

Chapter 14

Aligning Strategy with Practice

A MANAGER'S PERSPECTIVE

TAKASHI LEAVES HIS OFFICE AND WALKS ACROSS THE COURTYARD TO THE CORPORATE BUILDING. TODAY HE IS MEETING WITH A GROUP OF TOP EXECUTIVES TO EXPLAIN PROPOSED CHANGES TO THE PERFORMANCE APPRAISAL PROCESS. FROM PAST EXPERIENCE TAKASHI KNOWS THAT THE PROPOSAL WILL BE MET WITH SKEPTICISM BY SOME, BUT ENTHUSIASTICALLY ACCEPTED BY OTHERS. DURING HIS 10-YEAR CAREER AS A HUMAN RESOURCE SPECIALIST HE HAS BEEN PART OF MORE THAN 30 INITIATIVES TO ALTER PERFORMANCE MANAGEMENT PRACTICES, YET EACH TIME HE IS AMAZED AT THE EMOTIONS GENERATED BY CHANGE. THIS TIME HE IS PARTICULARLY NERVOUS BECAUSE HE PERSONALLY HAS CONCERNS ABOUT THE PROPOSAL THAT IS BEING PUT FORTH.

One of Takashi's main concerns is that hiring practices over the past few years have been geared toward selecting star performers. Recruits were promised high pay and rapid advancement. For the most part, these promises have been kept. The highest performers have been recognized and rewarded. However, the new performance management program puts less emphasis on identifying top performers and seeks to treat everyone similarly.

Managers will no longer be required to rate employees in comparison to each other, and everyone in a work group can receive the same rating. Takashi worries that these changes to the performance management system will send a signal that is not consistent with other human resource practices.

Takashi recently read an article, written by an experienced human resource professional, who argued that human resource practices—including work design, recruiting, selection, training, and compensation—should fit together to create a consistent set of procedures for attracting and motivating workers. When he read the article, he thought it made a lot of sense. If the company goes ahead with the proposed performance management changes, shouldn't it also alter the hiring process to focus on bringing in employees who are comfortable working in groups rather than being star performers? Shouldn't they change compensation to reward consistent effort rather than short-term exceptional performance? In fact, Takashi really wonders how they will be able to make compensation decisions once the new performance ratings make it more difficult to identify top performers. He is just not





THE BIG PICTURE *Human Resource Management Is Most Effective When Human Resource Practices Complement Each Other and Align with Competitive Strategy*

sure that all the potential consequences of the new performance system have been considered.

As he nears the corporate building, Takashi greets Dave, who has been the top sales representative for the past four years. Dave tells Takashi a quick joke and then asks if the rumors about a performance management change are true. As Takashi evades the question, Dave states that he will accept a position with a competitor if things change and his excellent contributions are not recognized.

Takashi leaves Dave and lets out a sigh of frustration. He suspects that Dave will really leave the company. Experience has taught him to think carefully about how a change in one human resource practice can affect others. In the current case he believes that the shift away from identifying top performers will be a big problem. The next few months will be challenging. The role of an HR specialist just seems to get harder each year.



WHAT DO YOU THINK?

As Takashi makes his presentation, the executives make the following remarks. Which of the statements do you think are true?

- T OR F** Effective human resource management can be a source of competitive advantage for an organization.
- T OR F** Human resource practices are most effective when they align with an organization's competitive business strategy.
- T OR F** The best way to choose a method of performance management is to identify and copy a practice that is successful at another organization.
- T OR F** Human resource policies and practices are not as important in smaller companies.
- T OR F** Future trends and technological advances will likely decrease the importance of human resource management.

LEARNING OBJECTIVES

After reading this chapter you should be able to:

- LEARNING OBJECTIVE 1** Explain the concepts of vertical and horizontal alignment.
- LEARNING OBJECTIVE 2** Identify the specific human resource practices that fit within each of the basic HR strategies.
- LEARNING OBJECTIVE 3** Understand how basic competitive and HR strategies can vary, what role human resources can play in strategy formulation, and why human resource management is important for small organizations.
- LEARNING OBJECTIVE 4** Describe how the field of human resource management is likely to change in upcoming years.

How Can Alignment of HR Practices Make an Organization Effective?

Congratulations, you made it to the last chapter! At this point, you should be able to identify many benefits of effective human resource management. You should also be able to describe the processes associated with a number of human resource practices. Hopefully, you answered “true” to the first two “What Do You Think?” questions. You have missed some important concepts if you don’t know the answer to these questions by now. Attracting and hiring the right people, and then properly training and motivating them, is critical for building a successful organization. As we have discussed in each chapter, these efforts are most beneficial when they fit with the organization’s strategy.

One of the strategic issues we discussed back in Chapter 2 was the importance of bundling human resource practices. Human resource management is most effective when various practices work together to create an overall culture of excellence. Combinations, or bundles, of practices are more valuable than a single good practice in isolation.¹ A set of good human resource practices builds a strong culture. A good example of a company with a strong culture shaped by effective human resource management is Walt Disney Company. Most of us have childhood memories of Disney movies, vacations, and products. What may not be obvious is the role of human resource practices in creating such memories.

Worldwide, Disney has more than 150,000 employees and revenues exceeding \$37 billion. Walt Disney World in Florida is the largest single-site employer in the United States, with over 54,000 employees.² Disney has a clear strategy of differentiation, with an emphasis on creativity and family entertainment. The effective execution of this strategy is seen at Disney World, where success is measured by the creation of magical experiences. Great customer service and friendly interactions between customers and employees, who are referred to as cast members, set Disney World apart from competitors. The role of employees in assuring high-quality customer service was captured by the founder—Walt Disney himself—when he stated, “You can dream, create, design, and

build the most wonderful place in the world, but it requires people to make the dream a reality.”³

Although it pursues a differentiation strategy, success for Walt Disney World does not depend on employees with specialized skills. Most of the jobs in the theme park are made up of relatively simple tasks, such as food service and ticket taking. Instead, the key to success is friendly employees who work together to create a fun atmosphere. Although different from the basic model, Disney World uses an HR strategy that most resembles the Loyal Soldier model to carry out its differentiation strategy. Human resource practices are designed to build a culture of cooperation and customer service. The unique experience of working for Disney, rather than the performance of a specific job, is emphasized in every aspect of human resource management.

Work tasks at Disney World are designed around standardized procedures. Employees are told that they have three major tasks:⁴

- To keep the park clean.
- To create happiness.
- To do their specific jobs.

Everyone is expected to follow company procedures, and an extensive system of standard operating procedures is in place. Standardization helps to ensure that employees know how to interact with guests in the way Disney wants. For example, employees learn that they are always “on stage,” and they are encouraged to do specific things, such as maintain eye contact with guests, that will help them to create positive social encounters. Standardization also ensures that employees are treated the same no matter where they work in the park. Work design at Disney World is thus aimed at creating an atmosphere in which each employee feels responsible for making sure that guests are highly satisfied and in which teamwork is emphasized over high individual achievement.⁵

Recruiting processes help Disney World attract a sufficient number of employees who fit the company culture. Disney, which takes a flow approach to recruiting, is always looking to hire people who fit the culture. Because the demand for entry-level workers at Disney World is often greater than the number of workers available in the Orlando area, the company conducts ongoing recruiting in other locations, such as Puerto Rico and New York.

Early in the recruiting process, potential hires are shown a video that provides a realistic picture of what it is like to work at Disney. Time off on holidays is rare, since the park is always open. Strict codes regulate employees’ appearance and prohibit such things as visible tattoos. This realistic approach saves time and effort by quickly encouraging around 10 percent of applicants to decide on their own that they do not fit with the Disney culture. Those who do fit may be offered as much as \$1,500 in relocation assistance.⁶

The selection process at Disney World is captured by the phrase “hire for attitude; train for skills.” Managers focus on selecting employees with friendly personalities and good customer service skills. Once the company has hired the kind of employees it wants, it makes extensive efforts to retain them. The annual turnover rate is below 20 percent, which is outstanding for the industry. One practice that encourages loyalty is a high rate of internal promotions; approximately 80 percent of jobs are filled by internal candidates.⁷

Training begins as soon as employees enter the organization. New hires are taught about the Disney culture through examples and stories that emphasize

the value of family-friendly entertainment and high levels of customer service. Employees learn core values such as respect, integrity, and appreciation of diversity. Everyone, including the employee who sweeps up trash in the park, is taught to smile and greet guests in a friendly manner. Classes focus on using humor to entertain guests and taking time to engage people in conversation. Managers receive ongoing training to improve their skills for creating a positive work environment that motivates and retains employees.⁸

Rewards and recognition are also an important part of the human resource package at Disney World. High-performing employees are recognized at dinner parties and celebrations. Employees receive awards when they reach milestones for years of employment at the park. This public recognition builds loyalty and sends a clear signal that employees will be rewarded for having consistent attendance and providing quality service. Loyalty is also encouraged by providing employees with discounts and invitations to exclusive parties.⁹

Each of the human resource practices at Walt Disney World contributes to the success of the theme park. However, the true value of human resource management comes from the entire package of practices. Work tasks are designed to encourage cooperation and compliance with standard operating procedures that promote high levels of customer service. Recruiting and selection practices ensure that the people hired have personality traits that fit Disney's values. Training, as well as rewards and incentives, further emphasize the Disney culture and encourage actions that ensure good customer service. The incentive system encourages and motivates people who have the characteristics identified in the selection and recruiting process. Competitive



Building Strength Through HR

WALT DISNEY WORLD

Walt Disney World is a theme park located in Orlando, Florida, that employs more than 55,000 people. It is owned by Walt Disney Company, an organization with over \$37 billion in annual revenue. Human resource management at Walt Disney World builds competitive strength by



- Ensuring consistently high customer satisfaction by adopting standardized procedures to maintain consistently high service
- Recruiting and selecting employees who have outgoing personalities that fit with organizational culture
- Providing training and rewards that encourage loyalty and a focus on doing whatever it takes to meet the needs of guests
- Creating a consistent bundle of human resource practices that work together to create a culture of customer service

advantage through people, then, comes not so much from any particular practice but from alignment of the various practices. The overall package is recognized as valuable enough that companies in other industries have come to Disney for human resource training and consultation. The bundle of practices that has helped make Disney a great place to work—and therefore a successful organization—is in essence sold to other companies.

