

HRM strategy

Case duration (Min): **45-60**

Human Resource Management (HRM)

HRM strategy

The global context of HRM

Worldwide

Case summary:

Human resource management is closely identified with business strategy and focused upon within this case study. The concern with meeting business objectives in a strategic fashion is discussed, along with a need for HR to be proactive, long-term and able to support competitiveness. In particular, the case focuses on the war for talent and the challenge of managing costs; acquiring, developing and retaining talent and creating a skilled, committed and motivated workforce, able to attain present and future corporate objectives.

Learning objectives:

Identify what is meant by Strategic HRM.

Discuss high-level resourcing strategies.

Debate resourcing strategy in the context of employee retention.

Case problem:

What is HR strategy?

First, if you are taking a taught management course then consult with your tutor and ensure that the case has not been scheduled into a teaching class or tutorial. If it has not:

1. Play/ read the media associated with the case. You may need to access the Internet and enter a URL to locate any video clips.
2. Attempt the Case study questions.

Consider attempting the case study as a group exercise; you could form a study group with fellow students.

3. Check the suggested answers - remember these are suggestions only and there are often many possible answers.

Discuss questions and answers with other students.

4. If you feel your answer(s) were weak then consider reading the relevant suggested readings again (also see the case study suggested references).

Title/
Media type

URL/ Media description

INSEAD Professor Narayan Pant on
Human Capital in Asia.

<http://tv.insead.edu/video/Most+Recent/100/8777>

Film

INSEAD Professor Narayan Pant gives views on why human capital needs are increasingly more important for companies within a climate of a recovering economy.

NOTES:

Case study questions...

Action	Pre/During/After class
1 KEY CONCEPTS : What is HR strategy? What is the role of HRM within corporate strategy? In your answer you should comment on what is meant by HRM - you should draw on the film clip and your wider reading to answer all questions listed.	During
2 HR CHALLENGES : What is the main HR challenge identified by Prof Pant at the beginning of the interview?	During
3 LACK OF TALENT CONSEQUENCES : Identify and briefly discuss the organisational consequences of losing the war for talent.	During
4 ENVIRONMENT : How does the environment impact upon HR strategy?	During
5 RESOURCING STRATEGIES Critically evaluate: to grow or to buy talent	During
6 HR STRATEGIC CHALLENGES Other than the war for talent, many academics and practitioners agree strategic objectives of building loyalty and motivation and the retention of talented employees to be of importance to HR. Identify and discuss these objectives and outline possible initiatives to be undertaken by organisations	During

STRATEGIC HRM

Directing people, processes and HR systems to achieve strategic objectives so that individual goals are tied to the business needs of the whole organization.

HUMAN RESOURCE STRATEGY

Overall plan for staffing, developing and rewarding employees and outsourced human resources tied to business objectives.

HUMAN RESOURCE MANAGEMENT (HRM)

A range of management activities which aim to achieve organizational objectives through effective use of employees.

STRATEGIC HRM

Directing people, processes and HR systems to achieve strategic objectives so that individual goals are tied to the business needs of the whole organization.

EMPLOYEE RESOURCING

Resourcing is the process by which people are identified and allocated to perform necessary work. Resourcing has two strategic imperatives: first, minimizing employee costs and maximizing employee value to the organization; secondly, obtaining the correct behavioural mix of attitude and commitment in the workforce

HUMAN RESOURCE PLANNING (HRP)

A process which anticipates and maps out the consequences of business strategy on an organization's human resource requirements. This is reflected in planning of skill and competence needs as well as total headcounts.

Question/ Answer

1 KEY CONCEPTS :

What is HR strategy? What is the role of HRM within corporate strategy? In your answer you should comment on what is meant by HRM - you should draw on the film clip and your wider reading to answer all questions listed.

Strategic HRM-Directing people, processes and HR systems to achieve strategic objectives so that individual goals are tied to the business needs of the whole organization.

Human resource strategy - Overall plan for resourcing, developing and rewarding employees and outsourced human resources tied to business objectives.

Human resource management (HRM)- A range of management activities which aim to achieve organizational objectives through effective use of employees.

This reference to achieving organisational objectives positions much of HRM at the strategic level. Students should recognise that HR strategy may (1) be dependent upon corporate strategy i.e. A one-way relationship; (2) inform corporate strategy i.e. A two-way relationship and (3) may be considered simultaneously with corporate strategy. Students should also recognise how HRM has evolved from personnel management to take on a much greater proactive and long-term role; a role that had developed sustainable competitive advantage through talented, committed and motivated employees with scarce skills and knowledge. The role of HRM is to ensure the right people with the right attitudes and skills are in place to attain corporate goals.

2 HR CHALLENGES :

What is the main HR challenge identified by Prof Pant at the beginning of the interview?

Prof Pant believes that the only factor limiting profitable growth for companies operating in Asia is the scarcity of talented employees. He describes the financial crisis as a short-term issue and a key challenge for organisations is to balance short and long-term goals. Short-term, organisations will focus on cost control (headcount costs are often amongst the most significant costs for any organisation); long-term, the organisation will require talent for growth. He believes that short-term knee-jerk reactions may result in talent loss and may therefore later inhibit competitiveness and growth.

3 LACK OF TALENT CONSEQUENCES :

Identify and briefly discuss the organisational consequences of losing the war for talent.

