



8

HR strategies

Strategic HRM leads to the formulation of HR strategies. In this chapter:

- HR strategies are defined;
- the purpose of HR strategies is examined;
- the distinction is made between strategic HRM and HR strategies;
- types of HR strategies are described with examples;
- criteria for an effective HR strategy are given.

HR STRATEGIES DEFINED

HR strategies set out what the organization intends to do about the different aspects of its human resource management policies and practices. They will be integrated with the business strategy and each other. HR strategies are described by Dyer and Reeves (1995) as ‘internally consistent bundles of human resource practices’, and in the words of Boxall (1996), they provide ‘a framework of critical ends and means’. Richardson and Thompson (1999) suggest that:

A strategy, whether it is an HR strategy or any other kind of management strategy must have two key elements: there must be strategic objectives (ie things the strategy is supposed to achieve), and there must be a plan of action (ie the means by which it is proposed that the objectives will be met).

PURPOSE

The purpose of HR strategies is to guide HRM development and implementation programmes. They provide a means of communicating to all concerned the intentions of the organization about how its human resources will be managed. They provide the basis for strategic plans and enable the organization to measure progress and evaluate outcomes against objectives. HR strategies provide visions for the future but they are also vehicles that define the actions required and how the vision should be realized. As Gratton (2000) commented: 'There is no great strategy, only great execution.'

THE DISTINCTION BETWEEN STRATEGIC HRM AND HR STRATEGIES

Strategic HRM as described in the last chapter is the process that results in the formulation of HR strategies. The terms 'strategic HRM' and 'HR strategy' are often used interchangeably, but a distinction can be made between them.

Strategic HRM can be regarded as a general approach underpinned by a philosophy to the strategic management of human resources in accordance with the intentions of the organization on the future direction it wants to take. What emerges from this process is a stream of decisions over time that form the pattern adopted by the organization for managing its human resources and define the areas in which specific HR strategies need to be developed. HR strategies will focus on the intentions of the organization on what needs to be done and what needs to be changed.

TYPES OF HR STRATEGIES

Because all organizations are different, all HR strategies are different. Research into HR strategy conducted by Armstrong and Long (1994) and Armstrong and Baron (2002) revealed many variations. Some strategies are simply very general declarations of intent; others go into much more detail. But two basic types of HR strategies can be identified: 1) overarching strategies; and 2) specific strategies relating to the different aspects of human resource management.

Overarching HR strategies

Overarching strategies describe the general intentions of the organization about how people should be managed and developed, what steps should be taken to ensure that

the organization can attract and retain the people it needs, and ensure so far as possible that employees are committed, motivated and engaged. They are likely to be expressed as broad-brush statements of aims and purpose that set the scene for more specific strategies. They are concerned with overall organizational effectiveness – achieving human resource advantage by, as Boxall and Purcell (2003) explain, employing ‘better people in organizations with better process’, developing high-performance work systems and generally creating a great place to work.

The following are some examples of overarching HR strategy statements.

Aegon

‘The Human Resources Integrated Approach aims to ensure that from whatever angle staff now look at the elements of pay management, performance, career development and reward, they are consistent and linked.’

B&Q

‘Enhance employee commitment and minimize the loss of B&Q’s best people. Position B&Q as one of the best employers in the UK.’

Egg

‘The major factor influencing HR strategy was the need to attract, maintain and retain the right people to deliver it. The aim was to introduce a system that complemented the business, that reflected the way we wanted to treat our customers – treating our people the same. What we would do for our customers we would also do for our people. We wanted to make an impact on the culture – the way people do business.’
(*HR Director*)

GlaxoSmithKline

‘We want GSK to be a place where the best people do their best work.’

An insurance company

‘Without the people in this business we don’t have anything to deliver. We are driven to getting the people issues right in order to deliver the strategy. To a great extent it’s the people that create and implement the strategy on behalf of the organization. We put people very much at the front of our strategic thought process. If we have the right people, the right training, the right qualifications and the right sort of culture then we can deliver our strategy. We cannot do it otherwise.’ (*Chief Executive*)

Lands' End

'Based on the principle that staff who are enjoying themselves, are being supported and developed, and who feel fulfilled and respected at work, will provide the best service to customers.'

Pilkington Optronics

'The business strategy defines what has to be done to achieve success and that HR strategy must complement it, bearing in mind that one of the critical success factors for the company is its ability to attract and retain the best people. HR strategy must be in line with what is best in industry.'

