

Links to HR, Strategy and Business Goals

Business strategy

Business strategy is a set of interrelated decisions that bring about some competitive advantage for the organization compared to competitors. Miles and Snow proposed general strategies of the organization as follows: defensive, analyst, reactive and passive. Schuler and Jackson introduced a classification for competitive strategies similar to Porter including cost leadership strategy, innovation, and quality improvement.

HR Strategies

Strategy in HRM can be defined as the solution of choice for achieving goals and in line with organizational strategy. In fact, HR strategies adjust the organization's purposes on various aspects of HRM policies and practices. Dowling and Schuler described facilitation, integration and deployment strategies as the main HRM strategies.

Alignment of HR and organizational strategies:

- There are three major reasons for detecting the importance of aligning HR strategies and organizational strategies.
- The first reason is that integration and alignment lead to a range of solutions for complex organizational problems.
- Second, it ensures that all human, technical and financial resources play a role in goal-setting and also capacities to implement these goals are assessed.
- Finally, it decreases inattention to human resource as a vital source for gaining organizational competence and organizational benefits.

Integrating HR Strategy with Business Strategy:

The owner should ensure that the HR functions are properly aligned with the overall business strategy of an organization.

◆ HR Strategy as Business Strategy:

In real world, no margin in the sand is drawn between human resources strategy and business strategy. A successful business owner understands the strong connection between the two. Progressing human capital is essential to the longevity and success of a business.

Human resources strategy today includes executive leadership teams conferring with human resources experts to improvise complementary goals for human resources and the complete business.

◆ HR Strategy and Business Productivity:

The recruitment and selection process in human resources department is paramount to creating a productive workforce. Maintaining a workforce where employees enjoy high levels of job satisfaction and job security converts into a workforce that assists in achieving business goals.

◆ Trends Affecting HR and Business Strategy:

Presently, we can say that HR technologies have become an integrated engine in advancing the broader needs of businesses, supporting far more than the basic transactions, and advancing HR and business agenda for future.

Human resources information system (HRIS) is integral to the progress of performance management, recruitment, selection. It also plays a vital role in the rejection of candidates, their promotions and postings, etc.

Linking HR practices to business strategy and one another:

- ◆ This issue of fitting HR practices to business strategy is becoming increasingly important and relevant HR issues for HR staff and line managers.
- ◆ HR fit involves making sure HR activities make sense and help the organization achieve its goals and objectives.
- ◆ The three aspects of HR fit are:
 1. Vertical fit
 2. Horizontal fit
 3. External fit

1. Vertical fit

This aspect of vertical fit concerns the coincidence between HR practices and overall business strategy.

2. Horizontal fit

This relates to the extent to which HR activities are mutually consistent. Consistency ensures that HR practices reinforce one another.

3. External fit

The third aspect concerns how well HR activities match the demands of the external environment. Ensuring these aspects of fit requires HR practice choices. The challenge is to develop internally consistent configurations of HR practice choices that help to implement the firm's strategy and enhance its competitiveness.

- ◆ There is a need for strategic flexibility along with a strategic fit for the long-term competitive advantage of the firm.
- ◆ The fit is defined as a temporary state in an organization, whereas flexibility is defined as the firm's ability to meet the demands of the dynamic environment.
- ◆ The two types of flexibility identified are:
 1. Resource Flexibility
 2. Coordination flexibility

1. Resource Flexibility

Resource flexibility is the extent to which a firm can apply its resources to a variety of purposes. It also involves the cost, difficulty, and time needed to switch resources from one use to another.

2. Coordination flexibility

Coordination flexibility concerns the extent to which an organization has decision making and other systems that allow it to move resources quickly from one use to another.

This task is accomplished by having an effective partnership between HR managers and line managers.

4 Steps to Align HR Strategy with the Business Strategy:

- ◆ ***Understand the business strategy and current state challenges.***

Consider the goals and expected outcomes for the organization. Is the organization pursuing a growth strategy? Or, is it trying to turnaround underperforming business lines?

- ◆ ***Identify how people must contribute to organizational growth and success.***

Seek to understand what they are asking their workforce to do in service of the goals. What new or different skills, competencies, and behaviors are needed? What are the best functions and positions needed to deliver on these expectations?

- ◆ ***Design and implement HR talent strategy.***

To know where the organization is headed and what it requires of its people to get there, HR must determine the gaps between its current workforce and what is required to accomplish the organization's business goals. Define strategies needed to acquire, train, develop, performance manage, and reward the very high-performing talent that will carry the organization into the future.

- ◆ ***Measure HR strategy.***

Whether they use an HR scorecard or other metrics, these measures indicate if their HR talent strategy is successful or when a course correction is necessary.

Linking a company's human resources strategy to overall business strategy:

Linking a company's human resources strategy to the overall business strategy is one of the best business decisions one can make. The primary advantage of connecting these two strategies is the competitive advantage gain by making sure the most qualified people are assigned to critical business functions. The result of this competitive advantage is higher revenues and profitability.

- ◆ **Sustainable Advantage:**

Business owners realize that rapid change in the market place has created the need make sure today's products are not obsolete tomorrow. The company's ability to adjust to change in the marketplace is directly related to its ability to develop HR strategies that support the competitive advantage. Strategies that enhance the ability to retain the best-qualified employees include incentive pay, competitive wages, paid training opportunities, professional development and promotion from within the company.

- ◆ **Sustainable Revenues:**

Regardless of whether the company is a manufacturer, a service provider or a retail outlet, the primary business strategy is designed to increase revenues and profitability over time. Consistent growth of their cash flow is directly related to the ability of their employees to satisfy the needs and demands of your customers. As an example, if they cannot keep well-qualified people working on the assembly line, you may not be able to bring products to the marketplace of sufficient quality or quantity to meet customer demand.

◆ **Strategic Connection:**

Successful linking of HR and business strategies is evidenced when HR strategy becomes a main driver of business strategy. This is evidenced when the company's commitment to the well-being of their people is at the top of every business decision made. For example, a retailer can demonstrate its commitment to employees when it must close some of its stores in response to change in the marketplace and it makes every effort to reduce any negative impact the closings have on its employees.

◆ **Optimizing Results:**

Business realities of the 21st century are forcing many companies to find ways to accomplish more with fewer resources. This reality is evidenced when business downsizing forces employees to assume increased responsibility because fewer people are available to accomplish necessary business functions. In order to make optimal use of the company's employees, while avoiding burnout from overwhelming workloads, the HR and business strategies must come together to find ways to improve conditions for employees, such as restructuring business functions and employee benefits that significantly increase the value of continued employment with your company.