



## **HR Strategies as the Key to Corporate Success**

Innovative companies do not work with computer or marketing strategies from the 1960s. But many HR departments act this way, although this will hurt the company in the long run. Companies need solid HR strategies if they want to achieve their goals.

Today, financial analysts look at a company's HR situation. Clear and comprehensible HR strategies have become an elementary asset. The fact is that the influence of "soft" factors is increasing.

### **How should a company go about developing HR strategies?**

The first step is to realistically analyze the current state of all HR-related matters and to develop a concept for its future development. This will revolve around the issues of market changes in coming years and the company's skills and core competences.

In order to define a framework for development, SWOT (strengths, weaknesses, opportunities, threats) and PESTLIED (political, economic, social, technological, legal, international, environmental and demographic changes) analyses are helpful.

Customer and employee surveys can provide important information about the various stakeholders' interests. Analyses of competitors indicate current market position.

But how does the company want to position itself on the market in the future? A vision helps the company define its aims and objectives. This way, the company can decide whether it wants to focus on price, innovation or customer relations.

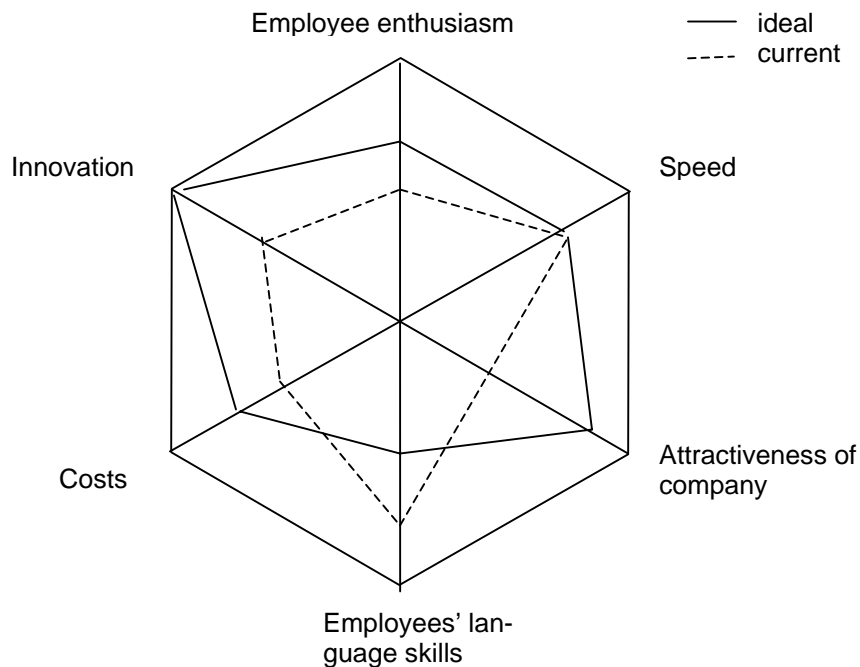
When the company has developed visions and aims based on upcoming challenges, they can check what skills already exist. They can then compare the current situation with future requirements using such tools as a qualifications matrix or a dynamic training requirement analysis. FAQs at such a time are: "What should our employees do differently in the future," and "Why aren't they doing this already?" But one also asks, "What distinguishes a good employee from a bad one in a specific function?"

### **Critical points in human resources**

A customer survey to measure success or satisfaction can improve the perspective. The survey should deal with both the current and the ideal situation; this way it indicates how the company can reconstruct its HR tools more efficiently and measure success.

Upon this foundation the company can define critical factors to its success in human resources and develop a balanced scorecard to show cause and effect among the crucial

parameters. This could be, for example, the connection between the workforce’s current training standard and the creativity demonstrated in problem-solving, which ultimately results in more business.



In the next phase the company ranks all its HR activities in a project hierarchy. First, urgent problems and gaps the company is already aware of need to be taken care of. The company must see where support is needed in order to achieve its aims. Progressive companies include emergency preparedness in their human resources plans. Spider web diagrams with the main company parameters can often be helpful here, as they show everyone involved the current state of affairs versus ideal HR management (see figure above). This strategic approach provides the company with a big picture of future HR activities. This perspective facilitates the optimal distribution of resources – time, money, and energy – from the start. Value-added and functional chains become clearer. Any necessary intervention can be undertaken consciously at the beginning of a process, which multiplies its effectiveness.

With this kind of structure, the organisation can tackle all HR-related factors. The figure “Integrated HR Management System” can aid work flow (see separate drawing). It shows a field-tested basic scheme which companies can adapt for their own needs. The areas can be expanded upon or more precisely defined.

Any structure that contains all the main elements for performance management is a viable alternative. Some companies prefer a process-oriented approach which distinguishes, for example, among hiring, retaining, developing and downsizing employees.



Issues such as corporate social responsibility (CSR) and corporate governance can also be integrated. The degree of detail the system contains depends on company culture and tradition.

## **Integrated Human Resources Management System**

The figure shows the main factors for company performance. HR management cannot always influence all these factors because responsibilities are defined differently at different companies. But it still makes sense to create a common HR strategy that covers all the factors.

The company should define its current state of affairs and its ideal and compare the two on each issue. This results in action plans and aims. The latter should be specific, measurable and attainable, results-orientated and set in a defined time frame (i.e. SMART). The company must define indicators that measure whether goals have been achieved or not (KPIs). Possible factors might be training costs or training standards.

To make HR work measurable, the company should develop a goal pyramid delineating top-priority and less critical goals. It could, for example, consist of five to ten performance indicators supplemented by up to 25 additional ratios in relation to strategy.

The trick is keeping this cockpit relevant to strategy and eliminating dead indicators. When something is measured, it gets done or at least attracts attention. This requires creativity and sensitivity – just like the creation of a marketing strategy.

The resulting HR strategy including monitoring is similar to a cybernetic system which can keep pace with the wave-shaped, sometimes abrupt and unstable development of the environment, to anticipate chances and take proactive steps. This enables it to ensure the company's future. At the same time, it points out clearly how human resources functions contribute to the company's success.

To get to know more about how we could support your business please contact [gert.ahrer\(at\)discovery-consult.com](mailto:gert.ahrer@discovery-consult.com)