LEARNING OBJECTIVE 1

What Are Two Basic Forms of Strategic Alignment?

In earlier chapters, we often talked about aligning practices with strategies. Think for a minute about the concept of alignment. A dictionary definition of the term might involve the proper positioning of parts. For instance, an automobile works best when the tires are in alignment—in other words, when each tire is in the proper position in relation to the other tires and the rest of the automobile. This same concept applies to human resource practices. Each human resource practice is in **alignment** when it is in its proper place relative to other practices and strategic objectives. A compensation system that emphasizes and rewards loyalty and longevity, for example, is in alignment when it fits with other human resource practices and with the overall strategic objectives of the organization, as in the case of Disney.

Alignment comes in several different forms. Figure 14.1 illustrates two basic forms of alignment that are commonly discussed as part of strategic

Alignment

The state in which organizational practices are in their proper place relative to other practices.

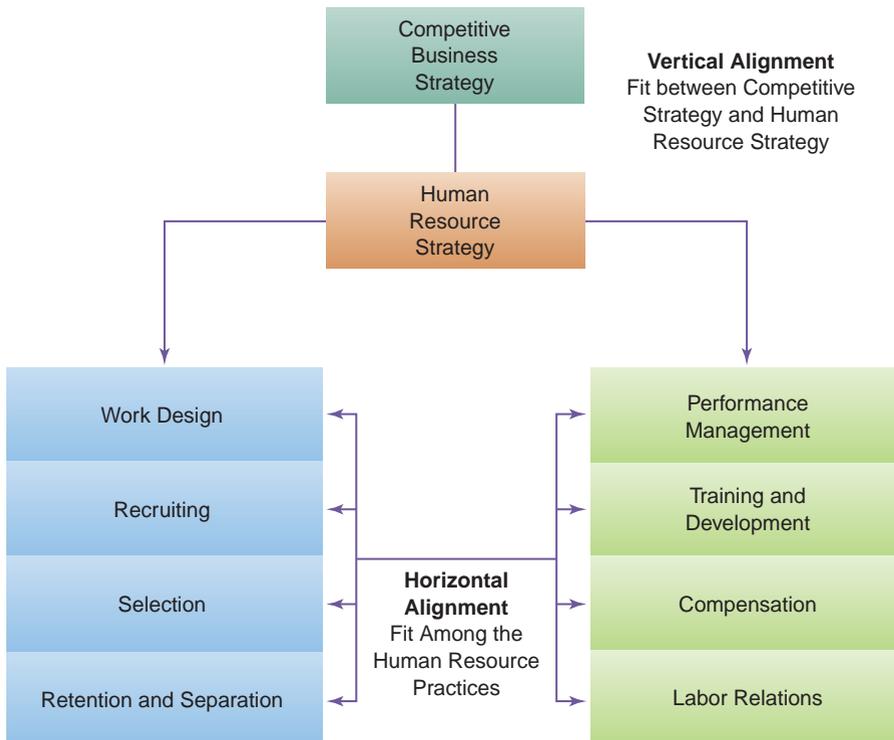


Figure 14.1 Vertical and Horizontal Alignment

Vertical alignment

The state in which an organization's human resource strategy supports its competitive business strategy.

management. The first form, **vertical alignment**, refers to the positioning of an organization's human resource management strategy in relation to other organizational strategies.¹⁰ The fundamental issue here is whether an organization's human resource strategy fits with its competitive strategy. An organization might be out of vertical alignment if it seeks to differentiate its products through innovation but adopts a Bargain Laborer HR strategy, for example. A Free Agent or Committed Expert HR strategy would more closely align with the competitive strategy of differentiation through innovation. As we have seen, the contingency perspective of human resource management suggests that organizations are more effective when their approach to human resource management fits—or aligns—with their competitive approach.

Research studies do support the value of vertical alignment. Successful organizations pursuing a specific organizational strategy usually have an appropriately aligned HR strategy.¹¹ For instance, organizations with human resource strategies that emphasize developing long-term relationships with highly skilled employees—what we have referred to as the Committed Expert HR strategy—have been shown to be more effective than their competitors because they create more new products and services. In essence, the Committed Expert HR strategy develops a climate of trust and cooperation that helps employees share knowledge and work together to innovate.¹²

The other form of fit, known as horizontal alignment, concerns the coordination of parts within the organization.¹³ In the specific case of human resource management, **horizontal alignment** refers to the fit of specific practices with other practices.¹⁴ The selection practice of seeking employees who are likely to be team players aligns with the performance appraisal practice of reducing competition among employees, for example. In contrast, practices would not be horizontally aligned if the selection practice focused on hiring team players but the performance appraisal practice emphasized competition and individual achievement.

Research studies also support the benefits of horizontal alignment. Firms with consistent bundles of human resource practices have been found to be more effective than firms without consistent practices.¹⁵ The benefits of hiring highly skilled workers, for example, are greatest when work tasks are designed to encourage collaboration and innovation.¹⁶ Organizations that send inconsistent messages about the value of human resources are also less effective. For instance, organizations that develop long-term relationships with a select group of employees and treat other workers as replaceable have lower performance than organizations showing commitment to all employees.¹⁷ This problem of sending mixed signals about human resource practices is highlighted in the accompanying “How Do We Know?” feature, which describes problems that arise when organizations with an internal labor orientation lay off employees.

Throughout this book we have emphasized vertical alignment—the aligning of human resource practices with competitive strategy. Now that we have discussed a number of different human resource practices, we are ready to take a closer look at the concept of horizontal fit—the aligning of the various human resource practices with one another. One way to illustrate horizontal alignment is to examine how each of the practices fits within the framework of overall HR strategy. In the next section, we do this by examining the alignment of practices within each of the four HR strategies. Notice that, in each case, the concept of vertical alignment still holds. The specific human resource practices that we have discussed throughout the book work together through horizontal alignment to support the organization's competitive strategy.

Horizontal alignment

The state in which individual human resource practices fit together and support each other.



How Do We Know?

WHAT HAPPENS WHEN ORGANIZATIONS SEND MIXED SIGNALS ABOUT THE VALUE OF EMPLOYEES?

What happens when an organization doesn't treat employees as they expect to be treated? Will an organization that has used human resource practices to develop close relationships with employees suffer when it adopts a contrary practice? Christopher Zatzick and Roderick Iverson sought to answer this question by examining whether the effects of employee layoffs on organizational productivity depend on an organization's general approach to managing employees.

Approximately 3,000 Canadian workplaces provided reports about their human resource practices, employee layoff rates, and productivity. Employee layoffs were found to have a negative effect on productivity when organizations had human resource policies that communicated high commitment. In particular, layoffs harmed the productivity of organizations with flexible work arrangements, high

empowerment, teams, cooperative compensation, and formal training. Some of this effect was overcome, however, if the firm continued to show commitment after the layoffs.

The Bottom Line. Productivity suffers when an organization engages in a human resource practice that is not aligned with its other human resource practices. The authors conclude that layoffs can erode the competitive advantage that a firm achieves through adopting a set of human resource practices that demonstrate high commitment to employees.

Source: Information from Christopher D. Zatzick and Roderick D. Iverson, "High-Involvement Management and Workforce Reduction: Competitive Advantage or Disadvantage," *Academy of Management Journal* 49 (2006): 999–1015.



CONCEPT CHECK

1. How do the concepts of vertical and horizontal alignment differ?
2. What happens when a human resource practice is not in horizontal alignment with other practices?

LEARNING OBJECTIVE 2

How Do HR Practices Align with One Another?

Most chapters in this book have included a strategic framework describing how specific human resource practices fit with an overall HR strategy. Now that we have separately discussed all these practices, we are ready to integrate them to describe how human resource management should operate within each of the broad HR strategies. Examining practices from the perspective of each HR strategy also provides a good review of the strategic concepts we have discussed in earlier chapters.

