

MGMT2008 Exam Notes

Every topic in these notes is examinable. Exam tips are provided throughout.

Week Two: Strategic HRM

What is Strategy?

- ❖ Strategy defines the direction in which an organisation intends to move and establishes the framework for action by which it intends to get there.
- ❖ It is a course of action or a set of activities a company pursues to achieve strategic aims.
- ❖ Encompasses the organisations missions, goals, objectives, and action plans - recognising competition and the forces of the external environment.
- ❖ Aims to increase the sustainable competitive advantage.

Three organisational Levels

- ❖ HRM strategies must ALIGN with and SUPPORT the three levels organizational strategy (Corporate, Business, and Functional - level)
- ❖ The HR function will support the corporate level strategy as well as the business level strategy.

Corporate Level Strategy

- ❖ Outlines general strategy.
- ❖ Defines the market for operation.
- ❖ Plans how these markets will be entered
- ❖ It depends on the outcome of SWOT analysis.
- ❖ Growth, retrenchment, stability

Business Level Strategy

- ❖ Cost leadership, focus, differentiation
- ❖ Uses corporate strategy to:
 - Define specific tactics for the market.
 - Relates how each business unit will deliver the planned tactics.

Functional Level Strategy

- ❖ Defines, day to day actions needed to deliver corporate and business strategy.
- ❖ Defines, relationships needed between business units, departments and teams.
- ❖ Defines, how functional goals will be met and monitored.

Strategic HRM

Strategic HRM means formulating and executing HR policies and practices that produce employee competence and promotes behaviors that the company needs to achieve its strategic aims.

External environment influence of HRM activities

**Focus on only 3 points for the exam.*

The HR Manager must analyse external influences that may impact the organisation and the management of its human resources. Some of the major external influences existing outside of the organisation are:

Political

- ❖ Political ideologies regarding HR range from interventionist (where government regulation is extensive) to one of little involvement.
- ❖ Political attitudes towards the following can differ considerably on a state, federal and international level.
 - “Business, unions, management rights, strikes, secondary boycotts and enterprise bargaining” (Stone, 2013).
- ❖ For example, the relationship between a union and a coalition government is less than that of the business sector. Whereas, the relationship a union has with a labor government is significantly higher.

Legal

- ❖ Laws relating to the following have a clear impact on HRM.
 - Work hours, leave, EEO, “affirmative action, sexual harassment, workers compensation, privacy, health and safety, fringe benefits and terminations” (Stone, 2013).
- ❖ FWA has resisted against the push for a 24/7 economy creating a complicated and time-consuming IR environment for HR managers, creating a costly need for legal advice.

Environmental

- ❖ Environmental concerns from government and community have an effect on:
 - Job design, employee induction and training, health and safety, IR, an organisation's public image, and its image as an employer.
- ❖ Concerns include:
 - Conservation, the beautification of a workplace and pollution.

Technological

- ❖ Advancement and the rate of technological change have an effect on:
 - “Job design, recruitment, selection, training, motivation, remuneration, health and safety, job security, and industrial relations” (Stone, 2013).
- ❖ Availability of computers and internet access has seen increased flexibility in many job roles, seeing many people work from home or remote locations and no longer wasting time on transport to and from the workplace.
- ❖ Traditional hierarchies have eroded due to organisational networks with people being judged more on what they say than their position. These networks mean that junior employees can have instant conversations with senior employees.
- ❖ Employees are being shed from an organization because they are not core to its success, with many organisations turning to online networks for people prepared to bid for the the work, meaning that employees are more like self employed entrepreneurs.

Cultural

- ❖ The culture, background and values of an employee all influence a person's views of the HR role, EEO, job title and other HRM aspects.
 - Such as: “job design, remuneration, HRD, motivation, and employee communication” (Stone, 2013).
- ❖ Research indicates for example:
 - Chinese and Indian employees are motivated by a drive to make money.
 - Japanese employees are motivated by a drive for organisational commitment.
 - Taiwanese employees are motivated by a drive for career development and progression.
 - Cultural studies also suggest performance-based pay can be an incorrect fit for some cultures.

