Explain the problems of integrating hr strategy with corporate strategy

Introduction Schuler and walker define Human Resource Strategy as “ a set of processes and activities jointly shared by human resources and line managers to solve business-related problems. ” To extend our understanding of the term we may also look at the definition given by Wheelen and Hunger, “ that set of managerial decisions and actions that determines the long-run performance of a corporation. ” It is clear from these two definitions that Human resource Strategy is mainly about managers and their workforce aiming to maximise company performance.

Corporate Strategy involves the direction an organization takes with the objective of achieving business success in the long term. Corporate Strategy is often implemented by using Corporate planning and business plans. After looking at a brief definition of both Human Resource Strategy and Corporate Strategy I am now going to examine them both in more detail before looking at the reasons why problems occur when trying to implement them both, and how to overcome these issues. Matching Model

The Matching Model refers to Michael Porter’s low cost or differentiation strategy in order to gain a competitive advantage. Each strategy involves a unique set of responses from workers and a particular Human Resource Strategy that might generate a unique pattern of behavior. The challenge for firms is matching Porter’s five ‘ Ps’ (philosophy, policies, programs, practices and process) in a way that encourages appropriate employee behavior for different strategies. Also, there must be a fit between competitive strategy and internal Human Resource Strategy. Limitations with the Matching Model

One of the main limitations of using this model is that it does not take into account market changes, for example a change in the base rate of interest. This is a major disadvantage because interest rate changes can have a massive impact on firms, in particular small organizations. If interest rates were to rise then a firms costs may increase which could in turn lead to cash flow problems which is often why firms go out of business. The model assumes a unitary approach between managers and employees, it assumes that the workforce will agree with decisions that are being made and will be appy to go along with them. Also, the model does not take into account the powers of trade unions and the impact that can have on the firm. However in the real world this is clearly not the case. An example of this would be the current strikes within the airline industry. British Airways employees are holding several strikes as they do not agree with proposed changes being made by the board of directors. Due to these strikes the company is losing revenue and its survival is now under serious threat.

This came about from a difference of opinion between trade union members and the board of directors of the company. The Resource-based Model The Resource-based Model is known as the soft view to human resource management whereas the matching Model was known as the hard view. Barney (1991) has poised that ' sustained competitive advantage' is not achieved through an analysis of its external market position but through a careful analysis of the firms skills and capabilities; characteristics which competitors find themselves unable to imitate.

He then put the model into a SWOT analysis showing internal strengths and weaknesses and the external opportunities and threats. The model then showed that in order to achieve sustainable competitive advantage firms must implement strategies that exploit their internal strengths, by responding to environmental opportunities. The main problem with this model is that people perceive resources differently and this has lead to many different interpretations of the model. Corporate strategy Corporate strategy deals with an organizations aims and objectives, and its plans for the future.

The production and operations of the company must be outlined and understood in order to move forward effectively. Corporate strategy is difficult for a firm to implement. There is no specific strategy that a firm can apply in order to succeed. All organizations will differ even those within the same industry competing for the same customers will need to adopt different strategies to be successful. There are a vast number of elements which will affect the type of corporate strategy an organization should take up, for example – the market segment, geographical overage of the organization, use of technology, pricing policies, competitors and shareholders. The above is just a few of the many factors which a firm must rate in importance when deciding upon their corporate strategy. The market segment- It is vital for an organization to know what segment of the market they are aiming their product at. Once they know their target market they can create a campaign to meet the needs of their chosen group. Geographical coverage of the organization – A company's corporate strategy will depend on the size of their operations.

A multinational company like ' Nike' would have to take into account different cultural backgrounds as they operate across the globe and the same strategy for each country would not work efficiently. Other external factors such as interest rates can affect the strategy of a multinational company as they need to be aware of changing rates in different countries. For example high rates of interest in a country could mean a company changing their marketing campaign for that particular area as they try to keep within their financial limitations.

This is just one of the many external factors which firms must look out for when setting out their corporate strategies. Product development – ¬Customers are always looking for new improved products, thus organizations need to provide them in advance of the customer wanting them so that they can exceed their expectations and stay ahead of the competition. Car companies are constantly designing new and better models of cars and entering them into the market at a time that they thing is right. Product development can rely a lot on loyalty of the customer.

For example if Ford Focus customer is satisfied with their car and it satisfies all their needs then when they decide to change as they car is getting old or perhaps they just want something new, it is here when Ford need to have designed created and be ready to sell a new version of the car so as customers will come back again as they find them reliable. Toyota is the world’s biggest car manufacturer and the Japanese company which was founded in 1937 by Kiichiro Toyoda, has come under serious criticism recently as they had to call back millions of faulty cars.

This has damaged the company’s image and reputation worldwide. Toyota’s mission statement for the American market reads, “ To attract and attain customers with high-valued products and services and the most satisfying ownership experience in America. ” Clearly they did not deliver on this with over 5million cars recalled worldwide with vast majority being in the US market. The example shows how a poor product can affect a company’s performance as Toyota seen sales drop 9% immediately after they started to recall its cars.

Use of technology – Technology is forever improving and constantly changing. This can make it very hard for firms to have the most up to date equipment. If a manufacturing firm were able to improve their machines so that they were faster and finished goods off to a better standard then they could maybe gain first mover advantage and stay ahead of the competition. Firms need to try and gain competitive advantages over one another due to the increasing amount of competition.