EXTERNAL/COST: ALIGNMENT FOR BARGAIN LABORERS

The Bargain Laborer HR strategy focuses on creating efficiency with talent obtained from external labor markets. Such an approach is adopted by many fast-food restaurants and hotels. Human resource practices focus on minimizing labor costs. Most employees work in entry-level positions that require few specialized skills. Few workers feel strong commitment to the organization, and quitting to accept a better job in another organization is common. Table 14.1 lists core human resource practices associated with the Bargain Laborer HR strategy.

Work Design

Organizations that pursue a Bargain Laborer HR strategy make work as simple as possible so that employees with little skill can quickly learn their jobs. Work is structured according to concepts from the mechanistic approach to job design, and tasks are similar to machine parts—each with a specific, limited purpose. Work is broken into simple tasks that can be easily learned. Goods and services are produced by assembly lines that represent sequential processing. Autonomy is low. Employees are expected to complete specific tasks in the prescribed way, which helps ensure coordination.

Recruiting and Selection

Recruiting within the Bargain Laborer HR strategy is designed to identify a large number of candidates. An approach using a broad skill scope with external sourcing, as described in Chapter 5, is appropriate. High turnover creates a need for ongoing applications from people willing to work in relatively low-skilled positions. The lack of need for specific skills allows organizations to cast a wide net to identify potential workers. Positive aspects of the job are highlighted to encourage applicants to accept positions. Common recruiting methods include referrals, print advertising in newspapers, electronic advertising on commercial websites, and public employment agencies.

After recruiting comes selection. Organizations pursuing the Bargain Laborer HR strategy constantly hire new employees. Because the jobs they will be performing are relatively simple, selection practices need not identify specific skills and abilities. And since no one expects employees to have a long

Table 14.1

Practices Aligning with Bargain Laborer HR Strategy

Practice	Emphasis on
Work Design	<ul style="list-style-type: none"> • Simplified tasks
Recruiting and Selection	<ul style="list-style-type: none"> • Having numerous job applicants • Predicting dependability
Retention	<ul style="list-style-type: none"> • Accepting some employee turnover
Performance Management	<ul style="list-style-type: none"> • Assuring minimally acceptable contribution
Training and Development	<ul style="list-style-type: none"> • Learning specific job duties • Reducing training costs
Compensation	<ul style="list-style-type: none"> • Minimizing labor costs • Limiting pay differences among employees
Labor Relations	<ul style="list-style-type: none"> • Labor union incompatibility with short-term employment

career with the organization, there is little need to assess organizational fit. In most cases, employees are hired because they are dependable and willing to follow instructions. Common selection methods include cognitive ability testing, physical ability testing, integrity testing, drug testing, and application forms.

Retention

Frequent turnover of employees is common with the Bargain Laborer HR strategy, since low-paid workers in relatively unskilled jobs often switch employers. Good employees are encouraged to stay as long as they will, but the emphasis on cost reduction often makes it difficult to retain high performers. In addition, given the ongoing need to attract workers, low-performing employees are usually allowed to stay employed as long as they meet minimum requirements. The Bargain Laborer HR strategy and its focus on cost reduction thus accepts some employee turnover and does not strongly emphasize either retention or forced separation.

Performance Management

Performance management within the Bargain Labor HR Strategy focuses on ensuring that employees are performing above a minimally acceptable level. This means that assessments are based on absolute standards that do not compare employees with each other. Little emphasis is placed on identifying high performers.

Training and Development

Teaching employees how to perform specific job duties, with an emphasis on efficient operations, is the key focus of training for the Bargain Laborer HR strategy. Training focuses not only on learning how to do things but also on communicating the importance of following company procedures. Because of the emphasis on efficiency, training effectiveness is often assessed in terms of the costs associated with helping employees learn. Costs can be reduced by purchasing off-the-shelf training packages, reducing travel, and using current employees as part-time trainers. Long-term employee development is not common in organizations with a Bargain Laborer HR strategy, as few employees stay with the company long enough to benefit from learning skills that would be beneficial in future jobs.

Compensation

In accordance with the goal of minimizing labor costs, compensation levels tend to be relatively low in organizations using the Bargain Laborer HR strategy. These organizations set wage rates at the point necessary to attract workers but do not offer premium wages to attract and retain highly skilled employees. The level of compensation for each job depends largely on what individuals can earn in similar jobs at other organizations. Organizations that follow the Bargain Laborer strategy often use uniform transactional compensation, described in Chapter 11, which minimizes pay differences among employees and acknowledges that most employees do not have a strong commitment to the organization. The desire to reduce labor costs means that most such organizations avoid making pay contingent on performance. Employees are usually paid an hourly wage for doing what they are asked to do. In some cases, however, employees receive piece-rate compensation that ties their wages to individual productivity.

Labor Relations

A major objective of most labor unions is ensuring job security. Unions are therefore somewhat at odds with the Bargain Laborer HR strategy. Employees are less likely to organize or join unions, since they usually do not expect to have a long-term relationship with the organization.

INTERNAL/COST: ALIGNMENT FOR LOYAL SOLDIERS

The Loyal Soldier HR strategy focuses on internal talent development and efficiency. An earlier discussion illustrated how United Parcel Service has benefited from the Loyal Soldier strategy. Government offices, such as motor vehicle departments, also frequently adopt this strategy. Organizations following such an approach seek to develop a strong culture of commitment. Human resource practices encourage long careers within the organization. Work is facilitated when employees do whatever is asked of them, with a focus on reducing costs. Even organizations that require employees to perform relatively mundane work can benefit from human resource practices that engage employees and provide them with an opportunity to participate.¹⁸ The U.S. Navy, which is profiled in the “Building Strength Through HR” feature, provides an example of an organization that is aligned around the Loyal Soldier HR strategy. Table 14.2 lists core human resource practices associated with the Loyal Soldier HR strategy.

Work Design

Organizations pursuing a Loyal Soldier HR strategy adopt standardization as a core principle of work design. As with the Bargain Labor HR strategy, work is structured according to the mechanistic approach for job design, which seeks to create an efficient machine for producing goods and services. Employees learn and carry out efficient processes and have little power to change how work is completed. Assembly lines are common, and each employee performs a limited number of tasks. The focus is on determining efficient production processes and then encouraging employees to follow prescribed methods of doing things.

Table 14.2

Practices Aligning with Loyal Soldier HR Strategy

Practice	Emphasis on
Work Design	<ul style="list-style-type: none"> • Standardized procedures
Recruiting and Selection	<ul style="list-style-type: none"> • Internal promotions • Organizational fit
Retention	<ul style="list-style-type: none"> • Keeping loyal workers
Performance Management	<ul style="list-style-type: none"> • Parity-based assessments that encourage cooperation
Training and Development	<ul style="list-style-type: none"> • Teaching specific skills • Continual learning
Compensation	<ul style="list-style-type: none"> • Rewarding long-term contribution • Limiting pay differences among employees
Labor Relations	<ul style="list-style-type: none"> • Labor unions supplementing a culture of solidarity



Building Strength Through HR

U.S. NAVY

The U.S. Navy has the difficult task of recruiting and managing over 330,000 active-duty personnel, as well as 66,000 reservists. The overall HR strategy aligns closely with the Loyal Soldier perspective. Sailors are expected to perform a variety of tasks, and effort is continually directed toward encouraging reenlistment.

Each year the Navy must recruit over 40,000 new workers. Positions range from basic recruit to nuclear operator and doctor. Most recruits are young. Recruiting relationships are formed with school counselors and advisors. Advertising is also directed toward parents, with a message of the opportunity and benefits that come with a Navy career. Once a sailor is recruited, a relationship is developed to make him or her feel a part of the large organization. This long-term commitment is summarized by Vice Admiral Mark Ferguson who states, “That bond with them, where they feel that we’re going to invest in them and take care of them and their families, is the strongest component.”

A specific staffing practice that is consistent with building a long-term employment relationship is a recent program that allows sailors to bid for jobs that pay them extra. For example, jobs at Guantanamo Bay were avoided by many sailors, but a program that allowed sailors to set their price for accepting the assignment resulted in sailors willingly taking the jobs. Paying them a premium fit with a low-cost strategy in that significant savings were realized from not having to compensate the sailors in other ways such as with extra leave time.

Training and career development are key components of human resource management within the Navy. A model called the 5 Vector Model identifies milestones for career paths from recruit all the way to admiral. The first vector is professional development and emphasizes technical



skills. Qualifications and certifications, which make up the second vector, provide credentials that go beyond a sailor’s specific job. For instance, many receive certification in firefighting. The third vector, personal development, emphasizes life-long learning, wellness, and interpersonal skills. Leadership skills are emphasized as the fourth vector, and performance accomplishments are the fifth vector. Taken together these five vectors, or areas of development, help assure that Navy personnel advance through the ranks and develop a diverse set of skills.

Human resource practices are also tracked and coordinated with an objective measurement system. Data are collected to capture both efficiency of operation and satisfaction of managers. These data help reduce costs and standardize procedures. This helps the Navy become more effective as it works to recruit, develop, and retain a loyal workforce.

