

## ESSENTIAL ELEMENTS OF STRATEGIC PLANNING FOR HRD

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**Keywords:** Strategic HRD planning, strategic HRD alignment, stakeholder involvement, decision making, policy integration, HRD effectiveness.

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### Summary

In this chapter the growing importance of strategic planning for Human Resources Development (HRD) in companies is stressed, mainly due to fast changing company environments and dynamic and less predictable environmental pressures. Companies in this turbulent environment experience the need for HRD that is closely linked to the daily work of their employees and the specific company's situation, now and in future. In other words, they experience the need for strategic HRD. This means that HRD programs and other learning events have to be aligned with organizational goals, objectives, problems, and developments so that organization's members acquire the knowledge and skills needed within the context of the (changing) objectives of the organization. These programs have to be developed in a strategic planning process. In this chapter strategic planning for HRD is conceived as the dynamic and interactive process in which, as part of an ongoing and future company policy, HRD goals and objectives are formulated concerning employees and company development using targeted learning processes of improvement and innovation.

An integrated method for strategic HRD planning in companies is outlined. Not only the essential elements are described, such as the need of a planning process at strategic, tactical, and operational company level, but the importance of four aspects of strategic HRD planning, i.e. participation, information, formalization, and decision making is also explained. Companies have to involve all relevant stakeholders at each company level, whenever possible and functional. In order to arrive at an integrated HRD plan in

a horizontal as well as vertical direction, essential information for problem solving needs to be gathered in formal and informal consultative structures, while different kinds of HRD goals and objectives should be formulated at all company levels. By focusing on these four aspects at all company levels, the HRD planning process will result in strategically aligned programs in which employees acquire the competencies necessary to improve performance and organizational effectiveness. HRD then will become effective. HRD representatives need to play a key role as HRD consultants in all of this in order to support other stakeholders in the aligning process.

## **1. Why Strategic planning has become Important in HRD**

Human Resource Development (HRD) is a new discipline, still in development and searching for a clear identity. Before the term HRD became current, training, education and development were used as expression for learning interventions in companies. Training concerned the learning of knowledge, skills, and attitudes for the current position. Education was related to the acquiring of specific knowledge, skills, and attitudes for a future position (career oriented). Development referred to relatively permanent change in knowledge, skills, and attitudes as a result of formal training, education, and informal learning processes (Nadler & Nadler, 1989). Nadler introduced the term HRD in 1969, meaning all organized activities conducted within a specified time and designed to bring about the possibility of performance improvement and personal growth (Walton, 1999). In practice, HRD turned out to be a peripheral activity within organizations, isolated from essential organizational functions and processes, as intervention, which is ad hoc, and short term oriented, reacting on specific problems that occur. There is hardly any alignment with the organization strategy, and therefore has little practical impact (Tjepkema & Wognum, 1999). In literature it was even estimated that only between 10 and 20 percent of capital invested in HRD and learning interventions will lead to enduring performance improvement (Baldwin & Ford, 1988; Latham & Crandall, 1991; Broad & Newstrom, 1992; Kessels, 1996).

Because of the fast changing environment of organizations, this form of HRD became insufficient to support organizations in dealing with dynamic and less predictable environmental pressures. This turbulence places high demands on organizational capacity to learn and change. Companies in such a turbulent environment experience the need for HRD, which is closely linked, to the daily work of their employees and the specific company's situation, now and in future. HRD, conceived as an intervention in the natural learning process of organizations and individuals (Stewart, 1992), has to be closely linked to the organizational strategy at all company levels, system wide. In other words, HRD has to become strategic and needs to be developed in a strategic planning process (Wognum, Drent & Slotman, 1998).

## **2. The Concept of Strategic Planning for HRD**

Strategic planning for HRD is a key concept of HRD policymaking. It is a dynamic and interactive process in which, as part of an ongoing and future company policy, appropriate HRD goals and objectives are formulated concerning employees' and company development using targeted learning processes of improvement and

innovation (Wognum, 1999). As described in the following sections, this description is based on a more recent view on strategic planning.

## **2.1. Strategic Planning**

Terms such as policy making, strategy formation, planning, and decision-making have often been used interchangeably in literature and practice. According to Hoogerwerf (1993), policy making concerns the achievement of certain goals using certain means and choices of time (Hoogerwerf, 1993). Strategy formation holds more or less the same elements. It refers to the development of a strategy or plan in which the general goals of an organization are laid down and directives are given for putting these goals into practice, within certain environmental circumstances (Sminia, 1990; Quinn, Mintzberg & James, 1988). Planning refers to drawing up a plan and working according to these plans. Following Mintzberg, it is a 'formalized procedure to produce an articulated result, in the form of an integrated system of decisions' (Mintzberg, 1994, p. 12). In this perspective, it is similar to (integrated) decision making, a process in which systematically considered decisions are made on actions and resources to accomplish certain goals. Planning and decision making are thus congruent with policy making and strategy formation.

