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Chapter 2

Developing and Implementing Strategic HRM Plans

Author Chapter Notes

The focus of this chapter is HR strategic planning. In this chapter, the point is made constantly that in HR, we must align ourselves with the organization's strategic objectives in order to provide the most value for the organization.

Another major differentiation in this chapter is the difference between HR plans and HRM strategic plans. While both should tie to the organizational plans, HRM strategic plans include the department's larger goals, while HR plans address some of the tactical ways in which to meet the goals.

More specifics about HR plans will be addressed in the individual chapter; for example, in Chapter 4 on recruitment, we will discuss the writing of a job analysis and forecasting future employee needs (part of the HR plan). In other words, this chapter provides an overview of the process, while chapters that follow offer specifics on what should be included in each aspect of the HRM strategic plan and HR plan. The reasoning for this is simple: students will likely find that it easier to discuss the strategic aspect of each area in its respective chapter, as opposed to outlining specific strategies all in the same chapter.

Section 1 Learning Objectives

1. Explain the differences between HRM and personnel management.
2. Be able to define the steps in HRM strategic planning.

Section Notes

- HR used to take more of a personnel management role. This role was more administrative focused and less strategic focused.
- The National Cash Register Company was the first company to have an HR role, which occurred after a strike. At this point in time, companies realized they must focus on the people of their organization to be successful.
- HRM is part of the company's overall strategic plan.
- Staffing, workplace policies, compensation and benefits, retention, training and regulatory issues/worker safety should all be addressed within the HRM strategic plan.
- Human resource strategy is an elaborate and systematic plan of action.
- The HRM strategic plan addresses long-term goals, while the HR plan addresses shorter-term goals and is tied to the long-term goals of the department and organization.

- The Ulrich Model is a way of looking at HRM strategic planning. It includes: be a strategic partner, be a change agent, be an administrative expert, and be a human capital developer and employee advocate.
- The four aspects of a good strategic plan include: make it applicable, be a strategic partner, involve people, and understand the application of technology
- The first step in strategic planning is to conduct a strategic analysis. This might include a SWOT analysis and lifecycle strategy which focuses on a particular area.
- The second step is to prioritize issues and create actions around each of those issues to resolve.
- The next step then, is to draw up the HRM plan, making sure others are involved in the process. Point out that this is one of the biggest mistakes that HR makes, and in this economy, no HRM department can afford to operate in a silo.

Key Takeaways

- *Personnel management* and *HRM* are different ways of looking at the job duties of human resources. Twenty years ago, personnel management focused on administrative aspects. HRM today involves a strategic process, which requires working with other departments, managers, and executives to be effective and meet the organization's needs.
- In general, HRM focuses on several main areas, including staffing, policy development, compensation and benefits, retention issues, training and development, and regulatory issues and worker protection.
- To be effective, the HR manager needs to utilize technology and involve others.
- As part of strategic planning, HRM should conduct a strategic analysis, identify HR issues, determine and prioritize actions, and then draw up the HRM plan.

Exercises and Solutions

1. What is the difference between HR plans and HRM strategic plans? How are they the same? How are they different?

Answer: HR plans relate to the HRM strategic plan, which is tied to the company plan. The HR plan addresses some of the shorter-term goals needed to accomplish the longer-term goals addressed in the HRM strategic plan.

2. Of the areas of focus in HRM, which one do you think is the most important? Rank them and discuss the reasons for your rankings.

Answer: Answers will vary. Look for reasoning as to why a particular area was covered. You can turn this question into a class discussion and/or debate by having the students rank them alone, and then compare within groups.

Extra Discussion Questions

1. Perform a SWOT analysis on the company of your choice.

Answer: We are looking for Strengths, Weaknesses, Opportunities, and Threats for a business. You could have students do this exercise in groups, then share their analysis. To take this question a step further, you might have students look at the weaknesses, opportunities, and threats and ask them to create an “action” plan to address each of these areas.

