

HR strategy

Creating the framework for successful people management



Questions this tool is designed to help you answer

- What are the main building blocks of HR strategy?
- How can I build an HR strategy that contributes to business success?
- How do I know if I am developing an effective HR strategy?

We would welcome your feedback

If you have any queries about these tools or would like to contact us, you can get in touch with the CIPD at:

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For you:

- Identify the key characteristics of an effective HR strategy.
- Clarify the issues that need to be addressed in developing an effective HR strategy.
- Build an HR strategy that engages the organisation in delivering that strategy.

For your organisation:

- Establish a clear process for integrating people management with business strategy.
- Review existing practice and ensure future practice helps to sustain current and future organisational performance.

Who is the tool for?

- Students wishing to enhance their knowledge of HR strategy in practice.
- Organisations wishing to review their current approach to HR strategy.

What's in the tool?

- A short overview of the context of HR strategy.
- A summary of the steps required to formulate strategy.
- Questions to consider when diagnosing priorities for an HR strategy.
- A checklist for implementing strategy.

The context of HR strategy

There is no universal prescription for an HR strategy. Its purpose should be to provide a framework for applying people management practices to achieve business outcomes. Therefore each strategy will be unique and dependent on the operating environment, business goals etc of the organisation to which it applies.

HR strategy should be concerned both with the delivery of effective people management services and innovating new policies and practices. It is therefore also about making decisions about what needs to change, managing those changes and establishing what needs to stay the same.

This tool outlines:

- key steps in the HR strategy development process
- diagnosing HR priorities
- implementing an HR strategy.

Before you begin, ask yourself:

- Is this the first time strategy is to be formulated or is it an updating of an existing strategy?
- Does a well-defined business strategy or plan already exist? If not, what information can be obtained about business intentions?
- What is the initial assessment of the key issues with which the HR strategy should be concerned?
- What is the initial view of the strategic intent – how are the key issues to be addressed?
- Are the resources available to develop and implement the strategy?
- To what extent is top management sympathetic to the idea of an HR strategy?
- What does top management hope to get out of it and do they recognise the link to business outcomes?
- Will line managers support strategy initiatives and do they have the skills to implement them?
- How are staff generally likely to react to the strategy? Can any difficulties be anticipated, and if so, how can they be dealt with?
- Who should be involved in developing the strategy?

The HR strategy development process

Equipped with the answers to these questions you can then begin to consider how you might take the steps required to formulate the HR strategy summarised in the following diagram.



Defining the business strategy

Most organisations have at least a short-term business plan if not a long-term strategy. When HR people are active at board level as business partners they are more likely to have been involved in the formulation of business strategy. They would therefore already have had the opportunity to ensure that the people issues are addressed during this process, making the HR strategy an integral part of the business strategy.

Whatever the positioning of HR responsibility within the organisation it is important that HR strategy is aligned to business need. This requires HR professionals not just to be able to understand the business strategy but to be able to articulate its implications for human resource management and the consequences for HR strategy.

Action 1

List your organisation's HR policies against the stated aims of the business plan.

Can you identify any gaps?

Analyse the context

HR people must understand not only the provisions of the business strategy but also the context in which it is prepared and implemented. This means appreciating the strengths and weaknesses of the organisation and the threats and opportunities it faces. It also means assessing the core competencies of the organisation – what it's good at doing and what it has to continue to be good at doing – and identifying its critical success factors, especially those concerned with people.

Action 2

Assess what information you have available to assess the competencies of your employees, for example, from:

- training needs analysis
- development plans
- performance management data
- job descriptions
- management feedback.

Does this provide enough data to make an accurate assessment?

What other data might you collect?

