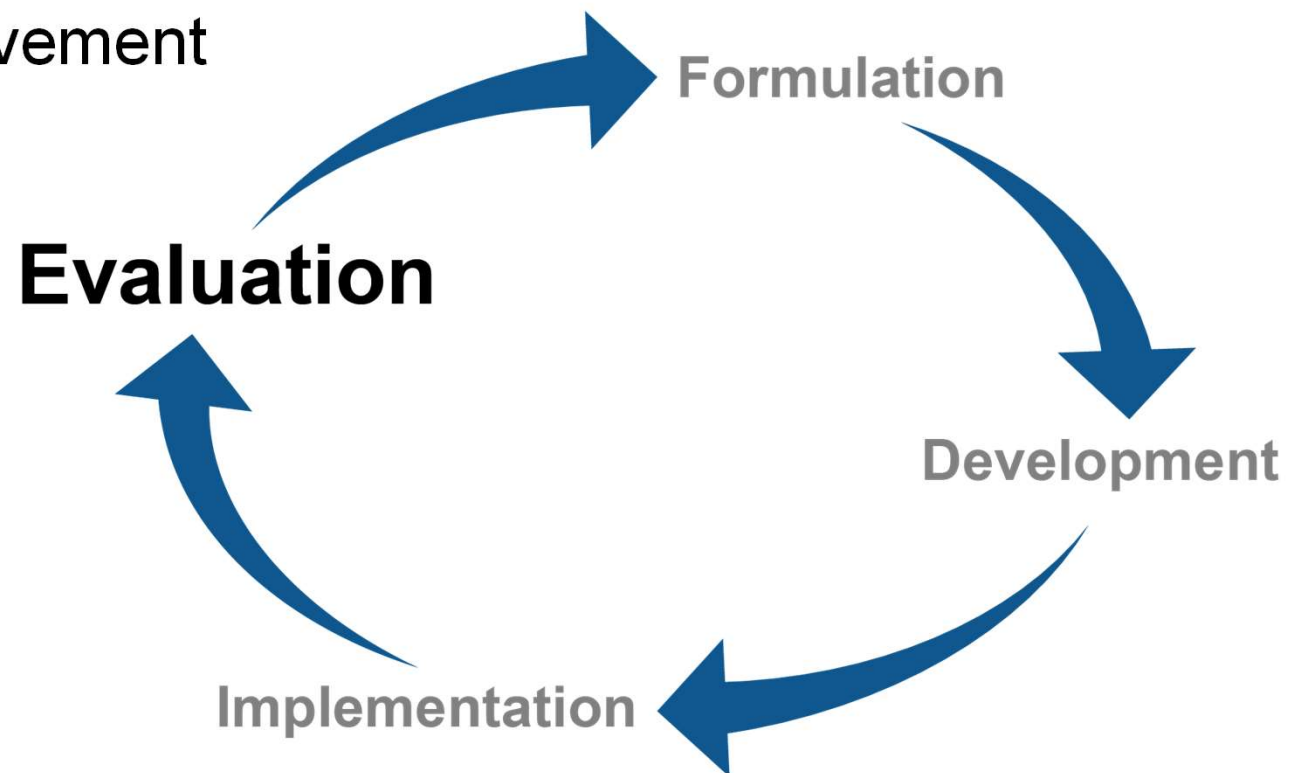
Appears as the final phase of strategic management but is often a factor in the preceding stages.

Requires:

- Developing tools and establishing processes to collect data.

- Analyzing data in an ongoing manner.

- Investigating discrepancies between planned and actual.

Communicating Strategic Results

- **Create a narrative** that explains results.

- **Visualize** data analysis with tools such as bar charts and Pareto charts, trend diagrams, etc.

- **Acknowledge** disappointments as well as successes.

- **Invite** reactions and feedback.

- **Describe** next steps.

Discussion

A company currently spends over $1 billion in health-related areas. The company has multiple locations.

The VP of HR has been tasked with:

- Developing a strategy to improve employee health, reduce costs, and limit the company's risks.

- Linking the health-care strategy to corporate strategy.

Discussion

How should the VP of HR develop a health-care (HC) strategy that will link with the corporate strategy?

A. Benchmark the HC strategy against industry practices.

B. Align the HC strategy with the organization's human capital vision and mission.

C. Focus on developing the most cost-effective HC strategy.

D. Focus on understanding and satisfying senior management's desires.

Feedback

The correct answer is B. Assuming that the company wants to compete, benchmarking (**A**) can be helpful. But aligning the HC strategy with the organization's human capital vision and mission helps make sure that the strategy fits the corporation's goals for its employees. HR will be able to draw connections for management.

The ultimate strategic goal is not necessarily cost efficiency, nor is it to please management (**C** and **D**).

Discussion

How should the VP develop the health-care strategy to ensure that it addresses the health needs of the employees?

A. Listen to the water cooler talk from employees.

B. Conduct focus groups with random samples of employees.

C. Survey the entire workforce about health needs.

D. Evaluate the data from the annual report on the employee assistance program.

The correct answer is C. Focus groups (**B**) would be good, especially as follow-up to a larger survey. But surveying the entire workforce about health needs first provides more and better-quality data from a larger sample. This will also create better employee engagement in the process.

The other incorrect answers (**A** and **D**) provide limited and biased data.

Discussion

What can HR do to ensure that the new health-care strategy is understood and the benefit is used effectively by all employees?

A. Develop and mail health-care brochures to each employee's home.

B. Send a mass e-mail to all employees about the new health-care system.

C. Conduct a health fair at each location and present the new benefit.

D. At each location, introduce providers and lead Q&A sessions with all employees.

The correct answer is D. Conducting a health fair at each location (**C**) would get employees involved in their health issues and deliver information about the new benefit. However, introducing providers at each location and leading Q&A sessions with all employees gives employees information directly and interactively and allows them to question providers.

The other incorrect answers (**A** and **B**) are passive and rely on employees reading information.