Sources: Information from Mark Schoeff, Jr., “U.S. Navy: Optimas Award Winner for General Excellence,” *Workforce Management* (December 14, 2009): 14–15; Gary Kirchner, “The Navy’s New War,” *Training* 42, no. 7 (2005): 30–36; F. Sharkey, S. Rosenberg, K. Marti, and T.E. Winchell, Sr., “A New Model for Human Resources Performance Measurement,” *Public Manager* 33, no. 3 (2004): 26–32.

Recruiting and Selection

Recruiting strategies linked to the Loyal Soldier HR strategy are designed to identify current employees who can be promoted and transferred. Using a broad skill scope with internal sourcing, the strategy focuses on getting employees to move within the organization so that they can engage in new

experiences and develop broad skills. The key to success for internal recruiting is to identify people who are willing to change positions and who can benefit from new job opportunities. Applicants receive a realistic recruiting message that provides information about all aspects of the job and organization. Specific recruiting methods include job posting and electronic advertising within the company.

Recruiting for entry-level positions emphasizes locating and gaining the attention of job applicants who will become loyal employees committed to the organization. External efforts to locate entry-level employees focus on obtaining job applications from people who have personality characteristics that fit with organizational values. Common methods include employee referrals, electronic advertising, public employment agencies, and campus recruiting.

The next step is to hire people from the pool of job applicants. The emphasis is on identifying people who will fit with the organizational culture. Since employees will rotate among numerous jobs during their careers, identifying specific skills and interests is not critical. General aptitude and motivation are more important. Employees are hired more for their potential than for what they have already achieved. Common selection methods associated with the Loyal Soldier HR strategy include cognitive ability testing, personality testing, physical ability testing, drug testing, application forms, and interviewing.

Retention

Employees who fit the organization are encouraged to stay. Employee retention is thus a major part of the Loyal Soldier HR strategy. When an individual is not performing well in a particular job, he or she will likely be placed in a different position within the organization. The organization continually monitors employee satisfaction and implements programs to improve working conditions. To create a bond with employees, the organization communicates support and care about their well-being. Workers are embedded by relationships with others throughout the organization.

Performance Management

Performance management is used to motivate employees working in organizations that use the Loyal Soldier HR strategy. Employee contributions are assessed, and feedback provides guidance for improvement. Given the need for standardization, measurement focuses on how well employees follow standard operating procedures. Cooperation and teamwork are emphasized over high individual performance. Parity-based assessments compare performance against absolute standards and allow everyone to be classified as a high performer.

Training and Development

Training is critical for success with the Loyal Soldier HR strategy. As we have seen, employees are selected mostly for fit with the organization rather than with a particular job. This often makes it necessary for them to develop skills after they have been hired. Indeed, because many of these skills will be specific to how things are done in the organization, people can only learn what they need to know after they have become employees. Training is often done on the job and focuses on specific procedures for completing tasks. This helps to minimize costs and ensure standardization of operating procedures. Ongoing training is also important, since employees will rotate through a number of jobs during their careers with the organization. Training helps

these employees learn new skills each time they are transferred to positions that are very different from their past positions.

Compensation

Consistent with the Loyal Soldier HR strategy, compensation focuses on providing rewards for long-term contributions. Workers who have been with the organization for more time earn higher wages. Uniform relational compensation strives to provide similar rewards to all employees. Good benefits help strengthen the bond between employees and the organization. Health insurance and retirement plans, for example, help employees meet basic needs and make it difficult for them to change employers. Most compensation takes the form of base pay, and little is placed at risk from pay period to pay period. The organization may use group incentives to encourage cooperation among workers and may offer profit-sharing and stock plans to link employee behavior with long-term organizational interests. Overall compensation under the Loyal Soldier HR strategy is designed to reward employees who are team players and who commit to long careers with the organization.

Labor Relations

We frequently see labor unions in organizations pursuing a Loyal Soldier HR strategy. The focus on ensuring long-term employment and equality among workers is compatible with this strategy. The sense of solidarity that comes from the union adds to the organizational culture of cooperation. In addition, the sense of stability that usually develops among union workers can benefit an organization that is trying to achieve efficiency through long-term relationships with employees.

INTERNAL/DIFFERENTIATION: ALIGNMENT FOR COMMITTED EXPERTS

The Committed Expert HR strategy focuses on creating distinctive products and services with talent developed internally. Pharmaceutical firms such as Merck and consumer product firms such as Procter and Gamble often adopt this strategy. Human resource practices are designed to form a strong bond between the organization and its employees. Workers are encouraged to pursue long careers within the organization, and each employee is expected to become an expert in his or her chosen field. Ideally, workers will use their expertise to innovate and create unique outputs.

Work Design

Organizations pursuing a Committed Expert HR strategy emphasize high worker autonomy and reciprocal processing. In other words, such organizations give employees broad responsibilities and expect them to continually coordinate their efforts with those of others. Skilled employees have freedom to adjust their work to fit with changing demands, and they are encouraged to experiment to learn new ways to approach tasks. Groups of workers continually coordinate their efforts and adapt to changing technological innovations and shifting market conditions. Work is designed around the motivational approach to job design, which seeks to ensure that each employee knows the results of his or her activities and perceives work tasks as meaningful. The focus is on designing work in ways that provide employees with opportunities to innovate and develop ongoing relationships with others.

Table 14.3*Practices Aligning with Committed Expert HR Strategy*

Practice	Emphasis on
Work Design	• Broad work responsibilities
Recruiting and Selection	• Predicting high potential • Organizational and job fit
Retention	• Retaining high performers • Dismissing low performers
Performance Management	• Merit-based assessments that encourage good outcomes
Training and Development	• Skill training for current job • Development for future jobs
Compensation	• Using variable pay to reward high performers • Long-term benefits and employee ownership
Labor Relations	• Potential negative impact of labor unions on innovation

Recruiting and Selection

As shown in Table 14.3, recruiting strategies associated with the Committed Expert HR strategy focus first on internal candidates. The targeted skills approach, combined with internal sourcing, seeks to identify current employees with skills that have been developed through training and experience in the organization. Because of the emphasis on long careers, recruiting for entry-level positions communicates a realistic message that clearly describes the good and bad aspects of the job and organization. The key to successful recruiting of employees with the required expertise is identifying people who have specific skills and who are committed to advancing through the ranks within the organization. Common recruiting sources to identify applicants already working for the company include job posting and electronic advertising in areas of the company website that are accessible only to employees. Sources for recruiting outside the organization include employee referrals and campus recruiting.

The next decision concerns whom to select from the pool of job applicants generated from internal and external sources. With the Committed Expert HR strategy, the goal is to identify individuals with potential to develop specific expertise over time. Employees don't necessarily need advanced skills before they are hired, but they should have the ability and interest necessary to develop specific skills during their careers. They also need characteristics that fit the culture of the organization. Employees should thus be selected because of fit not only with specific tasks to be performed but also with organizational culture. Common selection methods used to assess potential and fit include cognitive ability testing, personality testing, assessment centers, biodata, and interviewing.

Retention

Once employees have been hired, the emphasis of the Committed Expert HR strategy is on retention of high performers and dismissal of low performers. Organizational efforts focus on creating a desirable workplace with satisfied employees. Effective discipline is used to encourage low performers to improve. The employment of those who don't improve is terminated so that the ability of the organization to produce quality goods and services is not

compromised. Fortunately, if recruiting and selection methods are operating as they should, instances of discipline and dismissal are rare.

Performance Management

Performance management is a critical part of the Committed Expert HR strategy. Success depends on having employees who far exceed minimum expectations. Organizations use competition to encourage employees to stretch their efforts. Competition comes from merit-based performance appraisal, which allows high performers to stand out. Employees are compared with each other, and forced distributions ensure that only a few receive the highest rating. This approach strengthens the culture of innovation and creativity.

Training and Development

Training and development are essential for the Committed Expert HR strategy. Training teaches specific skills that employees need to perform their current jobs. Continuous improvement of employees' skills is a key to producing goods and services superior to those produced by competitors. Given that employees are expected to stay with the organization for long careers, development activities are also beneficial. Assessment and feedback programs help employees see areas where they need improvement. Developmental relationships also provide guidance and support for employees who are advancing through the organizational ranks. Training and development thus work together to help employees develop superior skills, which enable them to perform well not only in their current positions but also in future positions in the organization.

Compensation

Effective compensation is another critical element of the Committed Expert HR strategy. Because organizations using this strategy seek to hire and retain the best workers, the overall level of pay is usually higher than the level at other organizations. In addition, variable relational compensation is used to provide extra incentives for high performance. High performers are acknowledged and paid more than average performers. A substantial amount of pay is put at risk during each pay period, and high performers are paid a risk premium. Long-term incentives such as profit sharing and stock options align the monetary interests of employees with the long-term interests of the organization. Merit pay increases provide higher pay for more years of contribution, and team-based incentives encourage cooperation among employees. Good benefits strengthen ties between the organization and employees by communicating a sense of caring and by making it somewhat costly for employees to change employers. Overall compensation within the Committed Expert HR strategy is designed to provide high incentives to top performers who pursue long careers with the organization.

