



HOW TO CREATE AN EFFECTIVE HUMAN RESOURCES STRATEGY

TABLE OF CONTENTS

• What Is HR?	02
• HR Responsibilities	03
• The Need for Strategy	04
• What Is HR Strategy?	05
• What Is the Purpose of an HR Strategy?	06
• Types of HR Strategies	07
• Crafting Effective HR Strategies	08
• Best HR Practices for HR Professionals	16
• Review	18

What Is HR?

In all organizations, employees are needed to accomplish a variety of tasks, including:



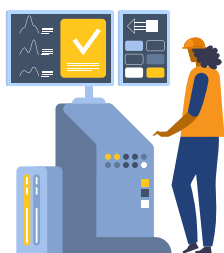
Research



Design



Product development



Manufacturing



Supply chain management



Marketing & sales



Facilities management



Finance



Accounting

To retain talent, stability, and continuity within organizations, Human Resource (HR) departments work to ensure that a variety of employee needs are met. Organizations rely on HR teams and departments to ensure they have the right combination of qualified employees to perform the required work.

HR Responsibilities

We can group HR responsibilities into five general areas:



Acquisition of human resources:

This includes the process of sourcing and hiring individuals based on a careful evaluation process.

Development of Human Resource strategies:

This involves the long-term training and development of employees to better align them with the organizational goals.



Motivation:

This regards compensation and benefits and includes team and all-company retreats and gatherings meant to improve morale and motivation.

Maintenance:

Human Resources maintenance is when the department makes the working environment safe for employees and looks after their general welfare.

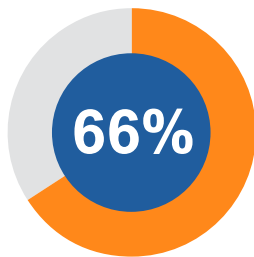


Employee and labor relations:

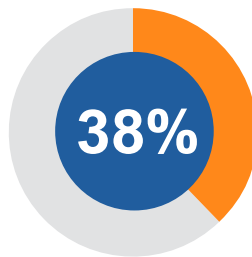
This area focuses on understanding and managing relationships in the workplace regarding conflicts, policies, procedures, staff performance, and other issues that emerge in the workplace.

The Need for Strategy

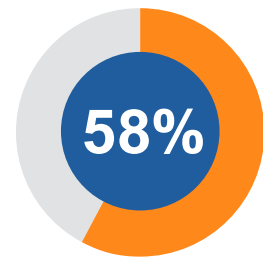
In an increasingly volatile and quickly changing world, strategic thinking is critical. There's a need to constantly realign HR strategies to changing organizational goals.



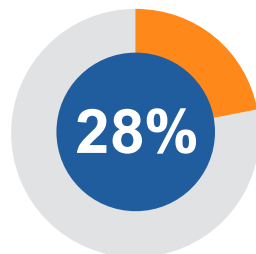
According to [Gartner's research](#), many organizations (66%) say the main barrier keeping them from partaking in effective strategic planning is that there's no integration with business needs.



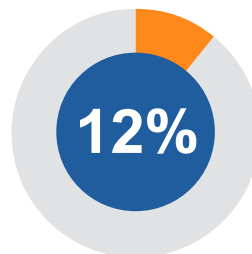
Thirty-eight percent of HR leaders said that their HR strategic planning process isn't aligned with their business's strategic planning calendar, and shifts in the business plans don't trigger changes.



Fifty-eight percent of organizations indicated the lack of relevant metrics to track progress as another major barrier.



Only 28% of HR leaders reported reviewing their strategies more than once a year.



And only 12% changed them more than once per year.

Why is it important that HR professionals understand how to craft and implement HR strategies? When HR strategies are not aligned with short-term and long-term organizational goals, that can create issues. Issues like recruiting candidates without knowing if the desired talent exists in that market. Such poor decision-making can hinder an organization's growth.

What Is HR Strategy?



According to Indeed's HR strategies guide:

"A human resource strategy is the plan that a business creates to manage its human capital in a way that aligns with the company's overall mission, goals and future aspirations. It addresses all essential areas of human resources (HR), including searching for and training employees, organizing benefits, appraising performance and providing development opportunities."

What Is the Purpose of an HR Strategy?

An HR strategy determines how HR procedures and policies will be implemented across the organization. It also considers how they'll align with short- and long-term organizational goals.

