

## HUMAN RESOURCE MANAGEMENT – LECTURE 14

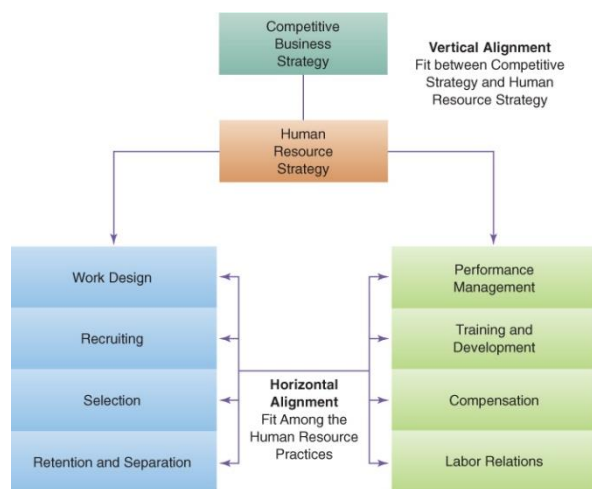
### CHAPTER 14 – ALIGNING STRATEGY WITH PRACTICE

#### LESSON 14

#### What Are Two Basic Forms of Strategic Alignment?

In previous chapters, we have frequently discussed aligning practices with strategies. Consider for a moment the concept of alignment. A dictionary definition of the phrase may include the correct arrangement of components. For instance, a vehicle functions optimally when the tires are aligned; that is, when each tire is in the correct position relative to the other tires and the rest of the vehicle. This principle also relates to human resource management practices. Each human resource practice is aligned when it occupies its right position in relation to other practices and strategic goals. A remuneration scheme that rewards and emphasizes loyalty and longevity.

**Figure 14.1** Vertical and Horizontal Alignment



Source: Stewart, G.L., & Brown K.G., 2<sup>nd</sup> Edition (2015). *Human Resource Management Linking Strategy to Practice*. pp – 537

There are multiple types of alignment. Figure 14.1 depicts two fundamental forms of alignment that are frequently discussed in strategic management. Vertical alignment is the

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placement of the human resource management strategy of an organization in respect to other organizational strategies. The primary question is whether a company's human resource strategy is compatible with its competitive strategy.

Studies have demonstrated the value of vertical alignment. Successful firms pursuing a certain organizational strategy typically have an HR strategy that is adequately linked. It has been demonstrated that organizations with human resource strategies that emphasize developing long-term relationships with highly skilled employees — what we have termed the Committed Expert HR strategy — are more effective than their competitors because they develop more new products and services. In essence, the Committed Expert HR strategy fosters an atmosphere of trust and collaboration that encourages knowledge sharing and collaborative innovation among employees.

The third type of fit, horizontal alignment, involves the synchronization of organizational components. Horizontal alignment in the context of human resource management refers to the compatibility of particular techniques with other practices. 14 The strategy of finding employees who are likely to be team players corresponds with the practice of decreasing competition among employees, for example, in performance evaluation. In contrast, practices would not be horizontally aligned if the selection procedure promoted hiring team players while the performance appraisal practice prioritized competitiveness and individual success.

Additionally, research findings confirm the advantages of horizontal alignment. It has been discovered that companies with consistent bundles of human resource procedures are more effective than those without consistent practices. For instance, the benefits of employing highly trained individuals are best when job tasks are intended to foster collaboration and creativity. Organizations whose statements regarding the value of human resources are inconsistent are likewise less successful. For example, firms that cultivate long-term connections with a small set of employees and view other workers as replaceable have a worse performance than those that demonstrate commitment to all employees. This issue of delivering contradictory signals on human resource policies is addressed in the accompanying "How Do We Know?" section, which outlines the issues that arise when firms with an internal labor orientation lay off people.

**How Do HR Practices Align with One Another?**

**External/Cost: Alignment for Bargain Laborers**

The Bargain Laborer HR approach focuses on obtaining talent from external labor markets in order to maximize productivity. Many fast-food businesses and hotels employ such a strategy. Human resource practices emphasize labor cost reduction. The majority of employees have entry-level employment requiring limited specialized skills. Few employees have a strong sense of loyalty to the firm, and it is usual for employees to leave for greater opportunities elsewhere.