Labor Relations

The long-term emphasis of the Committed Expert HR strategy is compatible with labor unions. However, unions are often incompatible with the focus on innovation—recall that in unionized companies, money that might otherwise be spent on research and development often is diverted to higher pay for employees. The practice of giving more favorable treatment to high performers is also sometimes at odds with union interests.

EXTERNAL/DIFFERENTIATION: ALIGNMENT FOR FREE AGENTS

The Free Agent HR strategy is aimed at obtaining the input of experts to create distinct products and services. Information technology firms frequently adopt this strategy. Many investment banking firms also fit with the Free Agent model. Human resource practices focus on locating external talent. Employees normally enter the organization with the skills they need to perform their work tasks. Organizations acknowledge that these employees develop careers within occupations rather than specific organizations. As a result, they are more loyal to a particular profession, such as investment banking, than to the organization. Strong bonds between the organization and employees are not encouraged. Workers are frequently replaced by new employees who have up-to-date skills. Table 14.4 summarizes HR practices that are common with the Free Agent strategy.

Work Design

Organizations pursuing a Free Agent HR strategy focus on creating a work environment in which skilled employees have the freedom and opportunity to innovate and create unique outputs. Autonomy is high, and tasks are complex. Workers are expected to apply their expertise and to contribute in ways that are seldom fully understood by others in the organization. Adaptation is encouraged, and rules for accomplishing work are rare. The focus is on giving highly skilled workers freedom to accomplish the tasks they are uniquely qualified to perform.

Recruiting and Selection

Recruiting practices for the Free Agent HR strategy are designed to locate and gain the attention of skilled workers who are capable of contributing in a relatively unstructured work environment. Using a targeted skill scope and external sourcing, the approach focuses on locating specific talent outside the organization. Because only a limited number of people possess the desired skills, targeted recruiting seeks applications from a select few. Common recruiting sources include employee referrals, print advertising in specialized journals, targeted Internet sites, and private employment agencies.

Selection practices identify the individuals in the recruiting pool who are most likely to succeed. For organizations pursuing Free Agent HR strategies,

Table 14.4
Practices Aligning with Free Agent HR Strategy

Practice	Emphasis on
Work Design	<ul style="list-style-type: none"> • Complex tasks
Recruiting and Selection	<ul style="list-style-type: none"> • Assessing achievement and specific skills • Job fit
Retention	<ul style="list-style-type: none"> • Dismissing low performers
Performance Management	<ul style="list-style-type: none"> • Merit-based systems that create internal competition
Training and Development	<ul style="list-style-type: none"> • Attracting good employees by offering development opportunities
Compensation	<ul style="list-style-type: none"> • Providing high compensation for top performers • Making rewards contingent on performance
Labor Relations	<ul style="list-style-type: none"> • Labor unions conflicting with special treatment for high performers

these are people who clearly have the desired skills and abilities. The objective of selection is thus to assess potential employees' past achievements to determine whether they already have the skills needed for the job. Fit with the demands of a particular job is more important than fit with the organization. Common methods used for selection include work sample testing, résumés, and interviewing.

Retention

Even with careful recruiting and selection, employees will sometimes be hired who don't really have the ability and motivation to perform the necessary tasks. This is a particular problem for organizations pursuing a Free Agent HR strategy. The employee was hired to do a specific job, after all, and trouble can quickly develop if the tasks aren't being performed properly. Removing low-performing employees is thus an important part of the Free Agent strategy. Poor performance must be dealt with quickly, and employees who cannot do what is required are dismissed.

Performance Management

Performance management within the Free Agent HR strategy focuses on separating high and low performers. Organizations using this strategy create a culture of competition and excellence by comparing employees with each other and forcing distributions so that only a few receive the highest evaluation. Because of the specialized nature of the work and the unique expertise of each worker, assessments often focus on outcomes rather than behavior.

Training and Development

Training is not seen as critical for the Free Agent HR strategy, as employees are expected to have the skills they need when they enter the organization. Long-term development opportunities can, however, help the organization recruit highly skilled workers because participating in development will provide these employees with credentials that are recognized by other organizations. Formal education programs offered by universities, consultants, and trade organizations are sources of such development. Another sort of development involves certification or licensing that acknowledges specific expertise. Participation in such programs may not result in knowledge about how to perform specific tasks, and the employee may not stay with the organization long enough to actually apply much of what is learned. However, highly skilled employees are more likely to accept positions with organizations when they perceive that they will have an opportunity to continue growing their skills. Development of skills that can be transferred to other organizations is thus an important part of the Free Agent HR strategy.

Compensation

Compensation rates are relatively high in organizations pursuing the Free Agent HR strategy. To hire and retain highly skilled employees, these organizations must pay higher wages than other organizations. In addition, variable transactional compensation provides higher wages to top performers. The lack of emphasis on long-term contribution means that newly hired employees are often paid the highest wages. In most cases, a large proportion of compensation is put at risk, so that people are rewarded only when they produce at a high level. Commission and bonuses are frequently part of the pay

package. Overall compensation within the Free Agent HR strategy is designed to provide immediate reward for high contribution.

Labor Relations

The emphasis on short-term employment relationships, along with higher compensation for top performers, generally makes the Free Agent HR strategy incompatible with unions. In addition, most employees who work in these organizations see themselves as professional workers rather than union members. Unions are thus rare in organizations pursuing a Free Agent HR strategy.



CONCEPT CHECK

1. What specific practices align within each of the four HR strategies?
2. How do recruiting and selection practices differ across the HR strategies?

LEARNING OBJECTIVE 3

What Are Some Other HR Issues?

This is an introductory textbook, so of course we have not been able to discuss everything in the field of human resource management. There are, however, some additional issues that we should briefly review in this final chapter. One issue concerns variations on the strategies that we have discussed. Another issue relates to the role of human resource management in creating strategy. Yet another issue involves the importance of human resource management for small firms.

VARIATIONS OF BASIC STRATEGIES

Throughout this book, we have focused on four basic HR strategies: Bargain Laborer, Loyal Soldier, Committed Expert, and Free Agent. Each of these strategies is associated with a different competitive business strategy. Organizations can, however, pursue slightly different and more specific competitive strategies. Although these strategies can be seen as variations and combinations of the competitive strategies we have discussed, it is worth highlighting a few common alternative strategies to see how they fit with the basic HR strategies.

One variation of an organization's competitive approach is a **turnaround strategy**. Here, a company that is performing badly attempts to change radically and return to profitability. In many cases, employees are laid off, and new approaches to production are implemented. This strategy requires organizations to do things very differently than they have in the past, which usually makes it compatible with an external labor orientation. Low performers are dismissed, and new employees are hired for their ability to change the way work is accomplished. A Free Agent HR strategy is thus often part of a competitive strategy that emphasizes the need to turn around low organizational performance quickly.

Turnaround strategy

A competitive business strategy that focuses on radical change to return a company to profitability.

Global expansion is another frequent variation of competitive strategy. A **global expansion strategy** focuses specifically on growing an organization's presence in foreign countries. Human resource management can play an important role in helping an organization achieve this objective. As explained in the "How Do We Know?" feature, working in foreign countries may require skills and abilities different from those needed by employees working in their home country. Thus, in many cases, effective implementation of the strategy requires organizations to attract and select workers who are quite different from those already employed. The human resource approach most closely aligned with the global expansion competitive strategy is the Free Agent HR strategy.

Another variation of competitive strategy is the **growth strategy**, through which a company seeks to expand into new markets. In some cases, this is done through acquisitions and mergers. Effective human resource management can be critical for reducing barriers to effective integration of organizational cultures. For example, Johnna Torsone, who is senior vice president and chief HR officer of Pitney Bowes, Inc., spends a great deal of her time integrating human resource practices. Over the past several years, Pitney Bowes

Global expansion strategy

A competitive business strategy that focuses on increasing an organization's presence in foreign countries.

Growth strategy

A competitive business strategy that focuses on expanding products and services into new markets.



How Do We Know?

DOES WORKING IN A FOREIGN COUNTRY REQUIRE MORE SKILL?

Is working in a foreign country more difficult than working domestically? Do employees working in foreign countries need to adapt their behavior to fit the demands of the culture in order to succeed? Shung Shin, Frederick Morgeson, and Michael Campion conducted a study to answer these questions. They surveyed 1,312 midcareer professional employees working in an international agency of the U.S. government.

Employees working in 156 countries were asked to describe the skills, abilities, and personality requirements of their jobs. Expatriate employees working in foreign countries reported higher skill and ability requirements than people working in their home countries. International assignments required greater social skills, more perceptual and reasoning skills, and higher motivation to achieve and adjust. These higher requirements were primarily due to changes associated with working in a different culture.

A subset of 945 employees who answered the survey also reported the frequency of certain work behaviors. Employees working in cultures that

emphasize group harmony and social relationships reported engaging in more relationship-oriented behavior. People working in cultures emphasizing power differences between managers and line workers reported more frequent administrative activity and monitoring of resources. These findings suggest that employees do indeed adapt their behaviors to fit the demands of their host country.

