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# What is a human resources strategy?

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## Abstract

Attempts to provide a practical framework in which practitioners may develop human resources (HR) strategies in line with their organizations' corporate planning processes. Proposes a four-step approach involving: development of a strategic framework; generating of HR mission statement; application of a SWOT analysis; and making strategic planning decision between HR options. Outlines a four-dimensional structural focus comprising culture, organization, people and systems. Concludes with a discussion of characteristic of "good" strategic objectives.

Following hard on the transformation of personnel management to human resources management we are now being exposed to another new concept: "human resources strategy". Already the literature and public courses are proliferating and urging us to develop a strategic approach. However, very few commentators have so far offered a framework within which to do this. Some have even suggested that, like human resources management, human resources strategy does not really exist and the danger is that it will be talked into existence[1]. So to date we have been offered a mixed discourse on a range of key issues facing organizations in the late 1980s and 1990s.

The failure to define human resources strategy is perhaps not surprising given the contentious history of the word strategy (from the Greek *strategos*: the art of the general) in the business world. Frequently regarded as being driven by product marketing, strategy has often provoked an "It depends on what you mean by..." type of response resulting in many different interpretations and considerable confusion with words such as planning, objectives, policies, goals and aims.

To some, strategy is a formal process, consisting of a rational series of steps to which managers adhere in order to try to shape their organization's future. This "rationalist" view contrasts markedly with another which depicts strategy as an elusive and almost abstract concept. This alternative perspective of strategy has largely come from the work of Henry Mintzberg. He views strategy formulation as being something which is not the result of logical and rational managerial behaviour. His "incrementalist" view depicts strategy as an emergent or evolutionary process whereby managers endeavour to manage complex social and political considerations. Those wishing to explore the finer aspects of these two perspectives should refer to Johnson[2].

Unfortunately, the precise meaning of the term "human resources strategy", what such a strategy looks like, and how it is developed has been conveniently avoided despite the increased interest. Pettigrew[3] has observed that it is a subject that is more likely to be "in

the breach than the observance". The approach developed here owes much to the comments of Porter[4], a world authority on strategic thinking. In addressing the rapid rise and decline of strategic business planning in the 1970s Porter argues that:

Instead of clarifying and communicating strategy, the outcome of laborious strategic-planning exercises was thick binders which had little, if any, impact on action. Form dominated substance. Meaningless long-term projections obscured strategic insight.

This article attempts to heed Porter's comments and provide the practitioner with a practical framework for developing a human resources strategy.

**"Nothing is permanent but change"**

There is no doubt that organizations will continue to face and manage tremendous change and uncertainty and this prospect has fuelled the human resources strategy debate. Most of the change factors are well known and have been articulated on many occasions:

- globalization of markets;
- technological;
- legal;
- regulatory;
- mergers and acquisitions;
- demographic;
- social and organization structural changes.

All of these issues have fundamental consequences for the management of the human resources function within the organization. Yet, one wonders how many human resource functions are actively monitoring or responding to them. What responses are we developing to the future demographic changes which will result in a 23 per cent fall in the number of 16 to 19-year-olds between now and 1995 and a 17 per cent drop in the 20 to 24 age group? It has been estimated that the National Health Service alone will require about half of all female school leavers with good GCSE results in 1995.

Generally our track record as a function is not good and the likelihood that we will all be outbidding each other to secure our quota of skilled staff seems highly probable. Alternatively, we may all be trying to get back those experienced middle managers whom we

currently seem to be keen to remove from organizations.

At the same time technological change is continuing to redefine and reshape industrial boundaries and skills levels. Most organizations experienced the impact of new technology in the 1980s but there is now a realization that technologies are converging, which raises more fundamental skill and resourcing issues. For example the distinctions between the computer and telecommunications industries are becoming increasingly blurred. At the same time technology continues to de-skill large numbers of jobs. Customer service functions are being reorganized to take account of intelligent machine and system diagnostics which replace the need for expensive service engineers. Many customer repair faults can now simply be resolved over a normal telephone line. The emphasis is switching from individuals with technical skills to the individuals who swap printed circuit boards and display high levels of customer care.