<b>Table 14.1</b>	<i>Practices Aligning with Bargain Laborer HR Strategy</i>
<b>Practice</b>	<b>Emphasis on . . . .</b>
Work Design	<ul style="list-style-type: none"> <li>• Simplified tasks</li> </ul>
Recruiting and Selection	<ul style="list-style-type: none"> <li>• Having numerous job applicants</li> <li>• Predicting dependability</li> </ul>
Retention	<ul style="list-style-type: none"> <li>• Accepting some employee turnover</li> </ul>
Performance Management	<ul style="list-style-type: none"> <li>• Assuring minimally acceptable contribution</li> </ul>
Training and Development	<ul style="list-style-type: none"> <li>• Learning specific job duties</li> <li>• Reducing training costs</li> </ul>
Compensation	<ul style="list-style-type: none"> <li>• Minimizing labor costs</li> <li>• Limiting pay differences among employees</li> </ul>
Labor Relations	<ul style="list-style-type: none"> <li>• Labor union incompatibility with short-term employment</li> </ul>

Source: Stewart, G.L., & Brown K.G., 2<sup>nd</sup> Edition (2015). *Human Resource Management Linking Strategy to Practice*. pp – 540

**Internal/Cost: Alignment for Loyal Soldiers**

The Loyal Soldier HR strategy emphasizes the development and effectiveness of internal personnel. Organizations adhering to this strategy attempt to cultivate a strong commitment culture. Human resource techniques foster long-term employment within a firm. When employees perform everything is asked of them with a focus on decreasing expenses, work is facilitated. Even firms that require employees to execute somewhat routine tasks can benefit from human resource

policies that encourage employee engagement and participation. The U.S. Navy, which is highlighted in "Building Strength Through HR," is an organization that is aligned with the Loyal Soldier HR approach. The fundamental human resource practices connected with the Loyal Soldier HR strategy are detailed in Table 14.2.

<b>Table 14.2</b>	<i>Practices Aligning with Loyal Soldier HR Strategy</i>
<b>Practice</b>	<b>Emphasis on . . . .</b>
Work Design	<ul style="list-style-type: none"> <li>• Standardized procedures</li> </ul>
Recruiting and Selection	<ul style="list-style-type: none"> <li>• Internal promotions</li> </ul>
Retention	<ul style="list-style-type: none"> <li>• Organizational fit</li> </ul>
Performance Management	<ul style="list-style-type: none"> <li>• Keeping loyal workers</li> </ul>
Training and Development	<ul style="list-style-type: none"> <li>• Parity-based assessments that encourage cooperation</li> </ul>
	<ul style="list-style-type: none"> <li>• Teaching specific skills</li> </ul>
	<ul style="list-style-type: none"> <li>• Continual learning</li> </ul>
Compensation	<ul style="list-style-type: none"> <li>• Rewarding long-term contribution</li> </ul>
	<ul style="list-style-type: none"> <li>• Limiting pay differences among employees</li> </ul>
Labor Relations	<ul style="list-style-type: none"> <li>• Labor unions supplementing a culture of solidarity</li> </ul>

*Source: Stewart, G.L., & Brown K.G., 2<sup>nd</sup> Edition (2015). Human Resource Management Linking Strategy to Practice. pp – 542*

### **Internal/Differentiation: Alignment for Committed Experts**

The Committed Expert HR strategy prioritizes the creation of differentiated products and services using in-house talent. Pharmaceutical companies like Merck and consumer product companies like Procter & Gamble frequently employ this method. The purpose of human resource practices is to foster a good relationship between the organization and its employees. Each employee is expected to become an expert in his or her chosen subject and is encouraged to have lengthy careers within the firm. In an ideal world, workers will utilize their skills to innovate and produce distinctive results.

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

Source: Stewart, G.L., & Brown K.G., 2<sup>nd</sup> Edition (2015). *Human Resource Management Linking Strategy to Practice*. pp – 546

As illustrated in Table 14.3, the Committed Expert HR strategy's recruitment techniques prioritize internal candidates. Combined with internal sourcing, the targeted skills method tries to find current employees who have acquired skills through training and experience within the firm. Due to the emphasis on long careers, recruiting for entry-level roles conveys a message that is realistic and describes both the positive and negative aspects of the work and organization. The key to successfully recruiting personnel with the necessary expertise is identifying individuals with specific abilities and a desire to advance within the firm. Job postings and electronic advertisements in employee-only sections of the company's website are common recruitment methods for identifying candidates already employed by the organization. Employee referrals and campus recruiting are sources for recruiting outside of the organization.