Strategy, in general, connotes large scale, future oriented plans for interacting with the competitive environment to optimize achievement of organization objectives (Pearce and Robinson, 1985). According to Mintzberg (1994) strategy then can also be specified as a pattern, consistent in behavior over time. This pattern can be based on a plan (intended and fully deliberate strategies), but a pattern can also emerge, without an expressly intended plan (emergent strategy). In his view, based on assumptions of people called planners, a strategy can also be a position, determining the organization's place in the external environment, or a perspective, referring to an organization's mission or vision. Strategic planning then refers to a process of developing an organization strategy by determining the function of the organization in its environment (Noorderhaven, 1995). It includes the development of organizational goals and means to reach these goals, within certain internal and external environmental circumstances.

Mintzberg states, that strategic planning cannot be synonymous with strategy formation and certainly not with effectiveness in that process (Mintzberg, 1994, p.29). Strategy formation in his view encompasses the meaning of strategy as a plan based on a certain intended and/or emergent pattern. Strategic planning refers in his view to a more inflexible, rational and formalized procedure, following a sequential, linear and hierarchical order, mainly top-down. This is probably based on a more traditional view of strategic planning, holding in general the idea that a planning person at the top management level has developed strategic plans. This view has some shortcomings. It can destroy commitment, narrow a company's vision, discourage change, and breed an atmosphere of politics. This especially becomes clear amid more dynamic external and more complex internal environments (Rothwell & Kazenas, 1994).

Several authors, including Mintzberg (1994) and Galagan (1997), distance themselves from the traditional approach maintaining that what is needed for all those involved, within and outside the organization, is to participate in this process in order to create

commitment among employees and to achieve a successful implementation of the desired policy. Strategic planning then implies that an organization has to pay attention to all relevant stakeholders in and outside the organization, when developing organizational goals and means to reach these goals within certain environmental circumstances.

## **2.2. Strategic Planning for HRD**

Rothwell & Kazanas (1994, p.2) quote Walker when defining strategic human resource planning, as: 'the process of analyzing an organization's human resource needs under changing conditions and developing the activities necessary to satisfy this needs'. When applied to Human Resource Development, training courses and other formal or informal learning interventions are necessary activities to satisfy organization's need for well skilled employees. Following on both authors it can be said that HRD planning becomes strategic when some attempt is made to anticipate the company's needs for actual and future knowledge, skills and attitudes, relative to changing conditions, and use all kinds of formal and more informal learning events to meet these needs.

It, however, can be assumed that the traditional view as described in the former section often applies for strategic HRD planning. One reason for saying this is the formerly stated estimation in literature that only between 10 and 20 percent of capital invested in HRD and learning interventions will lead to enduring performance improvement. Research revealed that this might be attributed to little commitment of stakeholders to these learning events.

More stakeholder involvement in the strategic HRD planning has a positive effect on perceived HRD effectiveness (Wognum, 1999). This is partly due to the fact that greater involvement will lead to psychological ownership, which is a precondition for implementing effective HRD programs and other learning interventions (cf. Herman & Herman, 1998). Inadequate involvement often results in less effective HRD interventions indicating a misalignment with the main problems and developments in the organization.

A more recent view on strategic planning for HRD, which includes the participation of all relevant stakeholders, runs as follows: Strategic HRD planning - or strategic HRD alignment - is a dynamic and interactive process in which, as part of an ongoing and future company policy, HRD goals and objectives are formulated concerning employees and company development using targeted learning processes of improvement and innovation (Wognum, 1999).

The word 'strategic' emphasizes the company perspective and connects the link between HRD and the organizational goals and objectives. According to the more traditional view, policymaking or planning processes are typically sequential, linear and mainly top-down. Less traditional strategic planning deviates from this, implying that goals and objectives are drawn up according to sufficient information and in consultation with all those involved. It refers to the interrelationship between HRD representatives and relevant company employees at various levels of the organization: the so-called HRD stakeholders.

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**A.A.M (Ida) Wognum** is an (assistant) professor at the University of Twent, Faculty of Behavioral Sciences, Department of Educational Organization and Management. Her main research and teaching interests are in the field of HRD/HRM policymaking and effectiveness in large and smaller organizations. She has published numerous articles and contributed some chapters to some books on these subjects and was listed in the Top Ten 1998 Conference Proceedings (Academy of HRD). Her PhD thesis (1999) was about Strategic HRD Alignment and HRD effectiveness. She currently serves as a member of the editorial boards of *Human Resource Development Quarterly* and *Advances in Developing Human Resources*. Her main courses are in the field of competence management and development, strategic planning for HRD, marketing, management and structuring of educational organizations, and particularly the HRD function. She also supervises master and PhD students in their final project.