2. Why should we keep the organizational lifecycle in mind when developing strategic plans?

Answer: Depending on where the organization is at in the lifecycle, a different HRM strategy might be used. Understanding this lifecycle and the challenges associated with each stage will help us be able to better plan HRM activities.

Key Terms

Human resource strategy

An elaborate and systematic plan of action developed by the human resources department.

HRM strategic plan

A written document that consists of the major objectives the organization wants to achieve.

HR plan

Detailed, written plan to ensure the strategic plan is achieved.

Organizational life cycle

Refers to the introduction, growth, maturity, and decline of the organization, which can vary over time. A different HRM strategy is needed, depending on the organizational life cycle the company is experiencing.

Section 2 Learning Objective

1. Describe the steps in the development of an HRM plan.

Section Notes

- This section discusses the writing of the HR plan.
- The HR plan is different from the strategic plan, in the HR plan is more tactical and detailed. It includes action plans on how to meet the overall goals of the HRM plan.
- Determining human resource needs is the first step in the HR plan.
- Based on the needs, determination of a recruiting strategy is the next step. Selection of employees is the third step.
- Developing training based on the strategic plan—what do employees need to know to be successful at the organization, in light of the strategic plan, for example.
- Compensation must also be part of the plan.
- A system to apprise performance is part of the HR plan as well.
- Each of these components will be discussed in more detail in their respective chapters.

Key Takeaways

- Human resource planning is a process that is part of the strategic plan. It involves addressing specific needs within the organization, based on the company's strategic direction.
- The first step in HR planning is determining current and future human resource needs. In this step, current employees, available employees in the market, and future needs are all analyzed and developed.
- In the second step of the process, once we know how many people we will need to hire, we can begin to determine the best methods for recruiting the people we need. Sometimes an organization will use *head hunters* to find the best person for the job.
- After the recruiting process is finished, the HR manager will begin the selection process. This involves setting up interviews and selecting the right person for the job. This can be an expensive process, so we always want to hire the right person from the beginning.
- HR managers also need to work through compensation plans, including salary, bonus, and other benefits, such as health care. This aspect is important, since most organizations want to use compensation to attract and retain the best employees.
- The HR manager also develops training programs to ensure the people hired have the tools to be able to do their jobs successfully.

Exercises and Solutions

1. Of the parts of HR planning, which do you think is most difficult, and why? Which would you enjoy the most, and why?

Answer: Answers will vary, but it is likely that the determining of needs could be the most challenging. In an ever-changing business environment, being able to predict the needs and planning around these predictions can be challenging.

2. Why is it important to plan your staffing before you start to hire people?

Answer: You need to know how many people are needed within the organization, based on the organization's strategic plan. For example, is the organization going to experience high growth or decline? Knowing this can help us develop effective staffing plans to meet the needs of the organization.

3. What is the significance of training? Why do we need it in organizations?

Answer: Training is needed in every aspect of the organization to stay competitive. New technology, new laws, and changes in the business environment create the need for ongoing employee training. Training can also help with employee retention and motivation.

Extra Discussion Question

1. Why do we need to develop the HRM strategic plan before we can develop the HR plan?

Answer: The strategic plan outlines the needs first, from a big-picture perspective. This helps us develop tactical plans based on the three- to five-year plans.

Key Terms

Staffing plan

A detailed document that synthesizes information to determine how many people should be hired, when they should be hired, and what skills they should have.

Head hunter

A person who specializes in matching jobs with people and usually works only with high-level positions.

Company culture

The organization's way of doing things.

Performance appraisal

A method by which job performance is measured.

Section 3 Learning Objective

1. Explain the aspects needed to create a usable and successful HRM plan.

Section Outline

- Successful HRM planning includes linking HRM strategy and HR plans to company goals and strategic plans.
- The plan needs to be monitored constantly so as changes occur, we can change as necessary.
- The plan should be communicated to all within the organization, and others within the organization should be consulted to determine if the HR plans are the right fit with company goals.
- A way to measure the effectiveness of the plan should be determined.
- Changing the plan as things change in the company is necessary.
- Awareness of legislative changes is important, and as legislation changes our plans should change, too.