At the other end of the scale the situation is reversed, with technology creating a technocratic elite, highly trained, mobile, scarce and much sought after. The result is a polarization of skill levels within the organization. But what innovative ideas and solutions are we developing as a function to address this complexity? How do we propose to deal with the "middle management crisis?" [5] that new technology will bring?

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Changing social values and their impact on management development and career planning are also likely to generate increasing organizational concern. Research is emerging which indicates that the aspirations and values of our management tier are shifting. For example, Stanford Research International

(SRI) in the USA has identified a new breed of manager who seeks a career that mirrors his/her own personal values rather than those of the organization.

Goffee and Scase[6] have recently conducted research into middle-management values and aspirations, and have identified serious dissatisfaction with existing organization life and the pressures being exerted on middle managers. Their conclusions pose major questions for future career development and planning activities. This is occurring at a time when many organizations are seeking actively to develop a management culture and capability that transcends national boundaries in response to the globalization of markets. Major corporations are looking increasingly to develop an international tier of management. Certain organizations already have this group in place and their human resources functions have been making a significant contribution to the exercise. Issues such as these are complex and cannot, I would argue, be addressed without a vibrant, innovative and aggressive human resources function.

### Can a human resources strategy help?

Can the development of a human resources strategy move human resource issues towards the centre stage of corporate strategy? The development of a human resources strategy does offer the opportunity to break out of the traditional "knee-jerk" mould which has characterized some areas of human resource activity. *Focus* and *integration* are two words synonymous with business strategy. They are equally appropriate to the development of a human resources strategy and offer further argument for those who want to raise the contribution of their function and are eager to access the corporate planning process and so add value to the organization.

There are four principal steps to the process:

- (1) framework;
- (2) statement;
- (3) analysis;
- (4) planning.

Each will be dealt with in turn.

### Developing a strategic framework

In developing a framework (see Figure 1) for a human resources strategy, the rationalist perspective of strategy formulation has been adopted. It offers a logical framework which I believe is what most practitioners want in order to get started. It is also easier to grasp and comprehend. Thus our approach to developing strategy starts from the basis: "What we do must be relevant to our corporate objectives". Consequently it helps if the organization knows its purpose. In developing any corporate strategy the approach is to begin by addressing three key strategic questions:

- (1) Where are we now?
- (2) Where do we want to be?
- (3) How do we get there?

The human resources function then has to add two others:

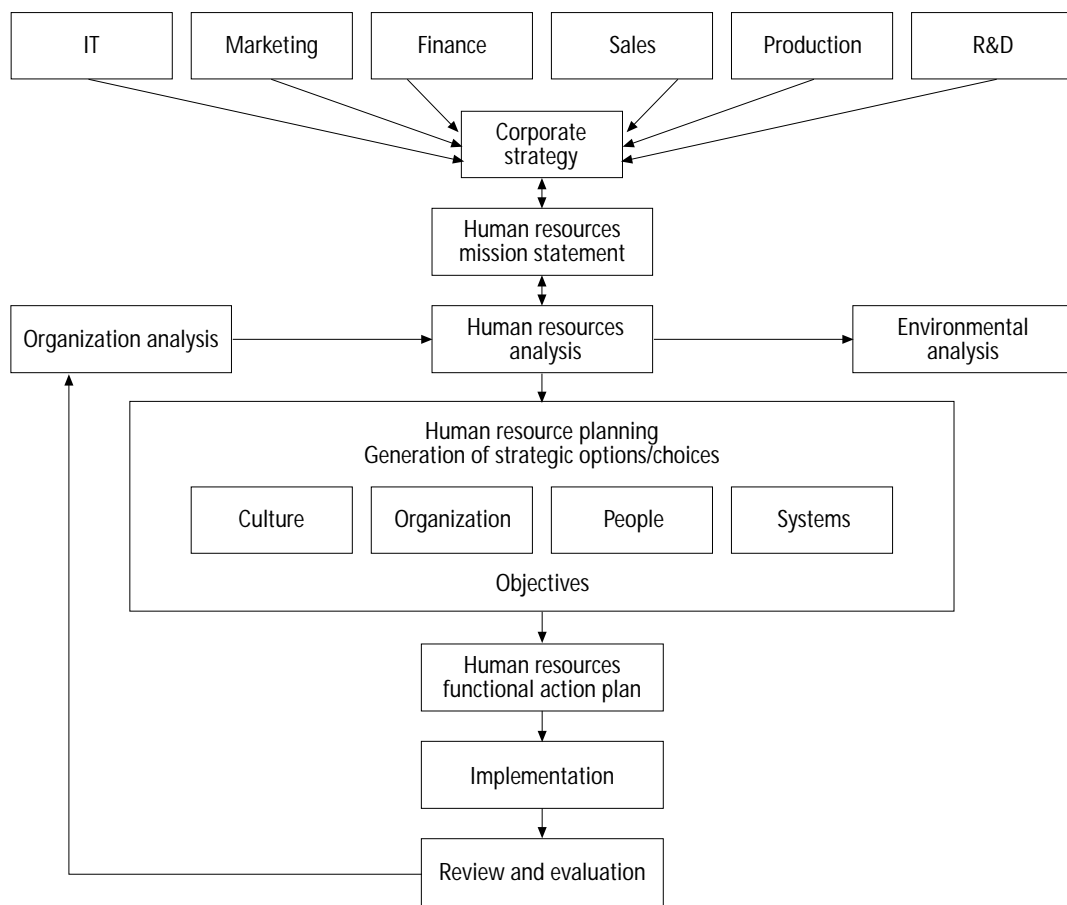
- (1) What kinds of people skills will be needed to manage and sustain the organization in the future to meet strategic business objectives?
- (2) What human resources programmes and initiatives will be needed to deal effectively with the external pressures and demands affecting the organization?

As focus figures strongly in the strategic process the need to clarify areas of strategic human resources responsibility is broken down into four key dimensions:

- (1) culture;
- (2) organization;
- (3) people; and
- (4) systems.

With this in mind, human resources strategy can be defined as: "A co-ordinated set of actions aimed at integrating an organization's culture, organization, people and systems". There has recently been a considerable drift to "single issue management", whether it be quality, culture or entrepreneurship. This approach is always fallible, as some of the "excellent culture" organizations have discovered. By recognizing in the human resources function that the systems or organization structures are equally as important as the culture or people, we avoid the problems caused by narrow focus and inconsistency in our management actions. Strong integration is the objective of the exercise.

Figure 1 Human resources strategy (a Price Waterhouse approach)



**Human resources mission statement**

The human resources function has to be clear as to where the organization is trying to go and then consider the implications for its own activities. In this context, American writer George Ordiorne [7] refers to the driving forces of the business as a means of providing human resource direction.

Consequently, if the organization is “technology driven”, the need to recruit, develop, compensate and retain appropriately qualified engineers and scientists will be the driving strategy of the human resources function. Alternatively, other organizations see the method of distribution as the driving force. These are frequently sales organizations, and they often rely on door-to-door sales representatives with high levels of motivation, enthusiasm and persistence to achieve success. The recruitment of part-time staff or amateurs is vital, as is the need to train them quickly. Apart from commission-based incentive schemes little provision is made for high staff benefits or for security. So the human

resources function in this type of organization is again able to take its lead from the underlying business strategy.