When an HR strategy is aligned with those goals, HR teams and departments benefit from better-quality interviews, onboarding experiences, and performance reviews. HR strategies can increase employee productivity by upskilling employees and maintaining their motivation. They can improve an organization's overall profitability and delivery of products and services.

In the long run, organizations, with the help of effective HR strategies, can:



Reduce turnover



Improve employee engagement



Enhance productivity



Attract highly skilled talent



Enact better policies



Minimize business disruptions



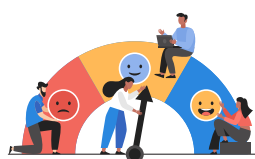
Improve employee and supervisor relations



Encourage strong workplace ethics



Inspire fair treatment & opportunity for all members



Improve loyalty and satisfaction at the organization



Encourage team members to refer other talented colleagues

By studying the steps involved in crafting an effective HR strategy and understanding and applying best practices, HR professionals can be highly successful.

Types of HR Strategies

There are essentially two types of HR strategies—general and specific. Overarching strategies are comprehensive and apply to the general management of an organization's employees. Specific strategies address a subset of HR, like talent management or recruitment.

HR strategies should be tied to some desired outcomes, such as:

- 1 Providing competitive salaries
- 2 Providing comprehensive benefits packages
- 3 Improving employee well-being
- 4 Ensuring promotional opportunities
- 5 Ensuring dedication to communication
- 6 Providing growth opportunities such as ongoing education
- 7 Ensuring socially responsible hiring and employee retention policies
- 8 Developing existing employees
- 9 Limiting turnover

Depending on the nature and complexity of HR-related matters, it might be better to have several strategy plans instead of a single overarching one.

Crafting Effective HR Strategies

Crafting an effective HR strategy can be daunting since it requires a significant depth of analysis and working across organizational spaces with various key stakeholders.

To make the process straightforward and manageable, we've provided a nine-step process to follow.

Step 1: Understand the Organization's Objectives

For an HR strategy to be effective, it must be aligned with the organization's overall general objectives. It's necessary for senior or executive-level management to be involved in conversations about effective HR strategy from the beginning. Through conversations with senior management, HR teams can gain the understanding they need to develop a plan that aligns with both business and functional priorities.



Step 2: Identify the Critical Capabilities and Skills

After speaking with executive leadership on their short- and long-term goals, HR professionals will be able to identify the critical capabilities and skills needed to achieve them.

HR professionals must work with hiring managers in identifying the critical skills to be developed or brought into the organization. A needs analysis consists of a combination of surveys, assessments, interviews, conversations, and observations. This may help to reveal some of these critical capabilities and skills. It could also reveal that particular skills may not be relevant when it comes to accomplishing some goals.

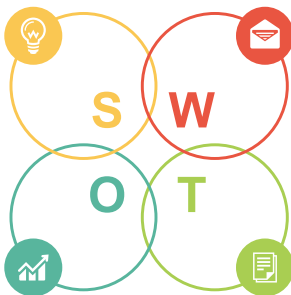


Step 3: Evaluate Employees' Current Capabilities



When they know what critical capabilities and skills are needed, HR professionals can evaluate their organization's capabilities against those skills. To do this, they perform a skills inventory for each employee to understand their strengths, competencies, and how they can contribute to the company's goals. A skills inventory also helps an HR team or department understand where the organization's strengths lie. When assessing their organization's workforce, an HR professional can examine an employee's education level, training, and certifications. They can also check on-the-job competencies as demonstrated on performance appraisals and projects completed. Other considerations include leadership, communication, and soft skills.

Step 4: Conduct a SWOT Analysis



In addition to evaluating employees' skills and competencies, HR professionals should evaluate an organization's current advantages and challenges.

A **SWOT analysis** is among the best tools for HR. It can generate a brief list of issues relevant to the organization's strengths, weaknesses, opportunities, and threats.

Typically, a SWOT analysis is presented in a grid-like matrix with four distinct quadrants, as shown in the diagram below:

STRENGTHS	WEAKNESSES
Things the organization does well	Areas where the organization is lacking
Factors that differentiate the company from its rivals	Things that rivals can do better
Internal resources such as skilled, knowledgeable staff	Resource limitations
Tangible assets such as intellectual property, capital, proprietary technologies, etc.	Significant employee turnover

OPPORTUNITIES	THREATS
Might include, but not limited to:	Might include, but not limited to:
Underserved markets for specific products	Emerging competitors
Few competitors in the area	Changing regulatory environment
Emerging needs for the organization's products or services	Negative press/media coverage
Press/media coverage of the organization	Changing customer attitudes toward the organization

