



Strategic
Human Resource
Management

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CHAPTER 3

**STRATEGIC
PLANNING**

Strategic Management

- Strategic Human Resource Management
 - Involves aligning initiatives involving how people are managed with the organizational mission and objectives.
- Strategic Management Process
 - Determining what needs to be done (how) to achieve corporate objectives over a three- to five year time span.
 - Examining the organization and the competitive environment.
 - Establishing a strategic (optimal) “fit” between the organization and its environment that engenders success.
 - Reviewing and revising the strategic plan as necessary.

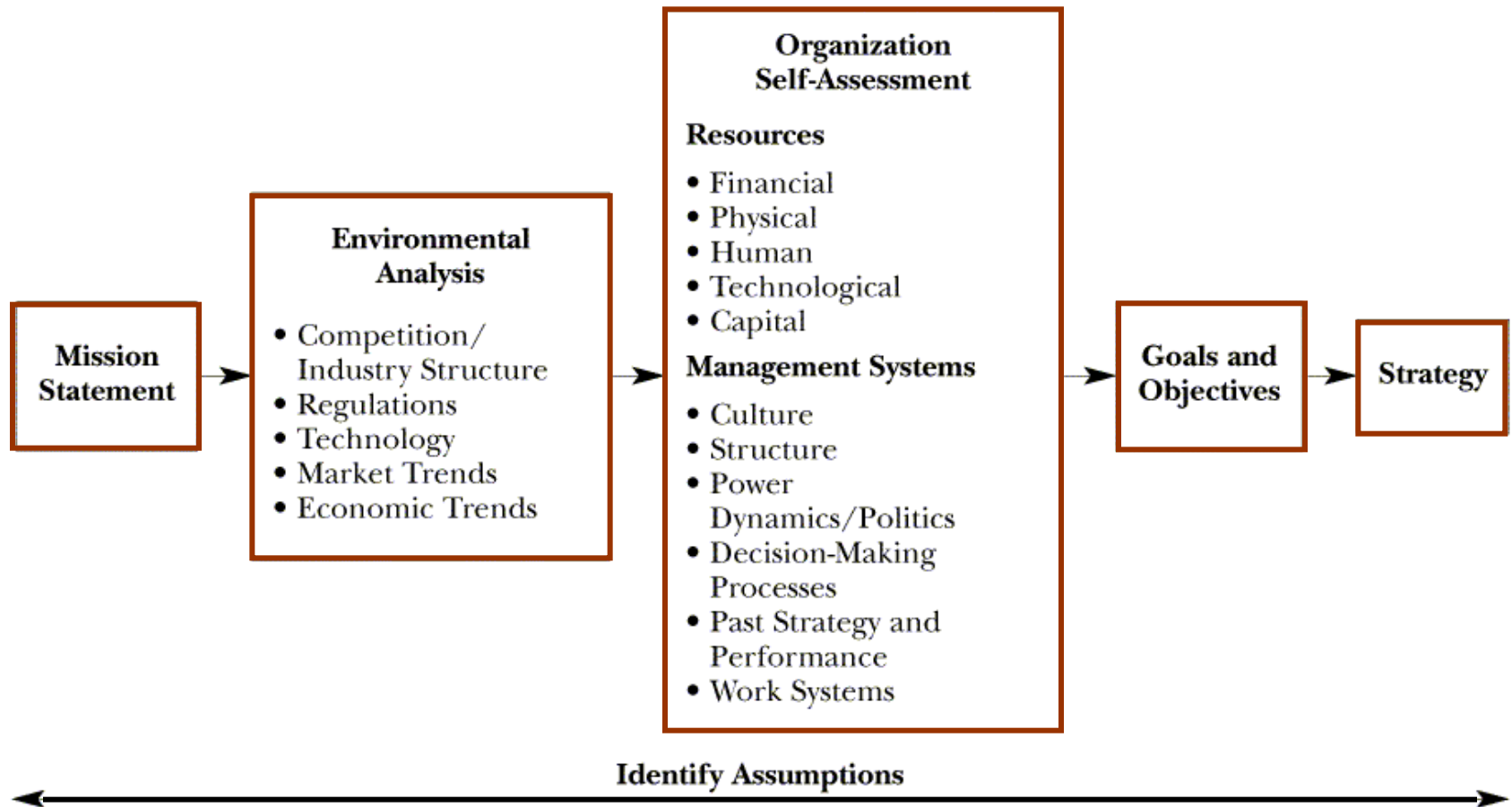
Models of Strategy

- Industrial Organization (O/I) Model
 - The external environment is the primary determinant of organizational strategy rather than the internal decisions of its managers.
 - The environment presents threats and opportunities.
 - All competing organizations control or have equal access to resources.
 - Resources are highly mobile between firms.
 - Organizational success is achieved by offering goods and services at lower costs than competitors or by differentiating products such that they bring premium prices.

Models of Strategy (cont'd)

- Resource-Based View (RBV)
 - An organization's resources and capabilities, not external environmental conditions, should be the basis for strategic decisions.
 - Competitive advantage is gained through the acquisition and value of organizational resources.
 - Organizations can identify, locate and acquire key valuable resources.
 - Resources are not highly mobile across organizations and once acquired are retained.
 - Valuable resources are costly to imitate and non-substitutable.

EXHIBIT 3-1: THE PROCESS OF STRATEGIC MANAGEMENT



The Mission Statement

EXHIBIT 3-2: SOLECTRON MISSION STATEMENT

“Our mission is to provide worldwide responsiveness to our customers by offering the highest quality, lowest total cost, customized, integrated, design, supply-chain and manufacturing solutions through long-term partnerships based on integrity and ethical business practices.”