Key Takeaways

- As has been the theme throughout this chapter, any HRM plan should be directly linked to the organization's strategic plan.
- A plan should be constantly updated and revised as things in the organization change.
- A good strategic plan provides tools to determine whether you met the goal. Any plan should have measureable goals so the connection to success is obvious.
- Changes in a strategic plan and in goal setting are necessary as the internal and external environments change. An HR manager should always be aware of changes in forecasts, for example, so the plan can change, too.
- Type of industry and industry size is important to HR. A “one size fits all” approach doesn't necessarily work.
- Awareness of IT options to make HR planning easier is important.
- Legislative changes may impact strategic plans and budgets as well. It's important to make sure HR managers are keeping up on and communicating these changes.

Exercises and Solutions

1. What are some ways an HR manager can keep up on legislative changes? Do

a web search and list specific publications that may help keep the HR manager aware of changes.

Answer: The HR manager should constantly read sources such as the SHRM website and the news, and use strategic thinking to determine how economic, technological, etc. changes will impact the business.

2. Why is it important to be able to measure strategic plans? What might happen if you don't?

Answer: If they are not measured, we won't know if our plan is successful or needs to be changed. Measurement is perhaps the most important aspect. Utilization of objective measurement tools, such as numbers, is important to gain a clear picture of how well the plan is working.

Extra Discussion Questions

1. Research tools available to HR, which can tie company strategic plans to HR plans, and present a report on your findings.

Answer: Examples might include: Benefitfocus, a HR data analytics software for planning and forecasting, and PeopleTrak software which allows for the management of all employee aspects such as compensation, history, and performance reviews.

2. Ask students to create a short video in teams (most students have video capabilities on their phones or cameras). The video should be no longer than two minutes in length and explain the importance of strategic planning in the HR function in the most creative way possible (consider role plays, animation, etc.)

Answer: Ask students to upload videos to YouTube and provide the link to you. Then show all of the videos from the class at once.

Chapter Case

The Author discusses the case for Chapter 2:

<http://app.wistia.com/embed/medias/xz0lomi4ru>

Additional Case Study Exercise

Your organization has just finished the strategic planning process. The company's strategic objectives are as follows:

- Increase sales by 10% over the next three years.
- Develop new marketing strategies which will address social marketing and other digital marketing strategies.
- Decrease the number of warehouse accidents by 50%.
- Decrease costs associated with payroll and benefits.

- Install new technology to manage warehouse orders.
1. How do these strategic objectives relate to the HR function? Explain.
 2. Brainstorm potential action plans (which are measureable) to address each of these from the HR perspective. In other words, what is HR's role in attaining each of these goals? How will you go about attaining the goal?
 3. How might you communicate these action plans to the executives of the organization?

Answers: Consider assigning this case study in groups. Look for the ability to tie organizational objectives to HR objectives. For example, in developing new marketing strategies, HR might be involved in the recruiting aspect of this process, to hire someone with the necessary skills to implement this type of plan. HR might also be involved in training to reduce warehouse accidents. HR should also consider renegotiating and/or researching new options for healthcare plans and other benefits.

Useful Outside Resources

The Human Resource Certification Institute: <http://www.hrci.org/>

Society for Human Resource Management: <http://www.shrm.org/Pages/default.aspx>

YouTube videos:

Rick Speckman discusses HRM strategy:

http://www.youtube.com/watch?v=RQ_HWfOigqw

Jack Welch and Lars Dalgaard discusses Strategic HR:

<http://www.youtube.com/watch?v=NVRJFv8ymck&feature=related>

David Ulrich discusses “getting HR at the table”:

<http://www.youtube.com/watch?v=om-QOUNeWtM&feature=related>

Chuck Durakis discusses the strategic value of HR:

<http://www.youtube.com/watch?v=luY8iMBwK48&feature=related>

James Mendes discusses best practices in HRM:

<http://www.youtube.com/watch?v=fc4itjweqJw&feature=related>