

## MGT2HRM Core knowledge Revision

### Topic 2 Strategic HRM

**Strategic human resource management** refers to the pattern of planned HR deployments and activities intended to enable an organisation to achieve its goals.

- Ongoing process that requires the analysis of the vision, mission and objectives of an organisation, together with an analysis of the organisation's internal environment (strengths and weaknesses) and external environment (opportunities and threats).
- Can take a market-oriented approach whereby HR practices are designed to fit with market, societal and organisational contexts
- Can take resource based view whereby resources are obtained and used to become the best organisation in the market

#### Porter's Competitive Strategies:

- **Cost leadership** – competing in a market on the basis of price – being the low cost producer
  - Consumers buy your products because they are inexpensive compared to other offerings.
  - Aimed at a broad section of the market
  - **HR practices:**
    - Workers would have quite narrow repetitive tasks
    - Paid for the quantity they produce
    - Limited access to training and development
- **Differentiation** – competing in a market on the basis of the uniqueness of your product or service.
  - Consumers buy your product because it provides something different compared to other offerings.
  - Aimed at a broad section of the market.
  - **HR practices:**
    - Recruit employees with specialised skills
    - Remuneration to motivate innovation
    - Performance management
    - Job design ensures innovative ideas
- **Focus** – products are aimed at a narrow segment of the market
  - Not everyone wants to buy these products or services
  - There are for a niche market only.

#### Linkages of strategic planning and HRM

- **Administrative linkage** – HR function is focused on day-to-day activities of managing employees, and the HR manager has little opportunity to consider the organisation's strategic outlook.
  - Lowest level of integration between HR and strategic planning
  - No input into strategy formulation or implementation
  - Undesirable approach as it implies a company's labour resource is not an important element of its strategy or planning
- **One-way linkage** – planning function develops the company's goals and objectives independent of the HR function, but informs HR of them
  - Communication is one-way
  - HR has no input into strategic planning, but demonstrate the labour's importance in achieving goals.
  - Often leads to strategies that cannot be successfully implemented
- **Two-way linkage** – HR has a role in both formulation and implementation