In conducting a SWOT analysis, HR professionals may consider the company's internal and external activities:

INTERNAL ACTIVITIES	EXTERNAL ACTIVITIES
Internal operations	Supplier operations
Marketing and sales	Tenders and grants
Financial management	Competitors
Staffing and human resources	Politics
Customer service	Social and natural environment
Quality assurance	Global trade
	Financial markets

ACTIVITIES TO SUPPORT SWOT ANALYSIS	ACTIVITIES TO SUPPORT SWOT ANALYSIS
Conducting quarterly internal reviews	Researching trends, reports, and industry data
Brainstorming with team members	Reading newspapers and journals
Checking business processes	Working with mentors and advisers
Tracking business performance and metrics	Attending business events and conferences
	Meeting with suppliers and government employees



Step 5: Compare the Organization's Capabilities to Its SWOT Analysis

The next step is to relate the skills inventory to the SWOT analysis. Here, the organization considers employees' abilities to capitalize on the organization's strengths and opportunities while managing and mitigating its weaknesses and threats.

For example, quality drivers, programmers, and DevOps specialists at a food delivery service can ensure speedy, convenient food preparation and delivery services—a widely recognized strength. However, they can mitigate the high operational costs—a weakness for the organization—by using new technologies and adjusting the supply chain.



Step 6: Assess Future Human Resources Requirements

Having evaluated the organization and its employees in its present state, HR professionals can evaluate what the organization will need from both current and future employees to further the company's success.

Here are some questions to consider for assessing future needs:

What new positions will the company need to hire for?

Is the organization sufficiently utilizing its current employees' abilities?

How can employees be upskilled to potentially take on other positions in the future?

Step 7: Perform a Gap Analysis



The purpose of a **gap analysis** is for an organization to make a comparison between the resources it has now with the resources that will be required to meet its goals for the future.

By conducting a gap analysis, HR professionals can understand where resources are sufficient and where they're falling short. They can use this information to decide how to improve current procedures and implement new practices that support their organization's growth.

When conducting a gap analysis, Insperity recommends HR professionals consider the following:

Do the job descriptions list the necessary skills and requirements expected of employees?

Are there any additional skills and requirements that must be added?

HR teams and departments should review their organization's employee handbook, updating it as needed. They should also check if the organization's policies align with employment laws. This is particularly important as different geographical areas may be subject to different regulations.

HR professionals should evaluate if current training programs properly prepare employees to develop the required skills and competencies.

Are there health benefits that can be offered to incentivize job satisfaction and reduce turnover?

Does the organization provide its employees with legally required health benefits?

If job descriptions have changed, what training programs should be eliminated or added?



HR departments should check their local laws regarding sick days and ensure that their company complies with them.

When it comes to business performance, if revenue is rising, organizations may choose to increase contributions to employees' retirement accounts or award more days of paid time off. This adds value to the organization's total rewards package. If revenue is declining, it might be worth considering whether to scale back on some of those benefits to help stabilize the business.

Step 8: Write an Action Plan



After conducting a gap analysis, the HR department now has a sufficient understanding of how the company's workforce and the HR policies need to change to fulfill objectives for the future.

Human Resources should develop a prioritized list of initiatives that would close the gaps between the current and desired future states. The HR employees should also identify key performance measures to evaluate later whether these initiatives succeeded.

An action plan is a sequence of steps that must be completed for the HR strategy to succeed. Action plans can be directed toward employee development, succession preparation, or increasing resources (employees, rewards packages, technology) for future growth.

The organization should come up with metrics to measure initiative success.

Metrics might include:



Employee retention rate



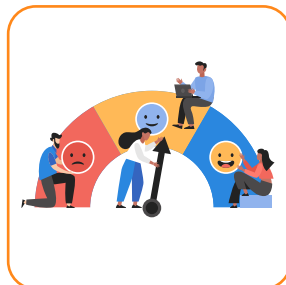
Overall company growth



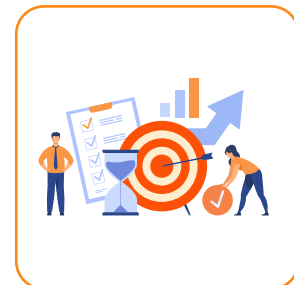
Feedback from managers, employees, & clients



Financial performance index



Employee satisfaction surveys



Goal-based metrics

Below is a **Gartner-derived action plan template** that can be used to capture an effective HR strategy:

Current State	Plan	Final State
Select 4-7 metrics to measure the current state Example: Retention rate for critical talent - 60% Successor coverage for critical positions - 80%	In one sentence, state the plan's purpose Example: Enable employees to have a greater and more visible impact on the company's success	Select 4-7 metrics to measure the future state, including when metrics should be reached Example: Retention rate for critical talent - 85% in 6 months Successor coverage for critical positions - 95% in 8 months
	Identify 4-7 initiatives that supports the plan's purpose Example: Allow employees to work from home to increase their productivity Example: Provide employees with training to upskill them and prepare for succession plans	
	Identify 4-7 assumptions that support the decided initiatives Example: Employees may be able to work more productively when they're in a more comfortable environment Example: Employees given more skills will be more likely to stay and succeed in future positions	



Step 9: Evaluate Progress

The final step would be to evaluate progress on the action plan using the metrics determined in the previous step. The HR department should decide on a timeline to review progress. This timeline is usually one year, as that's generally how long it takes to track metrics.

Best HR Practices for HR Professionals

Strategic planning for HR professionals is a time-consuming but worthwhile effort. Here are some best HR practices for planning, implementing, and adjusting HR strategy smoothly and effectively.



Involve key stakeholders.

Strategy requires collaboration. Executive-level management, hiring managers, and other relevant stakeholders should be involved from the beginning in creating the HR strategy.



Align with executive-level management.

An HR strategy shouldn't be created independently without considering the organization's short- and long-term objectives. To ensure that the HR strategy supports senior leaders' organizational vision, there should be absolute alignment between HR and executive-level management on what the overall end goals are. HR professionals should consider the critical skills and capabilities required to meet the organization's end goal and how to achieve it.



Measure strategic initiatives for effectiveness.

Have quantifiable measures to evaluate ongoing progress on strategic initiatives.



Pay attention to the budget.

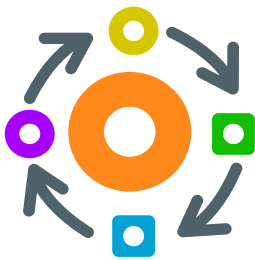
Funds must be available to support any HR initiative in service of the overall strategy, or it's unlikely to happen. Focus on initiatives that are a realistic fit for an organization's budget and are achievable given its size and capacity.

**Follow the rules and avoid compliance violations.**

Don't overlook administrative responsibilities in favor of strategy. Compliance violations can derail any strategic plan.

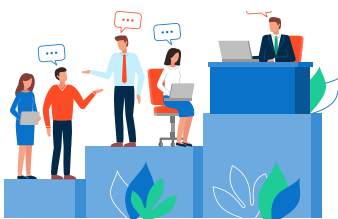
**Consider the trade-off between short- and long-term solutions.**

Note that the quickest answer to a problem may not always be optimal in the long run. For example, it may be better to invest in new technological tools and train employees to use them instead of relying on familiar, less efficient processes.

**Be able to respond and adapt to internal and external changes.**

If we've learned anything from the pandemic, it's the importance of pivoting and adjusting strategy as needed. An organization will inevitably change from the inside out.

It's important for HR professionals to be able to identify external and internal triggers for strategic review and monitor them closely. This might mean talking with relevant stakeholders to identify business, management, and function-driven strategy triggers for the organization.

**Cultivate effective working relationships.**

Effective working relationships guided by inclusive and positive working environments are essential for an organization to achieve its larger strategic aims. HR professionals can play a role in achieving workplace success by practicing these soft skills when crafting an HR strategy and working with key stakeholders.

They can also promote effective working relationships throughout the organization by investing in retreats, training, team building, and other activities to cultivate a positive work environment and mindful interactions. These will all be informed by emotional intelligence and effective communication.

Review



HR strategies can help HR professionals perform their roles and responsibilities with confidence and competence by relating their work to the overall organizational goals. In addition, they require professionals to master the best tools for HR and top skills to analyze and evaluate an organization's needs.

They must then craft a strategy that deliberately meets future needs; this strategy needs to be informed by sound data analysis. For these reasons, it's critical for HR professionals to practice creating an effective HR strategy in partnership with team members and other key stakeholders within an organization.

It's also imperative to understand and apply the best HR practices while working to implement strategies that are aligned with the organization's key goals.

KnowledgeCity®

How To Create an Effective Human Resources Strategy



FOLLOW US

Get tips to succeed and updates on our latest courses.



Copyright© 2023 KnowledgeCity® - All rights reserved.
Please visit: www.knowledgedcity.com