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Identify business needs

This is the crucial stage. Your task is to identify the business issues that should be addressed by the HR strategy. It is necessary to be as precise as possible. For example, the business strategy might include plans for product/market developments. In this situation, you need to find out what the resourcing implications are in terms of numbers and skills and devise plans to satisfy them. Or maybe a merger or acquisition is proposed. In this case you may be involved in a 'due diligence' exercise to assess the human resource capabilities of the business that might be taken over. Whether or not you have been involved at this stage, you will need to develop a strategy for dealing with the human resource implications of the merger, such as rationalising pay structures.

In some circumstances there may only be some very broad-brush strategic intentions expressed by top management, like improving performance, productivity, quality or levels of customer service. You will have to be prepared to take apart this 'strategic intent' and assess how HR practices can make a specified and added-value contribution to achieving these broad goals.

Action 3

Look at each business need in turn, whether specific or a declaration of intent. Map this against the list of existing HR practices. Get a group of line and HR colleagues to rate each practice's likely contribution to achieving that need.

Identify key HR issues

The key HR issues are those that directly affect the achievement of business goals. They may be arranged under general headings such as organisation structure or development, or they may be more specific such as the need to develop intellectual capital or to improve communication and reporting relationships.

Develop the strategic framework

The strategic framework will define the main strategic goals, their interconnections and their priorities. The links between them will need to be identified so that mutually supporting processes can be developed, for example, performance management processes or human resource development programmes. This will enable priorities to be established. In some cases the strategies will be bundled together. In other cases they might be implemented in sequence on the grounds that there is only so much innovation and change that an organisation can cope with at any one time. However, the evidence suggests that a piecemeal approach to change is not as effective. It is important that interrelationships and sequencing are considered with care and nothing should be done without assessing its consequences for other aspects of the business or HR strategy.

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Action 4

With a group of HR and line colleagues, using the outcomes from Action 3 consider how practices fit together and what new practices might need to be implemented to support business priorities.

Define specific HR strategies

You now need to amplify the strategic framework by statements of the business needs the various individual HR strategies are designed to satisfy. You must explain how they will meet the needs, the resources required, the programme for implementation (this will involve prioritisation) and their benefits in terms of added value. The strategy may be set out in summarised form with supporting material providing more detail.

Assess HR capability and resources required

The next step is to assess the capacity of HR to do what has to be done. This means looking at two things:

1. Subject current human resource management to close scrutiny to assess strengths and weaknesses in relation to the demands that will be made on it. The weaknesses may include inadequate processes or gaps in HR activities that will inhibit the ability to meet strategic goals.
2. Assess the extent to which the function itself – how it is structured and the skills of its members – is capable of responding to new demands. If additions have to be made, then a cost-benefit analysis must be carried out to answer the question 'What added value will be gained by this addition to HR resources?'

Diagnosing HR priorities

When formulating HR strategies, the key questions are:



- 1 What are the key components of the business strategy?
- 2 How can HR strategies support the achievement of the business strategy?
- 3 What are the strengths and weaknesses of the organisation and the opportunities and threats it faces?
- 4 What are the implications of the political, economic, social, technological, legal and environmental contexts in which the organisation operates?
- 5 To what extent is the organisation in a stable or dynamic (turbulent) environment and how will this affect our strategies?
- 6 What is the nature of the corporate culture? Does it help or hinder the achievement of the organisation's goals?
- 7 What needs to be done to define or redefine our values in such areas as quality, customer service, innovation, teamworking and the responsibility of the organisation to its employees?
- 8 What do we need to do to increase commitment? How do we communicate our intentions and achievements to employees and what steps do we take to give them a voice – ie obtaining feedback from them and involving them in the affairs of the organisation?
- 9 To what extent do we need to pursue a strategy of high-performance or high-commitment management, and what would be the main features of such a strategy?
- 10 How in general can we increase the resource capability of the organisation?
- 11 To what extent do existing HR practices meet future business needs? What needs to be done about any gaps or inadequacies?