Corporate Strategies: Growth

- Benefits
 - Gaining economies of scale in operations and functions
 - Enhancing competitive position vis-à-vis industry competitors
 - Providing opportunities for employee professional development and advancement
- HR Issues
 - Planning for new hiring
 - Alerting current employees
 - Ensuring quality and performance standards are maintained
- Internal Methods
 - Penetration of existing markets
 - Developing new markets
 - Developing new products or services for existing or new markets
- External Methods
 - Acquiring other organizations
 - Vertical integration
- HR Issues
 - Merging organizations
 - Dismissing redundant employees

Corporate Strategies (cont'd)

- Stability
 - Maintaining the status quo due to limited environmental opportunities for gaining competitive advantage.
 - Few employees will have opportunities for advancement.
 - Critical that management identify key employees and develop specific HR retention strategies to keep them.
- Turnaround or Retrenchment
 - Downsizing or streamlining the organization in a cost-cutting attempt to adjust to the competitive environment.
 - Few opportunities and many environmental threats.
 - Important to develop HR practices to manage the “survivors.”

Business Unit Strategies: Cost Leadership

- Increases in efficiency and cutting of costs; then passing the savings to the consumer.
- Assumes price elasticity in demand for products or services is high; small change in price will cause large increase in demand.
- Assumes that customers are more price sensitive than brand loyal.
- HR strategy focuses on short-term performance measures of results and promoting efficiency through job specialization and cross-training.

Business Unit Strategies: Differentiation

- Attempting to distinguish organizational products or services from other competitors or creating the *perception* of a difference in order to demand a premium price from consumers.
- Organization offers employees incentives and compensation for creativity.
- HR strategy focuses on external hiring of unique individuals and on retaining creative employees.

Business Unit Strategies: Focus

- Business attempts to satisfy the needs of only a particular group or narrow segment of the market.
- Strategic intent is to gain consumer loyalty of neglected groups of consumers.
- Strategic HR issue is ensuring employee awareness of uniqueness of market segment.
 - Thorough employee training and a focus on customer satisfaction are critical factors.
 - Hiring members of the target segment who are empathetic to customer in the target segment.

Business Unit Strategies: Logics of Control

EXHIBIT 3-3: DYER AND HOLDER'S TYPOLOGY OF STRATEGIES

Goals	Logics		
	Investment	Inducement	Involvement
Contribution form-	High initiative and creativity; high performance expecta- tions; some flexibility	Some initiative and creativity; very high performance standards; modest flexibility	Very high initiative and creativity; very high per- formance expectations; high flexibility; self-managed
Composition mix;	Comfortable head count (core and buffer); high skill mix; moderate staff	Lean head count (core and buffer); low skill mix; minimal staff	Comfortable head count; protected core; high skill minimal staff
Competence	High	Adequate	Very high
Commitment	High; identification with company	High; instrumental	Very high; strong identifica- tion with work, team, and company

Business Unit Strategies: Logics of Control (cont'd)

EXHIBIT 3-3: DYER AND HOLDER'S TYPOLOGY OF STRATEGIES (cont'd)

Practices

Staffing	Careful selection; extensive career development; some flexibility; minimal layoffs	Careful selection; few career options; use of temps; minimal layoffs	Very careful selection; some career development; extreme flexibility; minimal (or no) layoffs
Development	Extensive; continuous learning	Minimal	Extensive; continuous learning
Rewards cy	Tall structure; competitive, fixed, job based, merit; many benefits	Flat structure; high, variable, piece rate; profit sharing; minimal benefits	Flat structure; high, partially variable, skill and competency based; gain sharing; flexible benefits
Work system	Broad jobs; employee initiative; some groups	Narrow jobs; employee paced; individualized	Enriched jobs; self-managed work teams
Supervision	Extensive, supportive	Minimal, directive	Minimal, facilitative
Employee mun- relations	Much communication; high voice; high due process; high employee assistance	Some communication; some voice; egalitarian	Open and extensive communication; high voice; some due process; egalitarian, some employee assistance

Source: Dyer and Holder (1988, pp. 1-21).

Benefits of a Strategic Approach to HR

- Facilitates the development of a high-quality workforce through its focus on the types of people and skills needed.
- Facilitates cost-effective utilization of labor, particularly in service industries where labor is generally the greatest cost.
- Facilitates the planning and assessment of environmental uncertainty and the adaptation of the organization to the external forces that impact the organization.

Reading 3.2: The Five P's Model of SHRM

- Philosophy
 - Statements of how the organization values and treats employees; essentially the culture of the organization.
- Policies
 - Expressions of shared values and guidelines for action on employee-related business issues.
- Programs
 - Coordinated and strategized approaches to initiate, disseminate, and sustain strategic organizational change efforts necessitated by strategic business needs.

Reading 3.2: The Five P's Model of SHRM

- Practices
 - HR practices that motivate behaviors that allow individuals to assume roles consistent with the organization's strategic objectives.
- Processes
 - The continuum of participation by all employees in the specific activities of to facilitate the formulation and implementation of other activities.

Reading 3.2: Implications of SHRM

- Successful SHRM efforts begin with identification of strategic needs.
- Employee participation is critical to linking strategy and HR practices.
- Strategic HR depends on a systematic and analytical mindset.
- Corporate HR departments can have an impact on their organization's efforts to launch strategic initiatives.