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Frequently the impetus comes from the need to manage change or refocus the organization’s activities. A major realization for ICL during its difficulties was the need to move away from being technology-led. Senior management recognized that it had to be led more by marketing; no longer could the organization try to compete head to head with IBM. Out of this strategic process a whole series of human resource initiatives followed including huge investment in training and development and a realignment of compensa-

tion and career management activities. So in any organization the human resources strategy must emanate from the corporate business strategy.

In that sense the human resources team, together with line management, ought to develop a vision or mission statement. Of course the use of the term mission statement in the UK tends to produce a negative reaction. This should be resisted, as the benefits to be derived from addressing some very simple questions are considerable. Addressed properly these questions have tremendous focusing power:

- “What is the people contribution of our business?”
- “Why does our function exist?”
- “Who are our customers?”
- “What do our customers buy?” (Not to be confused with what you are selling.)
- “What needs to happen in order for our function to be judged effective?”

At the same time this simple process provides a basis for future measurement. It can assess whether the function is caught in a “low cost producer” mentality or whether it is actually trying to add value by upgrading its activities and contribution; if that is the remit of the corporate strategy. Those who wish to develop this approach further should read articles by Humble[8] and Davis[9]. These pose the fundamental question that the human resources function in today’s organization needs to think of itself as a business operating unit, employing exactly the same marketing, technical and quantitative skills as those which are employed by other functions. The quantitative area is particularly challenging as again we have not so far addressed positively the cost-benefit or “payback” arguments. It is a weakness in our profession and one which might be addressed by looking at some of the methods used by our finance, marketing, IT and R&D colleagues.

Should we not be looking at our key people ratios? Costs per employee, sales value per employee or added value per employee offer some direction, but clearly greater innovation is still required.

**Human resources analysis**

Conducting a rigorous SWOT analysis (strengths, weaknesses, opportunities and

threats) clarifies the current status of the function, the organization and its external operating environment.

This is a process that should be undertaken on a regular basis in order to redefine the function’s mission statement and to provide a quantitative and qualitative human resource input to the strategic planning process. Like most good techniques, the SWOT analysis is simple to understand, apply and convert into positive action.

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Given the complexity of forces now affecting organizations, it is particularly important to monitor the external environment. The innovation here is not in the technique, which is over 20 years old, but in assigning an individual or a group of managers to monitor the internal and external environment and to research the possible organizational implications for discussion by the human resources team and senior management. Line managers should be co-opted into this process as it helps to generate new issues, understanding, ownership and commitment to any subsequent human resource activities.

The need to assess the future demands from the external environment and the organization is vital. However, the process also involves a lot of internal analysis. For example, do you have the right skills? Has your team got management credibility? On what matters does the organization consult you? Having completed this status report the human resources function is then able to engage in the next step of strategy formulation.

So far so good, many people might be saying to themselves. A simple and logical framework combining the basics of strategic planning. But it is really in the next stage that the complexity becomes apparent.

**Human resources planning**

The need to generate some strategic human resource options and then to make strategic

choices is how the rationalist framework progresses. Yet it poses a structuring issue. How do we develop, shape and order our options and choices? This can be resolved by focusing on our four dimensions: culture, organization, people and systems (see Figure 2).

Classic personnel activity has tended to cover the areas of people and organization, but even in these areas its actions have often lacked integration so that we tend to alter remuneration structures without reference to organization structure or people capability. The result is often a lack of co-ordination and direction. Culture is an interesting, and to some people, controversial inclusion.