When formulating HR strategies, the key questions are:



- 12** In the light of this gap analysis, what specific aspects of HRM (processes and practices) do we need to focus on when formulating strategy?
- 13** How can we best 'bundle' together the various HR practices?
- 14** How can we achieve coherence in developing the different HR practices?
- 15** How can we achieve the flexibility required to cope with change?
- 16** What kind of skills and behaviours do we need now and in the future?
- 17** Are performance levels high enough to meet demands for increased profitability, higher productivity, better quality and improved customer service?
- 18** Will the organisation's structure and systems be able to cope with future challenges in their present form?
- 19** Are we making the best use of the skills and capabilities of our employees?
- 20** Are we investing enough in developing those skills and capabilities?
- 21** Are there any potential constraints in the form of skills shortages or employee relations problems?
- 22** Are our employment costs too high?
- 23** Is there likely to be any need for de-layering or downsizing?
- 24** How should we involve people in developing the strategy?
- 25** How can we ensure the strategic plans are implemented?



Let's look at two examples:

Example A. Fundamentals of HR strategy at a not-for-profit organisation

The strategy is focused on the following core outcomes:

- continuous development and improvement of HR strategy
- organisational development in support of the corporate plan and change management leadership
- promotion of a positive employee relations climate
- effective use of staff resources
- commissioning training and development appropriate to business and employee need.

The priorities for action are informed by the corporate plan and the need to support services for managers. They are also shaped by a set of core values:

- Reach out – develop the commitment to respect all staff.
- Involve and listen – recognise the contributions of individuals.
- Overcome injustice – encourage fair and just processes.
- Recognise and nurture – provide opportunities for development.

Example B. Core components of HR strategy in an education sector establishment

- Invest in intellectual capital to ensure the continued support of customers.
- Manage performance to ensure performance is in line with core values.
- Design jobs to ensure they relate to the whole business while providing interesting and stimulating work for individuals.
- Reward to manage team versus individual incentives.
- Create work–life balance to ensure staff achieve their optimum level of flexibility.

This organisation believes it must align all these components, otherwise it would become dysfunctional.

Implementing HR strategies

There is often a gap between the rhetoric of HR strategies and the reality of what happens subsequently. This is essentially a change management issue. Everyone concerned with implementation, especially line managers, needs to be included in a change management programme.

The main features of such a programme as described by Armstrong (2001) are:



- Strong commitment and visionary leadership from the top. ☐
- Clear understanding of the **levers for change** in the organisation. ☐
- Appropriate temperament and leadership from those concerned with **managing change**. ☐
- A **learning organisation** that creates a climate for change and learns from failures. ☐
- Participation in the planning and implementation of change by those most affected by it. The aim should be to get them to 'own' the change. ☐
- A reward system that encourages innovation and recognises success in achieving change. ☐
- Strategies for change are **adaptable** – the ability to respond swiftly to new situations and demands, which will inevitably arise, is essential. ☐
- Hard evidence and data on the need for change as well as how to satisfy it. ☐
- An emphasis on **change in behaviour**, not enforcing values. ☐
- Processes, structure and systems are designed and aligned to deliver the required changes. ☐
- Anticipation of [implementation](#) problems. ☐
- Active and visible **champions of change**. ☐
- Ongoing communication about why **change is essential** and how it will affect everyone. ☐



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From the CIPD website

Managing reward for business performance. CIPD [Practical Tool](#)

Understanding the people and performance link: Unlocking the black box. [CIPD bookstore](#)

Further references and reading

ARMSTRONG, M. (2001). *A handbook of human resource practice*, 8th edition. London. Kogan Page.

The library holds a range of books and resources offering more detailed guidance. If you would like further information, please consult the [CIPD Library and Information Services](#).

This tool is based on a summary extract from the CIPD book *Strategic HRM: The key to improved business performance* by **Michael Armstrong** and **Angela Baron**. For further details about the book see the [CIPD bookstore](#)

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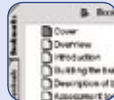
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Red links will link you to the CIPD website or an external website.

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