

Strategy and Human Resources Planning



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After studying this chapter, you should be able to

1. Identify the advantages of integrating human resources planning and strategic planning.
2. Understand how an organization's competitive environment influences strategic planning.
3. Recognize the importance of internal resource analysis.
4. Describe the basic tools for human resources forecasting.
5. Explain the linkages between competitive strategies and HR.
6. Understand the requirements of strategy implementation.
7. Recognize the methods for assessing and measuring the effectiveness of strategy.

One of the clichés about company annual reports is that they often claim that "people are our most important asset." Although we might believe this to be true, the fact is that historically managers often have not acted as though they themselves really believed it. In the past, executives often tried to remove human resources from the strategy equation, by substituting capital for labor where possible, or by creating hierarchical structures that separated those who think from those who actually do the work. But much is changing today.

In a recent survey by *USA Today* and Deloitte & Touche, nearly 80 percent of corporate executives said the importance of HRM in their firms has grown substantially over the past ten years, and two-thirds said that HR expenditures are now viewed as a strategic investment rather than simply a cost to be minimized.¹

Strategic Planning and Human Resources

objective 1

As we explained in Chapter 1, "competing through people" is the theme for this book. But the idea remains only a premise for action until we put it into practice. To deliver on this promise, we need to understand some of the systems and processes in organizations that link human resources management and strategic management. A few definitions may be helpful up front.

First of all, **strategic planning** involves a set of procedures for making decisions about the organization's long-term goals and strategies. In this chapter, we discuss strategic plans as having a strong external orientation that covers major portions of the organization. They especially focus on how the organization will position itself relative to competitors in order to achieve long-term survival, value, and growth. **Human resources planning (HRP)**, by comparison, is the process of anticipating and making provision for the movement of people into, within, and out of an organization. Overall, its purpose is to help managers deploy human resources as effectively as possible, where and when they are needed, in order to accomplish the organization's goals. **Strategic human resources management (SHRM)**, then, combines strategic planning and HR planning. It can be thought of as the pattern of human resources deployments and activities that enable an organization to achieve its strategic goals.

Although planning has always been an essential process of management, increased emphasis on HR issues becomes especially critical when organizations consider global strategies, mergers, relocation of plants, innovation, downsizing, outsourcing, offshoring, or the closing of operating facilities. Dramatic shifts in the composition of the labor force require that managers become more involved in planning, since such changes affect the full range of HR practices (such as employee recruitment, selection, training, compensation, and motivation).

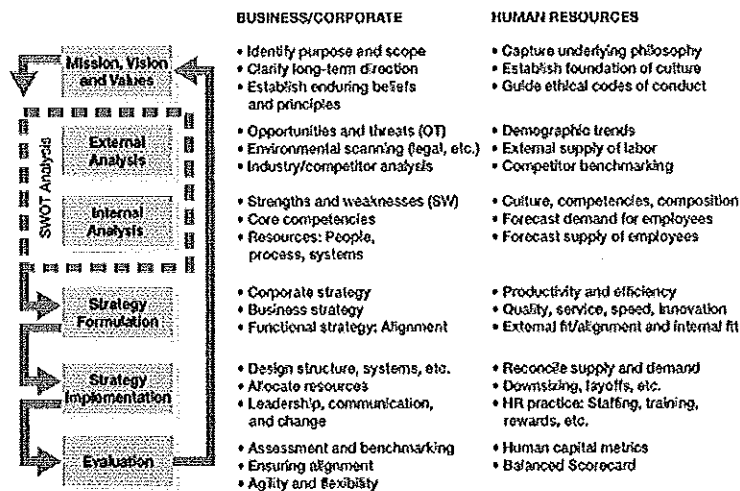
Strategic Planning and HR Planning: Linking the Processes

As organizations plan for their future, HR managers must be concerned with meshing HRP and strategic planning for the organization as a whole.² Through strategic planning, organizations set major objectives and develop comprehensive plans to achieve those objectives. Human resources planning relates to strategic planning in several ways, but at a fundamental level we can focus on two issues: strategy formulation and strategy implementation. Human resources planning provides a set of inputs into the strategic *formulation* process in terms of what is possible; that is, whether the types and numbers of people are available to pursue a given strategy. For example, when Barnes & Noble executives contemplated the move into web-based commerce to compete with Amazon.com, one of the issues they had to address was whether they had the talent needed to succeed in that arena.

In addition to strategy formulation, HRP is important in terms of strategy *implementation* as well. Once the strategy is devised, executives must make primary resource allocation decisions, including those pertaining to structure, processes, and human resources.³ Companies such as GE, IBM, and CIGNA have taken strides to combine these two aspects of strategic management.⁴

All the available evidence suggests that the integration of HRP and strategic planning tends to be most effective when there is a reciprocal relationship between the two processes. In this relationship, the top management team recognizes that strategic-planning decisions affect—and are affected by—HR concerns. Figure 2.1 illustrates the basic outline of how companies have begun aligning HRP and strategic planning in this way. While this figure begins to address this issue of strategic alignment, we will raise the issue at several points throughout the chapter.

Figure 2.1 Linking Strategic Planning and Human Resources



As we look at trends in the best of companies, there is virtually no distinction between strategic planning and HRP; the planning cycles are the same and HR issues are seen as inherent in the management of the business. As James Walker, noted HRP expert, put it, "Today, virtually all business issues have people implications; all human resource issues have business implications."⁵ HR managers are important facilitators of the planning process and are viewed as credible and important contributors to creating the organization's future. This positive linkage occurs when the HR manager becomes a member of the organization's management steering committee or strategic-planning group. Once this interactive and dynamic structure exists, HR managers are recognized as contributing strategic planners alongside other top managers.⁶

This is an important element for the rest of our discussion in this chapter. Traditionally, authors—and too many HR managers—have treated HR planning and strategic planning as separate activities. Instead, we provide a step-by-step process to show how the two aspects of planning can be integrated.

Step One: Mission, Vision, and Values

The first step in strategic planning is establishing a mission, vision, and values for the organization. The mission is the basic purpose of the organization, as well as its scope of operations. It is a statement of the organization's reason for existing. The mission often is written in terms of general clients it serves. Depending on the scope of the organization, the mission may be broad or narrow. For example, the mission of Merck and Company is as follows:

The mission of Merck is to provide society with superior products and services by developing innovations and solutions that improve the quality of life and satisfy customer needs, and to provide employees with meaningful work and advancement opportunities, and investors with a superior rate of return.⁷

The strategic vision of the organization moves beyond the mission statement to provide a perspective on where the company is headed and what the organization can become in the future. Although the terms *mission* and *vision* often are used interchangeably, the vision statement ideally clarifies the long-term direction of the company and its strategic intent.

Organizational core values are the strong enduring beliefs and principles that the company uses as a foundation for its decisions. Starbucks, for example, lists the following core values:

- Provide a great work environment and treat each other with respect and dignity.
- Embrace diversity as an essential component in the way we do business.
- Apply the highest standards of excellence to the purchasing, roasting, and fresh delivery of our coffee.
- Develop enthusiastically satisfied customers all of the time.
- Contribute positively to our communities and our environment.
- Recognize that profitability is essential to our future success.

These are the underlying parameters for how the company will act toward customers, employees, and the public in general. In many cases, the values capture the underlying philosophy of the company culture and give direction to its employees. The values also place limits on what behavior is seen as ethical and acceptable. Highlights in HRM 1 shows the results of IBM's recent effort to reexamine and reinforce its values.