The Bottom Line. Working in a foreign country is more demanding than working in one's home country. The authors conclude that global organizations can benefit from using selection and training procedures to ensure that employees possess and further develop the skills necessary to succeed in international assignments.

Source: Information from Shung J. Shin, Frederick P. Morgeson, and Michael A. Campion, "What You Do Depends on Where You Are: Understanding How Domestic and Expatriate Work Requirements Depend upon the Cultural Context," *Journal of International Business Studies* 38 (2007): 64–83.

has pursued a growth strategy through acquisition of other companies. Torsonne and other human resource professionals have helped the company assess the talent and skills of employees in companies that might be acquired. Companies with employees and human resource practices that do not fit the Pitney Bowes model are less likely to be acquired.¹⁹

There are, of course, other variations on competitive strategies. Fortunately, the core human resource concepts can be adapted to help an organization achieve whatever strategy it is pursuing. The key is to begin by thinking about what types of worker inputs are needed to carry out the strategy successfully. Once these inputs have been identified, the organization can generally modify one of the core HR strategies to help it acquire and motivate the types of workers it needs. The four basic HR strategies thus provide a good foundation for thinking about ways to successfully manage people, but they may need to be adapted to meet the needs of a specific organization.

HR AS AN INPUT TO COMPETITIVE STRATEGY

Throughout this book, we have taken the perspective that organizations begin with a competitive strategy and then match their HR strategy to the competitive strategy. This **rational strategic approach** assumes that organizational leaders plan what they want to accomplish and then use human resource practices to help them reach their objectives. Instead, however, many organizations appear to adopt an evolutionary approach to competitive strategy. Under an **evolutionary strategic approach**, strategy is not always planned; rather, it unfolds over time. From this perspective, an organization's human resource capabilities can be seen as part of the strategy formulation process.

The notion that human resources provide an input to competitive strategy suggests that organizations with human resource limitations may not be able to carry out certain strategies. For instance, suppose an organization produces goods that are no longer in much demand. The organization may wish to become more innovative, but it may have trouble moving to a more innovative strategy if its employees do not have up-to-date skills. In contrast, organizations with certain human resource strengths may be able to incorporate these strengths into future plans. For example, consider an organization with highly skilled employees who are capable of working in foreign countries. This pool of talent could form the basis for a decision to pursue a global expansion strategy. In sum, we need to realize that human resource capabilities can drive strategy formulation.²⁰

THE ROLE OF HR IN SMALL BUSINESSES

Historically, the field of human resource management has focused on large organizations. But what about the role of human resource management in small organizations that employ only a few workers? Small businesses often lack elaborate HR systems and strategies. This does not, however, mean that human resource strategy and practice are less important to small businesses.

Small organizations with better strategic plans for human resource management have been shown to have a higher rate of survival.²¹ In addition, small firms that place greater emphasis on recruiting, selection, performance appraisals, training, and compensation grow at a faster rate than other firms.²² In particular, effective human resource management helps small organizations innovate, which is critical for their survival.²³

Rational strategic approach

An approach in which organizational leaders carefully plan a strategy before carrying it out.

Evolutionary strategic approach

An approach in which an organization's strategy unfolds over time in response to common issues.

Unfortunately, little is known about the specific human resource practices that are most effective for small businesses. In many cases, commonly accepted practices must be adapted to fit the unique demands of small organizations. In the future, the field of human resource management will benefit from additional research and investigation into the unique circumstances of small businesses.



CONCEPT CHECK

1. What are some variations of basic competitive strategies? How do the basic HR strategies fit with these variations?
2. In what ways can human resource capabilities influence an organization's competitive strategy?

LEARNING OBJECTIVE 4

What Might the Future of HR Look Like?

The field of human resource management is continually changing. In recent years, the emphasis has moved away from personnel management designed to ensure compliance with legal requirements toward a strategic model that links the management of people to competitive objectives. This trend is expected to continue. In this section, we briefly discuss some of the changes and developments most likely to be seen in the future.

THE OUTLOOK FOR ORGANIZATIONS

One important question is how change will affect the role of the human resource department within future organizations. Will HR become more or less important? Which areas of emphasis will grow? Which will decline? What new inputs will be expected from HR departments?

Increased Emphasis on Measuring the Value of HR

In recent years, the field of human resource management has acknowledged that most businesses have a bias toward quantifiable results. Human resource professionals have thus placed increased emphasis on identifying quantifiable measures that show the value of good human resource management. The trend toward quantifying the value of HR is expected to continue. One recent development, for example, involves linking the benefits of human resource management to shareholder value. The market value of most organizations includes an allowance for **intangible assets**—nonphysical assets that represent value to the organization. Intangible assets include many things, such as relationships with customers. However, an organization's pool of talent likely makes up the greatest portion of its intangible assets. Future efforts in the field of human resource management are likely to focus not only on measuring how much intangible value is created by the HR system but also on how intangible value can be increased.

Intangible assets

Nonphysical assets that represent value to an organization.

Growing Importance of HR

An important demographic shift is taking place in the United States. Estimates show that organizations will soon face a shortage of workers. In the next few years, it will become increasingly difficult to find people to fill jobs.²⁴ This is especially true for positions that require specialized skills.²⁵ The competitive advantage of attracting, selecting, and retaining workers should thus increase. As talented workers become more and more scarce, the benefits of good human resource management will continue to grow.

Greater Prominence of Strategic Issues

We know that alignment between HR and competitive strategies has been shown to improve organizational effectiveness. A recent survey, however, found that only about 50 percent of organizations have a strategic human resource plan that is linked to their competitive business plan.²⁶ This statistic



Building Strength Through HR

FORD MOTOR COMPANY

Ford Motor Company turned a net profit of \$2.7 billion for 2009. Not only did Ford turn a profit, but it was also the only U.S. automaker not to receive government bailout assistance. Effective management of people is one reason why Ford has been able to outperform its competitors.

In 2006 Ford began a Way Forward plan. Much of the plan focused on cutting the workforce and reducing labor costs. However, Ford also began major changes in the ways that it trains and motivates employees. Increased emphasis was placed on training workers to reduce waste and improve productivity. Layers of management were cut, and employees were given more responsibility and access to top bosses. The prototypical employee became someone who works well in a team to find better ways of accomplishing tasks. Taking initiative was emphasized and rewarded.

The management of a subsidiary provides an example of Ford's commitment to employees, and the company's understanding of the value of effective human resource management. In 2000 Ford spun off its parts supplier Visteon. By 2005 Visteon was near bankrupt, but Ford bought part of the company back and created a unit known as Automotive Components Holdings. Ford worked to return the subsidiary plants to profitability. Better management of people was the key to the

turnaround. Employees were given incentive pay to motivate them to work harder. Alliances were formed with local colleges to provide needed training. Communication with employees was emphasized and enhanced. These efforts resulted in 5 to 10 percent improvements in quality and cost during the first eight months. Also important to Ford, better treatment of employees helped assure a consistent flow of parts.

Today, Ford Motor Company employs 213,000 people and is seen as the top U.S. automobile manufacturer. Success is facilitated by the following human resource practices:

- Training workers to reduce cost and improve quality.
- Reducing managerial layers and empowering employees.
- Restructuring jobs and transforming labor relationships.

Sources: Jessica Marquez, "Ford Recovery Plan Includes Long-Term People Investment in Short-Term Business," *Workforce Management* 85, no. 13 (2006): 46–47; Laura Egodigwe, "In Perfect Alignment," *Black Enterprise* 39, no. 11 (2009): 49; Irwin Speizer, "The Right Way Forward?" *Workforce Management* 85, no. 6 (2006): 25–30; John Reed and Bernard Simon, "Ford Back in the Black after 'Pivotal' Year," *Financial Times*, January 29, 2010, p. 17.

shows improvement from the past but also suggests that many organizations still have a great deal of room for improvement. Organizations without a clear human resource strategy are expected to adapt by seeking ways to better obtain, develop, and utilize the talents of employees. The emphasis on strategic aspects of HR is thus expected to expand in the future.

A specific example of strategic prominence is the role that HR has played during the recent recession. Economic difficulties made it difficult to maintain not only stable business relationships but also employee morale. In many organizations the focus shifted away from hiring more workers to reducing the workforce. HR has also played a key role in initiatives to reduce the cost of healthcare.²⁷ As explained in the “Building Strength Through HR” feature, one company that has benefitted from human resource management during the recession is Ford Motor Company.

THE OUTLOOK FOR HR PROFESSIONALS

Like everyone else, people who choose to work in human resource management can benefit from managing their careers. Effective ways to manage a career can often be learned from listening to the advice of people who have more experience. A recent report of conversations with seasoned human resource professionals identified five key challenges that human resource professionals are likely to face in their careers.²⁸ These challenges are summarized in Table 14.5. If you are seeking a career in human resource management, you will need to understand and be ready to meet similar challenges.

The first challenge is lack of power. In many cases, human resource professionals do not have the final say in critical decisions. They do not have **positional power**, which comes with authority provided by a person’s formal role in an organization. This challenge is not expected to change in the future. Human resource professionals will most likely continue to work in support roles and as consultants to organizational leaders. Nevertheless, human resource professionals can influence organizations and employees in

Positional power
Power that is based on one’s formal role within the organization.