Talent is associated with competitiveness, effectiveness and efficiency, leading to higher quality outputs and productivity. Organisations lacking talent are likely to be less effective, competitive and able to grow; where there is a talent shortage, organisations may respond by relocating to areas where talent is not in short supply.

4 ENVIRONMENT :

How does the environment impact upon HR strategy?

The environment determines corporate strategy

Students may draw upon strategic frameworks such as the PESTEL analysis- A technique for analysing the general external environment of an organisation in terms of the political, economic, socio-cultural, technological, environmental and legal aspects

The environment contains a source of talented employees, competitors and political/economic conditions all of which may impact upon the availability of key resources for the organisation. From a social perspective, organisations must attract and win talented employees-in such cases, candidates may select the organisation whose values most closely match their own

HUMAN RESOURCE DEVELOPMENT (HRD)

A strategic approach to investing in human capital. It draws on other human resource processes, including resourcing and performance assessment to identify actual and potential talent. HRD provides a framework for self-development, training programmes and career progression to meet an organization's future skill requirements.

PESTEL ANALYSIS

A technique for analysing the general external environment of an organisation in terms of the political, economic, socio-cultural, technological, environmental and legal aspects.

COMMITMENT

Commitment is defined as the degree of identification and involvement which individuals have with their organization's mission, values and goals. This translates into: their desire to stay with the organization; belief in its objectives and values; and the strength of employee effort in the pursuit of business objectives.

MOTIVATION

the driving force within individuals by which they attempt to achieve some goal in order to fulfil some need or expectation

5 RESOURCING STRATEGIES

Critically evaluate: to grow or to buy talent

Employee resourcing - Resourcing is the process by which people are identified and allocated to perform necessary work. Resourcing has two strategic imperatives: first, minimizing employee costs and maximizing employee value to the organization; secondly, obtaining the correct behavioural mix of attitude and commitment in the workforce

Human resource planning (HRP) - A process which anticipates and maps out the consequences of business strategy on an organization's human resource requirements. This is reflected in planning of skill and competence needs as well as total headcounts

Organisations can focus on internal or external job markets, or draw from both. They may 'grow' with their employees into valuable and talented assets through training, development and experience in the organisation. They may also acquire ready-made talent, recruiting from the external market place.

Growing talent from within has the advantage of motivating employees and creating a loyal and committed workforce. However, such a strategy is time-consuming and costly. And as was mentioned in the film clip, the line often places demands on HR at short notice. Consequently, a mixed strategy of a balance of continuity and commitment from long-term employees together with fresh ideas from new recruits.

6 HR STRATEGIC CHALLENGES

Other than the war for talent, many academics and practitioners agree strategic objectives of building loyalty and motivation and the retention of talented employees to be of importance to HR. Identify and discuss these objectives and outline possible initiatives to be undertaken by organisations

Effective and productive work is thought to come from committed, skills (talented) and motivated employees.

Commitment is defined as the degree of identification and involvement which individuals have with their organization's mission, values and goals. This translates into: their desire to stay with the organization; belief in its objectives and values; and the strength of employee effort in the pursuit of business objectives.

Motivation is the driving force within individuals by which they attempt to achieve some goal in order to fulfil some need or expectation

As has been discussed, talent may be acquired from external markets or developed within. Loyalty, retention, commitment and motivation may be tackled in a variety of ways. According to Bartlett and Ghoshal (2002) skilled and motivated people are central to the operations of any company that wishes to flourish in the new age – 'In short, people are the key strategic resource, and strategy must be built on a human-resource foundation'. It is widely accepted that in order to compete in a rapidly changing environment companies must continually improve their performance by reducing costs, innovating products and processes, and improving quality, productivity and speed to market, (Becker and Gerhart 1996). HR systems represent a largely untapped opportunity to improve company performance. Performance management is a process which contributes to the effective management of individuals and teams in order to achieve high levels of organisational performance. In explaining the significance of human resources to organizational performance, the majority of work in strategic HRM has adopted the 'resource-based' view of the firm.

According to Katou and Budhwar (2006) organizational performance is usually indicated by indices such as: effectiveness, efficiency, development, satisfaction, innovation and quality. The ability to gain and retain competitive advantage is crucial to an organization's growth and prosperity. There is a general consensus that HR practices mediated through the development of HRM outcomes, contribute to organizational performance. The general consensus developed amongst researchers is that HR practices and HRM systems do not lead directly to business performance. Rather they influence firm resources, such as the human capital, or employee behaviours, and it is these resources and behaviours that ultimately lead to performance. It has been argued that HR practices influence company performance by creating a workforce that is skilled, motivated, satisfied, committed and empowered. Others have suggested that the social context and organizational climate represent additional intervening factors.

INSEAD Professor Narayan Pant argues that we cannot treat all employees in the same way – they have different aspirations and needs and HR must segment the workforce, creating more flexible approaches to manage such needs. One mechanism to attract and retain loyal and committed workers is CSR. Students may also discuss theories of motivation, company values and culture.

Case study references

Cole, G A. and Kelly, P P. (2011) 'Management Theory and Practice', Ed. 7. Cengage EMEA.

Guest, D E. (1987) 'Human Resource Management and Industrial Relations', Journal of Management Studies, Sep87, Vol. 24 Issue 5, p. 503 - 521.

Kelly, P P. (2009) 'International Business and Management', Cengage Learning EMEA.

Price, A. (2007) 'Human Resource Management in a Business Context', Ed. 3. Cengage Learning EMEA.