A public utility

'The only HR strategy you really need is the tangible expression of values and the implementation of values... unless you get the human resource values right you can forget all the rest'. (*Managing Director*)

A manufacturing company

'The HR strategy is to stimulate changes on a broad front aimed ultimately at achieving competitive advantage through the efforts of our people. In an industry of fast followers, those who learn quickest will be the winners.' (*HR Director*)

A retail stores group

'The biggest challenge will be to maintain (our) competitive advantage and to do that we need to maintain and continue to attract very high calibre people. The key differentiator on anything any company does is fundamentally the people, and I think that people tend to forget that they are the most important asset. Money is easy to get hold of, good people are not. All we do in terms of training and manpower planning is directly linked to business improvement.' (*Managing Director*)

Specific HR strategies

Specific HR strategies set out what the organization intends to do in areas such as:

- *Talent management* – how the organization intends to 'win the war for talent'.
- *Continuous improvement* – providing for focused and continuous incremental innovation sustained over a period of time.

- *Knowledge management* – creating, acquiring, capturing, sharing and using knowledge to enhance learning and performance.
- *Resourcing* – attracting and retaining high quality people.
- *Learning and developing* – providing an environment in which employees are encouraged to learn and develop.
- *Reward* – defining what the organization wants to do in the longer term to develop and implement reward policies, practices and processes that will further the achievement of its business goals and meet the needs of its stakeholders.
- *Employee relations* – defining the intentions of the organization about what needs to be done and what needs to be changed in the ways in which the organization manages its relationships with employees and their trade unions.

The following are some examples of specific HR strategies.

The Children's Society

- Implement the rewards strategy of the Society to support the corporate plan and secure the recruitment, retention and motivation of staff to deliver its business objectives.
- Manage the development of the human resources information system to secure productivity improvements in administrative processes.
- Introduce improved performance management processes for managers and staff of the Society.
- Implement training and development which supports the business objectives of the Society and improves the quality of work with children and young people.

Diageo

There are three broad strands to the 'Organization and People Strategy':

1. *Reward and recognition*: use recognition and reward programmes to stimulate outstanding team and individual performance contributions.
2. *Talent management*: drive the attraction, retention and professional growth of a deep pool of diverse, talented employees.
3. *Organizational effectiveness*: ensure that the business adapts its organization to maximize employee contribution and deliver performance goals.

It provides direction to the company's talent, operational effectiveness and performance and reward agendas. The company's underlying thinking is that the people strategy is not for the human resource function to own but is the responsibility of the whole organization, hence the title 'Organization and People Strategy'.

A government agency

The key components of the HR strategy are:

- Investing in people – improving the level of intellectual capital.
- Performance management – integrating the values contained in the HR strategy into performance management processes and ensuring that reviews concentrate on how well people are performing those values.
- Job design – a key component concerned with how jobs are designed and how they relate to the whole business.
- The reward system – in developing rewards strategies, taking into account that this is a very hard driven business.

HR strategies for higher education institutions (The Higher Education Funding Council)

1. Address recruitment and retention difficulties in a targeted and cost-effective manner.
2. Meet specific staff development and training objectives that not only equip staff to meet their current needs but also prepare them for future changes, such as using new technologies for learning and teaching. This would include management development.
3. Develop equal opportunity targets with programmes to implement good practice throughout an institution. This would include ensuring equal pay for work of equal value, using institution-wide systems of job evaluation. This could involve institutions working collectively – regionally or nationally.
4. Carry out regular reviews of staffing needs, reflecting changes in market demands and technology. The reviews would consider overall numbers and the balance of different categories of staff.
5. Conduct annual performance reviews of all staff, based on open and objective criteria, with reward connected to the performance of individuals including, where appropriate, their contribution to teams.
6. Take action to tackle poor performance.

A local authority

The focus is on the organization of excellence. The strategy is broken down into eight sections: employee relations, recruitment and retention, training, performance management, pay and benefits, health and safety, absence management and equal opportunities.

CRITERIA FOR AN EFFECTIVE HR STRATEGY

An effective HR strategy is one that works in the sense that it achieves what it sets out to achieve. In particular, it:

- will satisfy business needs;
- is founded on detailed analysis and study, not just wishful thinking;
- can be turned into actionable programmes that anticipate implementation requirements and problems;
- is coherent and integrated, being composed of components that fit with and support each other;
- takes account of the needs of line managers and employees generally as well as those of the organization and its other stakeholders. As Boxall and Purcell (2003) emphasize: 'HR planning should aim to meet the needs of the key stakeholder groups involved in people management in the firm.'

Here is a comment from a chief executive (Peabody Trust) on what makes a good HR strategy:

A good strategy is one which actually makes people feel valued. It makes them knowledgeable about the organization and makes them feel clear about where they sit as a group, or team, or individual. It must show them how what they do either together or individually fits into that strategy. Importantly, it should indicate how people are going to be rewarded for their contribution and how they might be developed and grow in the organization.