For example Apple launched the iPhone in the UK in 2007 and since then Samsung, Nokia, LG and other mobile manufacturers have been playing catch up with Apple as their mobile phone is in some cases years ahead of its competitors. In 2008 Nokia sales of internet mobile phones had dropped to 41% from 51% in the same period the year before. Apples iPhone had a lot to do with this change in market share. Pricing Policies – When setting the price of a good or service companies will take into account the costs of producing each unit and how much of a return they would like to gain as a result.

However, depending on the type of the product prices can be very sensitive to economic conditions. It is more so the companies whose products have elastic demand that have to worry about this. External factors can play a key role in pricing as well but one of the main factors is the price of substitute and complimentary goods set by competitors. In order to remain competitive and organization must set its pricing strategy so that it is not only competitive within the market but that it can be flexible enough to cope with the dynamic climate.

Pricing strategy is vital, if a firm set the wrong price when launching a new product it may cause it to fail. An example of a product failing due to price is the Sony Betamax video recorder in 1979. VHS-C camcorders were cheaper and no one wanted to pay the higher price for the Sony product even though it was of a better quality. Competitors – When launching a product into a given market the company should know as much about the competition as they possibly can in order to try and gain a competitive advantage over them.

By evaluating the success and failures of other companies a firm can learn about their target market and how better to serve them. Depending on the type of market they are entering into the competition between the firms could be based on strong marketing campaigns, competitive pricing, place or even promotions to help get product noticed. Shareholders – Shareholders are the owners of companies and as a part owner they have a say in the business and how it operates. They are entitled to vote at the AGM (Annual General Meeting) so they can get their views across.

They also vote on board membership and one share is equal to one vote therefore the more shares a person has then the greater an influence they have on the decisions made by the company. Haven said this, it is clear that a company will want to perform well so that they keep the shareholders happy as it is them who have invested their own money into the organization and in doing so want a return for their investment. Part of the corporate strategy will be determining what percentage of total revenue is to be paid back in dividends to shareholders.

It is extremely important for the company to repay the shareholders with generous dividends whenever they can, whilst still retaining enough revenue to reinvest into the company so that they can continue to grow and be successful. The balance between the two is difficult and whatever the corporate strategy is, not all shareholders will be happy. Problems with trying to integrate Human Resource Strategy with Corporate Strategy To generalise the two types of strategies would be to say that human resource strategy deals with people and how they interact with one another within the business.

Whereas corporate strategy deals with the organization as a whole and what its targets are. It’s difficult for an organization to implement both successfully without letting one strategy negatively affect the other. Communication is one of the main reasons why businesses find it hard to integrate human resource strategy with corporate strategy. The larger the organization is the more difficult it is to keep flows of communication going without it breaking down. It is essential that everyone in the organization knows the common goal of the company so that everyone is working in the same direction.

It only takes one or two people to prevent the whole process from working efficiently. The internet has allowed communication to become faster and easier over recent years, particularly for large companies who can now have meetings via video chat and email instead of traveling across different countries. This has also helped reduce the costs of many businesses. For example the mobile networking company " three" often uses video chat either through store computers or work mobiles. It has helps area managers to keep in contact with each store manager to ensure that sales targets are being met.

Managers can make a massive difference to how an organization performs. It is up to managers to get the most out of their workforce by motivating them and encouraging them to work towards the common goal which they should all be aware of. Managers who work in retail need to ensure that their workforce deliver a high standard of customer service and this can be done by ensuring high quality human resource strategies. It is also up to the manager to spot if things are not going well and then he or she must act quickly to turn things around.

The flow of communication must work both ways right throughout the company. It is the people lowest down in the organization who may be face to face with the customers and thus should know them best and how to maximize their utility. Some companies do not set out clear strategies and therefore make it difficult for everyone to know what their role is within the organization. In order for a company to more forward the employees need to know were exactly that is, and have clear and precise objectives which if they follow will lead them to the overall targets of the company.

How to integrate Human Resource Strategy with Corporate Strategy Human resource strategies and Corporate Strategies need to be observed and worked together as a whole by the organization. They are both essential elements in running a successful business and therefore need to be fully utilized by the organization. Together they need to try and reduce costs, deliver performance and improve the quality of the good or service being produced. It is not beneficial for the firm to solely concentrate on either human resource or corporate strategy, they need to focus on both and ensure that they complement one another.

Line managers need to know what the corporate strategy is just as much as the people at the top of the organization need to know what the human resource strategy is. Both strategies need to be set out at the same time so that everyone is aware of them. Slight changes may be made over time as external factors have their influence on the business here it is important that communication stays strong. Strategies must be revisited regularly to ensure that the company is heading in the right direction. Human resource strategy is ecoming increasingly more important in to-days business world as people are the most important non-financial part of the organization. People can be trained and learn new skills when needed, it is the management of people that determines the performance of an organization as people are the key resource. More money and resources should be used in business to train managers so that they can get the best out of their workers and to make the workplace as efficient as possible. This will reduce costs for the organization and thus widen profit margins.

Businesses aim to be successful, profit making organizations want to maximize their revenue and grow in market share. To achieve this they much make full use of their key asset, their employees. Managers have one of the most important roles to play as they help organize the business and set targets out. The firms who gain a competitive advantage over their competitors are the firms who can successfully implement human resource and corporate strategy together to the benefit of the whole company.

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