Demographic

- ❖ The demographics of human resources available in an organisation have an effect on HRM in terms of:
 - The number of employees, “geographical distribution, age, sex, literacy, skill and education levels of the population” (Stone, 2013).
- ❖ For example:
 - What changes should be made when the population of an organisation is aging?
 - What changes should be made when female participation increases?
 - What changes should be made when automation of jobs occurs?
- ❖ Remuneration, retirement strategy, training and many more will be affected.

Social

- ❖ Changing and values attitudes towards the following have an effect on every aspect of HRM:
 - Dress code, jobs, “minorities, unions, management, social mobility, status, rewards, health and safety, job security, quality of life, employee privacy, sex roles, gay rights, and damage to the social fabric caused by widening wealth inequalities affect every aspect of HRM” (Stone, 2013).

Business

- ❖ With globalisation and increased competition, organisations are “merging, downsizing, restructuring, outsourcing and eliminating costs”, which all affect HRM (Stone, 2013).

Economic

- ❖ The following economic factors have an effect on “recruitment, selection, compensation and benefits, industrial relations, retrenchments and labour turnover” (Stone, 2013).
 - “The level of economic activity, the unemployment rate, public versus private ownership, the level of investment, the availability of credit, the degree of centralised economic planning, the amount of debt, and the level and type of taxes” (Stone, 2013).

- ❖ Because the majority of Australian exports are now coming from Asia, there has been an increased demand for training in “Asian languages, business culture, cross-cultural negotiation, and the employment of expatriates” (Stone, 2013).

Industrial relations (or employee or employment relations)

- ❖ The following IR factors have an effect on “job design, absenteeism, labour turnover, industrial disputes, employee communication and pay rates” (Stone, 2013).
 - “Organisational climate, government policies, degree of unionisation, the role of industrial tribunals, employee attitudes, employee commitment, employee input and the quality of work life” (Stone, 2013).
- ❖ Unions influence HR practices, primarily through “remuneration, job security arrangements and working conditions” (Stone, 2013).

Strategic HRM activities and objectives

SHRM must align with a business's objectives, objectives must entail action plans for specific HR activities. SHRM objectives and plans can be linked to an organisation's strategic objectives such as:

- ❖ **Cost containment:** focusing on reduction of costs through reduced employees, expense control, increased productivity, minimal absenteeism, and reduced employee turnover.
- ❖ **Customer service:** improved customer service through successful recruitment and selection, training and development, and improved rewards and motivation.
- ❖ **Organisational effectiveness:** focusing on the structure of an organisation, job design, employee: motivation, innovation, adaptability, flexibility, and having flexible rewards and employee relations.
- ❖ **Social responsibility:** focusing on compliance, improving: EEO, OSH, minority opportunities and development.
- ❖ **Integrity:** focusing on enhancing the organisation's image with regards to ethical behavior, fair employee treatment, honest communication and keeping agreements.

SHRM objectives and activities should be evaluated with relation to how employees contribute to the achievement of organisational objectives and must be:

- ❖ Be measurable
- ❖ Include deadline dates for accomplishment
- ❖ Identify and involve the key stakeholders and HR customers to ensure the necessary collaboration
- ❖ Nominate the individuals or parties responsible for implementation” (Stone, 2013).

Challenges of strategic HRM

- ❖ HR are the most important asset and single largest most controllable cost.
- ❖ HRM has a profound impact on the strategic plan implementation by developing and aligning HRM practices that ensure the company has motivated employees with necessary skills.
- ❖ HR professionals must develop business, professional - technical, change management and integration competencies.
 - Show the true value of the HR function to the organisation (e.g, How to increase profitability through employees' engagement and commitment)
 - Be the employees' voice
 - Demonstrate professional competence