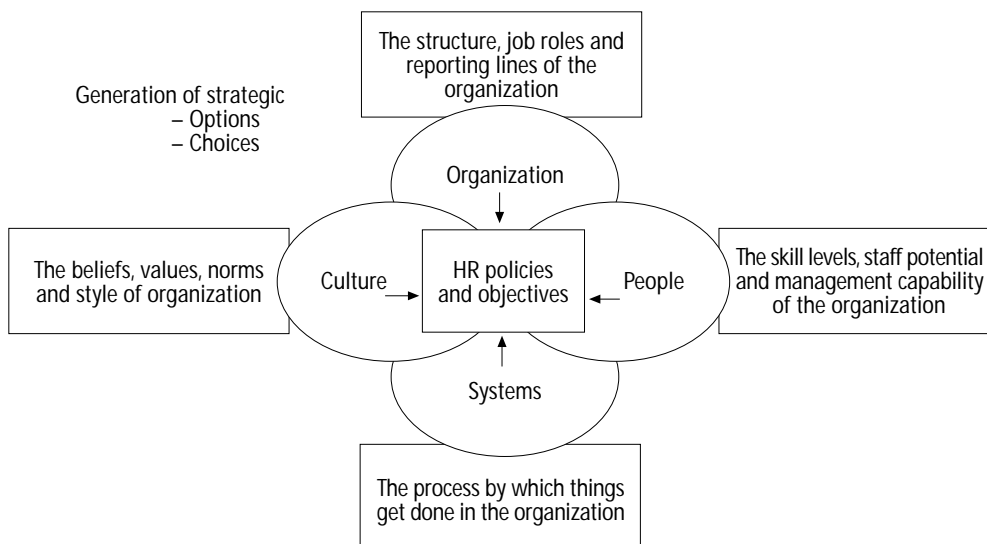
Organization culture – its measurement, monitoring and management – provides the potential to enhance organizational performance. While the difficulties and academic arguments over whether or not culture can be changed remain, the fact is that more and more chief executives are receptive to the concept of corporate culture as a possible source of competitive advantage. Schein[10] has argued that corporate culture is something that needs to be understood and managed as a key aspect of human resources. Legge[11] has termed the use of culture by personnel people to gain power a “deviant innovation”. She sees this use of culture as an attempt by the human resources professional to change the basis on which organizational success and the human resources function’s contribution to it, are evaluated. This

requires the human resources professional to act as a link between individual and corporate values.

What is also interesting in this area is the traditional suspicion and sometimes hostility displayed by our profession towards diagnostic tools, such as attitude or organization climate surveys. This is puzzling, for such devices provide a major opportunity for the function to make a significant contribution to the functioning of the organization in a quantitative form. It is also something that IBM has been doing for a very long time. Yet so often there tends to be an aversion to seizing the initiative and informing senior management as to what people really think about the organization and the way it works.

Allied Dunbar uses a staff questionnaire to drive the performance of its managers along a number of key managerial activities and this is an excellent example of an innovative approach to human resources management. On the other hand, many human resources functions have not had very much to say about systems, outside traditional areas such as appraisal or management development. Few human resources functions have an input on systems such as those involving major information technology investments. Typically, the reaction from the IT professional might be: “What would they know about it?”. The fact is we probably know a whole lot more than any of the other functions including finance. Surely the real cost of information

Figure 2 Human resources strategy planning



technology investment is not the hardware but the costs of training people to use it effectively. How many IT systems suffer from serious undercapacity because of inadequate training? Yet somehow this kind of debate only ever happens in a small select group of companies.

The objective of trying to develop a human resources strategy is to put human resource issues such as this on the boardroom agenda. In examining these four dimensions it is possible to develop a series of strategic continuums (see Figure 3) which do in fact generate a series of options in terms of human resource activities. This merely provides some of the more obvious options, whereas an individual company analysis, set against the corporate objectives, will generate significantly more. Clearly some key choices have to be made.

Once line management and the human resources function have followed through this process it is then possible to set some broad human resources objectives. These broad

objectives then need to be broken down into the specialist areas such as remuneration, recruitment, appraisal and training and development.

The recruitment choices may be whether the organization promotes only from within or whether it goes to the external market. Does the organization have narrow or wide career paths? In the compensation area, does the organization promote high or low base salaries, few incentives or many incentives? Does the organization afford limited or high employment security? By following through this particular approach, each specialist function is required to set operational objectives which are consistent with the human resources mission statement and objectives and ultimately the corporate strategy. It should also ensure that remuneration programmes are consistent with career planning and development activities and so on.

