



The Benefits of Strategic HR Planning

To be successful, firms must closely align their HR strategies and programs (tactics) with environmental opportunities, business strategies, and the organization's unique characteristics and distinctive competence.

The process of formulating HR strategies and establishing programs or tactics to implement them is called strategic human resource (HR) planning. When done correctly, strategic HR planning provides many direct and indirect benefits for the company.

ENCOURAGEMENT OF PROACTIVE RATHER THAN REACTIVE BEHAVIOR

Being proactive means looking ahead and developing a vision of where the company wants to be and how it can use human resources to get there. In contrast, being reactive means responding to problems as they come up. Companies that are reactive may lose sight of the long-term direction of their business; proactive companies are better prepared for the future.

EXPLICIT COMMUNICATION OF COMPANY GOALS

Strategic HR planning can help a firm develop a focused set of strategic objectives that capitalizes on its special talents and know-how. For instance, 3M has had an explicit strategy of competing through innovation, with the goal of having at least 25 percent of revenues generated from products introduced during the past five years. To achieve this goal, 3M's human resource strategy may be summarized as: Hire topnotch scientists in every field, give each an ample endowment, then stand back and let them do their thing. The anything goes approach has yielded thousands of new products over the decades, from sand-paper and magnetic audio tape to Post-it notes.

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One hundred years after its foundation, 3M clearly expresses the philosophy that guides its HR practices: "The spirit of innovation. That's 3M. Our unstoppable commitment to innovation, creating new technologies and products, places us exactly where our customer need us. . . . Every day, 3M people find new ways to make amazing things happen."

STIMULATION OF CRITICAL THINKING AND ONGOING EXAMINATION OF ASSUMPTIONS

Managers often depend on their personal views and experiences to solve problems and make business decisions. The assumptions on which they make their decisions can lead to success if they are appropriate to the environment in which the business operates. However, serious problems can arise when these assumptions no longer hold. For instance, in the 1980s IBM deemphasized sales of its personal computer because IBM managers were afraid that PC growth would decrease the profitability of the firm's highly profitable mainframe products. This decision allowed competitors to move aggressively into the PC market, eventually devastating IBM.

Strategic HR planning can stimulate critical thinking and the development of new initiatives only if it is a continuing and flexible process rather than a rigid procedure with a discrete

beginning and a specific deadline for completion. This is why many firms have formed an executive committee, which includes an HR professional and the CEO, to discuss strategic issues on an ongoing basis and periodically modify the company's overall HR strategies and programs.

IDENTIFICATION OF GAPS BETWEEN CURRENT SITUATION AND FUTURE VISION

Strategic HR planning can help a firm identify the difference between "where we are today" and "where we want to be." Despite a massive budget and a staff of 7,000, 3M's laboratory was not able in recent years to deliver fast growth, partly because some of the R&D lacked focus and money wasn't always wisely spent. To speed up growth, 3M announced a series of performance objectives for individual business chiefs who had before enjoyed much free rein. In addition, 3M introduced specially trained "black belts" to root out inefficiencies in departments from R&D to sales.

ENCOURAGEMENT OF LINE MANAGERS' PARTICIPATION

For HR strategy to be effective, line managers at all levels must buy into it. If they do not, it is likely to fail. For example, a large cosmetics manufacturing plant decided to introduce a reward program in which work teams would receive a large bonus for turning out high-quality products. The bonus was part of a strategic plan to foster greater cooperation among employees. But the plan, which had been developed by top executives in consultation with the HR department, backfired when managers and supervisors began hunting for individual employees responsible for errors. The plan was eventually dropped.

IDENTIFICATION OF HR CONSTRAINTS AND OPPORTUNITIES

When overall business strategy planning is done in combination with HR strategic planning, firms can identify the potential problems and opportunities with respect to the people expected to implement the business strategy. A cornerstone of Motorola's business strategy is to identify, encourage, and financially support new-product ventures. To implement this strategy, Motorola relies on in-house venture teams, normally composed of five to six employees, one each from research and development (R&D), marketing, sales, manufacturing, engineering, and finance. Positions are broadly defined to allow all employees to use their creativity and to serve as champions of new ideas.

CREATION OF COMMON BONDS

A substantial amount of research shows that, in the long run, organizations that have a strong sense of "who we are" tend to outperform those that do not.

A strategic HR plan that reinforces, adjusts, or redirects the organization's present culture can foster values such as a customer focus, innovation, fast growth, and cooperation.

HR Best Practices

- Offer high employment security as this indicates that the firm is committed to the employee's welfare

- Develop a good selection program that can screen the best applicants

- Offer wages that are highly competitive as this helps reduce employee turnover and helps in the attraction of high quality employees

- Recognize employees by providing monetary and non-monetary rewards

- Make employees part-owners of the firm by providing them with stock in the firm

- Communicate effectively with employees so that they are kept informed of major issues confronting the organization and any major initiatives

- Encourage employee involvement so that there is strong "buy-in" of human resource practices and important managerial initiatives

- Encourage team work so that employees are more willing to collaborate with each other

- Invest in training programs to improve employee skills

- Provide opportunities for learning at work so that employees are "stretched" in the use of their skills

- Give a higher priority to internal candidates for promotion as this enhances employee motivation by providing future career opportunities



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