Table 14.5 *Challenges Faced by Human Resource Professionals*

Challenge	Description
Lack of Power	HR professionals are seldom final decision makers, so they must work to convince others of the value of human resource management.
Walking the Tightrope	HR professionals must constantly balance an emphasis on organizational productivity with the protection of employee interests.
Dealing with Skeptical People	HR professionals often work with others who do not see the value created by systems for effectively managing people.
Vulnerability to Workforce Reductions	HR professionals must avoid being laid off by continually demonstrating their contributions to the organization.
Being Overwhelmed	HR professionals often feel overwhelmed by the demands for their services.

Source: Information from William M. Kahnweiler, “Sustaining Success in Human Resources: Key Career Self-Management Strategies,” *Human Resource Planning* 29, no. 4 (2006): 24–31.

Expert power

Power that is based on one's knowledge and skills.

significant ways. Effective professionals can develop and use **expert power**, which comes from providing useful knowledge and skills. By supplying the expertise needed to solve problems, human resource professionals can persuade decision makers to engage in good practices for obtaining and motivating employees.

The second challenge for human resource professionals is walking the tightrope between managers and employees. To be top performers, HR professionals need to excel in the dual roles of helping the organization maintain productivity and ensuring that employees' rights are respected. The challenge of balancing the interests of the organization and its individual employees, like the challenge posed by lack of positional power, is not expected to change.

Dealing with people who are skeptical about the benefits of good HR is a third challenge identified by experienced human resource professionals. We can attribute this barrier in part to the HR professionals' failure to effectively communicate the strategic value of good human resource practices. Thus, one way to lessen this problem is to clearly explain how HR can improve financial results. The challenge of skeptics is not likely to go away any time soon. However, recent emphasis on moving beyond the enforcement role and focusing on strategic aspects of HR seems to be making a difference.

Vulnerability to cutbacks and downsizing, the fourth challenge, is something that human resource professionals share with many others in modern organizations. Competitive pressures on businesses are sure to remain with us, suggesting that efforts to cut costs and increase productivity will continue. Like people performing other functions, people working in human resource management will need to continue learning and developing skills that help the organization better meet its strategic objectives.

The fifth challenge is the possibility of being overwhelmed by the amount of work required. Since the amount of work is not likely to decrease, the HR professionals who have successful careers will likely be those who learn to prioritize and focus on the things that are most important. Experienced professionals report that they often need to inform others that they cannot do all they are asked to do. They prioritize and balance the various demands of their jobs, as well as balancing their jobs with other areas of their lives.

As you finish this book, we hope you have come to see human resource management as a dynamic and evolving field. You may not choose a career in HR, but you can apply the principles we have discussed to help you become more effective in whatever you do. Most great leaders acknowledge the importance of surrounding themselves with highly skilled people who are motivated to succeed. The strategic principles and practices that we have discussed can help you do the same by more effectively managing people at work.

**CONCEPT CHECK**

1. *What issues are expected to become increasingly important for HR departments?*
2. *What challenges are HR professionals likely to face in the future?*

A MANAGER'S PERSPECTIVE REVISITED

IN THE MANAGER'S PERSPECTIVE THAT OPENED THE CHAPTER, TAKASHI WAS THINKING ABOUT PROPOSED CHANGES TO THE PERFORMANCE MANAGEMENT PROCESS. HE WAS CONCERNED THAT THE CHANGES HAD NOT BEEN CAREFULLY DESIGNED TO FIT WITH OTHER AREAS OF HUMAN RESOURCE MANAGEMENT. FOLLOWING ARE THE ANSWERS TO THE "WHAT DO YOU THINK?" QUIZ THAT FOLLOWED THE CASE. WERE YOU ABLE TO CORRECTLY IDENTIFY THE TRUE STATEMENTS? COULD YOU DO BETTER NOW?

1. Effective human resource management can be a source of competitive advantage for an organization. **TRUE.** *That has been an important theme throughout this book. A system for obtaining and managing people is an important resource that is difficult for competitors to imitate.*
2. Human resource practices are most effective when they align with an organization's competitive business strategy. **TRUE.** *As we have explained throughout this book, organizations are more effective when they align human resource management with competitive strategy.*
3. The best way to choose a method of performance management is to identify and copy a practice that is successful at another organization. **FALSE.** *Human resource practices, such as performance management,*

are most effective when they are aligned with an organization's business strategy and other HR practices.



4. Human resource policies and practices are not as important in smaller companies. **FALSE.** *Effective human resource management appears to be equally important for small and large businesses.*
5. Future trends and technological advances will likely decrease the importance of human resource management. **FALSE.** *Upcoming labor shortages are expected to increase the value of good human resource management.*

Takashi is wise to think about how changing one human resource practice might affect other practices. The concept of horizontal alignment acknowledges that human resource practices are best when they operate in concert to obtain and motivate the right type of employee. This chapter illustrates how HR practices can combine to support each of the four basic HR strategies. It also touches on a few additional issues and identifies some areas of human resource management likely to be important in the future.

SUMMARY

LEARNING OBJECTIVE 1

What are two basic forms of alignment?

Alignment occurs when human resource practices are in their proper place relative to other practices and strategic objectives. Vertical alignment refers to the positioning of human resource management in relation to competitive strategy. Horizontal alignment refers to the fit of specific human resource practices relative to each other. Research suggests

that organizations are most effective when they have both vertical and horizontal alignment.

LEARNING OBJECTIVE 2

How do human resource practices align with one another?

The Bargain Laborer HR strategy focuses on efficiency and cost reduction. Work tasks are simplified. Ongoing recruiting efforts seek a large number of job applicants. Selection is based on

dependability and willingness to perform unskilled tasks. Some turnover of employees is expected. Performance measures ensure that employees perform at a minimally acceptable level. Training focuses on efficiently teaching employees how to perform specific tasks. Compensation provides relatively low wages with minimal differences among employees. Labor unions are rare.

What are some other HR issues?

The Loyal Soldier HR strategy focuses on building a strong culture and creating talent internally. Work is structured around standardized procedures. Employees are promoted from within the organization. Selection focuses on identifying individuals who fit with the organizational culture. Parity-based performance assessments encourage cooperation among workers. Training and development teach not only skills for the current job but also skills needed for future positions. Compensation minimizes differences among workers and rewards employees who have long careers with the organization. Labor unions can supplement the culture of solidarity and stability.

The Committed Expert HR strategy uses internally developed talent to produce distinctive goods and services. Employees are given broad task responsibilities. Recruiting focuses on obtaining job applicants who have aptitude in specific areas. Employee selection decisions are based on both organization fit and job fit. Efforts are made to retain high performers, but low performers are dismissed. Merit-based performance assessment creates a sense of competition and innovation. Training teaches skills beneficial for current jobs, and development extends abilities so that employees can be promoted. Compensation builds long-term ties to the organization, and high performers receive greater rewards than low performers. Labor unions are compatible with the emphasis on long-term employment relationships but sometimes incompatible with the need for innovation.

The Free Agent HR strategy obtains labor inputs from experts. Work is designed to give employees the autonomy they need to carry out tasks they are uniquely qualified to perform. Targeted recruiting focuses on job applicants who already have the skills needed to perform a specific job. Employee selection is based on past achievements. Merit-based performance appraisal systems assess outcomes and recognize outstanding performers. Training is rare, and development opportunities are provided mostly as a tool for attracting good employees. Compensation is at risk and provides extraordinary

rewards for high performers. Labor unions are generally incompatible with the Free Agent HR strategy.

LEARNING OBJECTIVE 3

What are some other HR issues?

One important additional issue concerns variations on the four basic HR strategies we have discussed. Common variations on competitive strategies include the turnaround strategy, global expansion strategy, and growth strategy. In most cases, variations of the core HR strategies can be adapted to fit these specific competitive strategies.

Another issue involves the role of human resources in shaping strategy. We have focused on the rational strategic approach, in which human resource strategy is designed to fit competitive strategy. In contrast, the evolutionary strategic approach suggests that human resource capabilities can drive competitive strategy. When this approach is used, the nature of employee skills and abilities can serve as an important input into strategic decisions.

A third issue concerns the role of HR management in small organizations. Effective human resource management is critical for small businesses. More research is needed to understand methods of applying human resource strategy to small businesses, however.

LEARNING OBJECTIVE 4

What might the future of HR look like?

Trends suggest that there will be a shortage of workers in the near future. This shortage should increase the importance of human resource management. Firms that are more capable of attracting and retaining good employees will be more competitive than firms that lack human resource capability. Trends toward increased prominence for strategic HR and an emphasis on measuring the dollar value of HR are expected to continue.

The outlook for human resource professionals suggests that they will need to continue to overcome challenges associated with lack of power, walking the tightrope between management and employees, dealing with skeptical people, vulnerability to downsizing, and being overwhelmed by work demands. Individuals who can deal successfully with these challenges are likely to find rewarding careers in the field of human resource management.