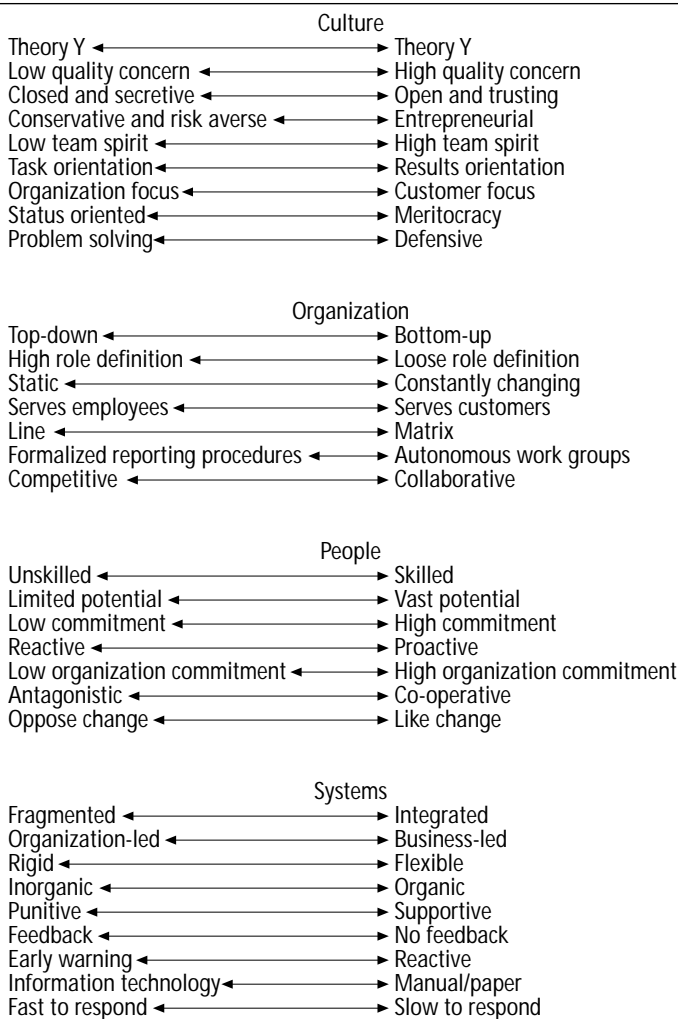
### Conclusion

At this stage it might be asked: "How do we know our decisions and objectives are strategic?" Ordiorne[7] has listed several characteristics of good strategic objectives. They add considerably to our process. He asserts that strategic objectives:

- take longer than one year to implement, more in the order of five;
- change the character and direction of the business and require something new or surprising;
- require an analysis of external forces to be incorporated in the form of assumptions or projections;
- are not just forecasts; they are inventive and creative;
- call for detailed consideration of the resources required;
- involve making decisions in the face of uncertainty and imperfect information;
- are revised annually;
- are rounded in detailed analysis and study, not on impulse or wishful thinking;
- employ numbers as much as possible, but their most important characteristic is incorporating the experienced judgement of senior management.

Of course, once the functional heads take up the broad objectives for translation into oper-

Figure 3 Human resources planning



ational tasks there then needs to be an ongoing monitoring and review of these activities in line with the stated objectives. This process then takes us back to our internal organizational analysis and its relationship to the human resources mission statement and the overall corporate strategy. So the process is iterative. Some organizations such as Rank Xerox have gone along the route of developing human resources operating principles or guidelines in addition to their mission statement. These help to provide further direction for the function's day-to-day activities.

Ultimately any strategy should result in some kind of distinctive pattern of behaviour. In the case of human resources strategy it is the cohesion and consistency of that pattern and its relationship to the corporate strategy that determines its effectiveness and success.

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