KEY TERMS

Alignment	537	Intangible assets	553
Evolutionary strategic approach	552	Positional power	555
Expert power	556	Rational strategic approach	552
Global expansion strategy	551	Turnaround strategy	550
Growth strategy	551	Vertical alignment	538
Horizontal alignment	538		

DISCUSSION QUESTIONS

1. How is horizontal alignment different from vertical alignment?
2. Which do you think is more important: vertical alignment or horizontal alignment?
3. What might happen if an organization combines a merit-based performance appraisal system with compensation practices that limit differences in employee pay?
4. Within the Loyal Soldier HR strategy, how does the approach of parity-based performance appraisal support the work-design goal of standardization?
5. What difficulties might an organization face when it attempts to change its human resource practices?
6. What are some specific HR practices that could be used to support a global expansion strategy?
7. What specific methods of selecting and compensating employees do you think a small business should use?
8. How do you believe current societal trends will influence future human resource strategies and practices?
9. What advice do you think would be helpful for someone beginning a career as a human resource professional?
10. How would you summarize the most important concepts you have learned about human resource management?

EXAMPLE CASE

Portman Ritz-Carlton in Shanghai, China

In the following interview, Mark DeCocinis, general manager of the Portman Ritz-Carlton and regional vice president, Asia-Pacific, of the Ritz-Carlton Hotel Company, shares his successful formula with Arthur Yeung, Philips Chair Professor of Human Resource Management at the China Europe International Business School.

Arthur Yeung: The Portman Ritz-Carlton has been consistently selected the Best Employer in Asia. What's your secret to success in people management?

Mark DeCocinis: The secret is constancy in execution. Our priority is taking care of people. We're in the service business, and service comes only from people. It's about keeping our promise to our employees and making that an everyday priority. Our promise is to take care of them, trust them, develop them, and provide a happy place for them to work. The key is everyday execution.

Arthur Yeung: The idea is to set up people for success so they have pride in their jobs. But in China, where employees have relatively poor service attitudes and skills, what management practices do you put in place to help them succeed?

Mark DeCocinis: The key starts with selecting the right people. Our selection focuses on talent and personal values because these are things that can't be taught. Our culture is special, and we can't expect to bring someone into this culture if they don't have the same values and purpose.

We focus on a person's theme. What do they enjoy? What's their purpose in life? What motivates them? We look for people who genuinely enjoy contact with people and helping others. It's not about being introverted or extroverted; it's about caring for and respecting others. You can work at the front desk or behind the scenes, but you must enjoy contact with others, whether they are guests or other employees.

Arthur Yeung: How many people are promoted from within? What's the average tenure of employees here?

Mark DeCocinis: Many senior positions are filled from within the hotel or within the company, approximately 70 to 80 percent of the leadership positions. We took over management of the hotel in January 1998. Over 60 percent of the employees have tenure of more than five years, and over 30 percent have tenure of eight years or more.

Arthur Yeung: Besides the selection process, what else does the Ritz-Carlton do to motivate its employees to provide excellent service?

Mark DeCocinis: We spend two days of orientation with new employees before they come into contact with any guest. They must understand our culture and philosophy. The general manager, the executive team or guidance team, and HR are all involved. Each of them explains our Credo (we are here to take care of our guests); our Employee Promise (we are to take care of you); our 20 Basics; and our Motto (we are ladies and gentlemen taking care of ladies and gentlemen).

Then they receive 30 days of training with a certified trainer from the department. Following that, we have reinforcement training on the 21st day, and we get feedback on how we can improve our training program for future retraining and recertification. Then, throughout the year we provide a minimum of 130 hours of training for every employee, including specific training for their department and training on culture, language, and computer skills.

Arthur Yeung: You start with a philosophy that employee satisfaction leads to guest satisfaction, which in turn leads to good financial results. How do you know such a relationship really exists?

Mark DeCocinis: I'll give this hotel as an example. Our employee satisfaction rate is 98 percent. In the last five years, it's been 95, 97, and 98 percent. Our guest satisfaction is between 92 and 95 percent. If employee satisfaction were to decrease, I guarantee the other factors would decline. Let's say the employees are happy but the guests are not, that means we are not balanced.

QUESTIONS

1. How do selection, retention, and training practices work together at the Portman Ritz-Carlton?
2. Which of the HR strategies do you think the Portman Ritz-Carlton is pursuing?
3. Why do you think employee satisfaction leads to customer satisfaction?

Source: Arthur Yeung, "Setting People Up for Success: How the Portman Ritz-Carlton Hotel Gets the Best from Its People," *Human Resource Management* 45 (2006): 267–275. Reprinted with permission of John Wiley & Sons, Inc.

DISCUSSION CASE

Technology Consultants

Technology Consultants is a company started by a computer science professor. Five years ago, the professor hired three graduate students and began offering computer and technology services to local companies. The company grew rapidly and currently employs 30 consulting specialists. The typical specialist recently graduated from college with a degree in information management or computer science. Each specialist is assigned to work as part of a team that focuses on servicing the needs of specific customers. To date, Technology Consultants has not felt a need to formalize personnel practices. The professor spends most of his time hiring and training new consulting specialists. He also has a part-time administrative assistant who helps with personnel activities such as payroll.

Some customers complain about the high turnover of consulting specialists. It seems that most consultants leave within a year after being hired. From the customers' perspective, specialists leave just when they are beginning to understand how to provide quality service. The professor knows this is a problem, and she worries that such turnover may eventually lead customers to cancel their contracts for service. In the past, she and a few key employees were able to form long-term relationships with most clients, but this is becoming increasingly difficult as the company grows.

Technology Consultants recruits at two local universities. This practice seems to be effective, as most graduates from the programs have the technological skills needed to serve clients. The hiring process consists of a series of interviews. The professor and two other employees conduct informal interviews and then offer jobs to individuals they feel will be successful. They don't worry much about personality traits or past achievements; they simply focus on assessing technical skills. The performance of each consulting specialist is measured against the performance of peers, and only a few employees receive the highest ratings. Since most employees are expected to possess the technological skills they need when they are hired, Technology Consultants does not offer opportunities for training and development. Compensation has been a difficult issue for the company's founder. She wants to encourage teamwork, so she has chosen to structure pay so that most employees receive similar wages. She doesn't want to have some employees earning a lot more than others. New hires are paid approximately the same as other consulting specialists. So far, the company has found it difficult to offer employee benefits. The professor feels that the cost of the benefits is too high.

QUESTIONS

1. Which human resource practices would you recommend that Technology Consultants change?
2. How well do the company's human resources practices align with one another?
3. How would you approach human resource management if you were starting a company like Technology Consultants?

EXPERIENTIAL EXERCISE

Learning about Company Cultures

Identify three friends or family members who work at different companies. Ask each of them to describe the culture of the company. What words would most employees use to describe the company? How would customers describe the company? What does it feel like to work for the company? What type of employees succeed? How does management interact with the employees? What kind of relationships do employees have with each other?

Once friends and family members have described the company culture, ask them about human resource practices. How are work tasks assigned to specific employees? What sources are used to inform potential applicants about work opportunities? How are people hired? What is done to keep employees from leaving for jobs with other companies? Are many people dismissed for low performance? What kind of training and

development are offered? How is pay structured? Do some employees make a lot more than others? How much of pay is put at risk? Are employees organized into labor unions?

Examine the companies' cultures and human resource practices by answering the following questions:

1. How are the company cultures different?
2. Is there any evidence that human resource practices create company culture? How do recruitment and selection seem to influence culture? How does compensation influence interactions between employees?
3. Within each organization, identify human resource practices that are aligned. Are there some practices that seem to be out of alignment?

INTERACTIVE EXPERIENTIAL EXERCISE

A Final Journey: Communicating the Strategic Importance of HR

<http://www.wiley.com/college/sc/stewart>

Access the companion website to test your knowledge by completing an interactive role play.

Through your diverse consulting experience, you have learned a great deal about how HR should align with competitive strategy (vertical alignment) and how HR practices should align with each other (horizontal alignment). In this exercise you are traveling to an HR conference and meet a corporate executive who has a very negative opinion of HR as a whole. He tells you that HR is the same in every company, that is, it adds no value to organizations, and that HR people are unable to think strategically. You recall what you've learned about the four basic HR strategies and the four companies you've recently helped—Mega Manufacturing, Graphics Design, Global Telecommunications, and SuperFoods. How will you convince the executive that he's wrong about HR? •

ADDITIONAL WEB RESOURCES

The Companion website for *Human Resource Management* contains myriad tools and links to assist you in the course.

Web Quizzes

This resource offers online quizzes, with questions varying in level of difficulty, designed to help you evaluate your individual progress through a chapter. Each chapter's quiz includes 10 questions, including true/false and

multiple-choice questions. These review questions were created to provide an effective and efficient testing system. Within this system, you'll have the opportunity to "practice" the type of knowledge you'll be expected to demonstrate on exams.

WileyPLUS

If your instructor has adopted WileyPLUS, you'll have access to a variety of study tools:

- Video clips
- mp3 downloads—audio overviews of each chapter
- Business simulations
- Team evaluation tools
- Experiential exercises
- Self-assessments

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