### **External/Differentiation: Alignment for Free Agents**

The objective of the Free Agent HR strategy is to get the input of specialists in order to develop unique products and services. This method is often utilized by companies in the information technology industry. Likewise, many investment banking organizations conform to the Free Agent concept. Human resource practices emphasize the acquisition of external talent. Typically,

employees enter an organization having the skills necessary to accomplish their job duties. Organizations recognize that these employees pursue careers inside occupations as opposed to specific companies. Therefore, they are more loyal to their profession, such as investment banking, than to the company. Not encouraged are ties between the organization and its personnel. Employees are frequently replaced by new hires with current expertise. The practices summarized in Table 14.4 are typical of the Free Agent method.

Table 14.4	<i>Practices Aligning with Free Agent HR Strategy</i>
<b>Practice</b>	<b>Emphasis on . . . .</b>
Work Design	<ul style="list-style-type: none"> <li>• Complex tasks</li> </ul>
Recruiting and Selection	<ul style="list-style-type: none"> <li>• Assessing achievement and specific skills</li> <li>• Job fit</li> </ul>
Retention	<ul style="list-style-type: none"> <li>• Dismissing low performers</li> </ul>
Performance Management	<ul style="list-style-type: none"> <li>• Merit-based systems that create internal competition</li> </ul>
Training and Development	<ul style="list-style-type: none"> <li>• Attracting good employees by offering development opportunities</li> </ul>
Compensation	<ul style="list-style-type: none"> <li>• Providing high compensation for top performers</li> <li>• Making rewards contingent on performance</li> </ul>
Labor Relations	<ul style="list-style-type: none"> <li>• Labor unions conflicting with special treatment for high performers</li> </ul>

*Source: Stewart, G.L., & Brown K.G., 2<sup>nd</sup> Edition (2015). Human Resource Management Linking Strategy to Practice. pp – 548*

### **What Are Some Other HR Issues?**

#### **Variations of Basic Strategies**

We have concentrated on four fundamental HR methods throughout this book: Bargain Laborer, Loyal Soldier, Committed Expert, and Free Agent. Each of these approaches corresponds to a distinct competitive business strategy. However, organizations can pursue marginally distinct and more specific competitive strategies. Despite the fact that these strategies can be viewed as modifications and combinations of the competitive strategies we've studied, it is worthwhile to highlight a few common alternative strategies to determine how they connect with the fundamental

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HR strategies. A turnaround strategy is one variety of an organization's competitive approach. Here, a poorly performing corporation strives to return to profitability by drastic transformation. In many instances, staff are let go and new production methods are deployed. This method necessitates organizations to conduct themselves substantially differently than in the past, which makes it consistent with an external labor orientation. Low performers are terminated, and new employees are hired based on their ability to alter the way in which the work is performed. Consequently, a Free Agent HR strategy is frequently a component of a competitive strategy that emphasizes the need to quickly reverse negative organizational performance.

Expansion abroad is another common variant of competitive strategy. A global expansion plan focuses on expanding an organization's presence in international markets. Human resource management can play a significant role in assisting a firm to accomplish this goal. As described in the "How Do We Know?" section, working in foreign countries may necessitate different talents and abilities than those required of domestic employees. Thus, effective implementation of the strategy frequently necessitates that firms recruit and hire people who are vastly different from those already employed. The Free Agent HR strategy is the human resource approach most closely connected with the global expansion competitive strategy. The growth strategy is a form of competitive strategy in which a corporation attempts to expand into new markets. In some instances, this is accomplished through mergers and acquisitions. Effective human resource management can be crucial for lowering barriers to organizational culture integration.

### **HR As an Input to Competitive Strategy**

This rational strategic approach presupposes that organizational leaders plan their objectives and then employ human resource methods to achieve them. Rather, it appears that numerous organizations employ an evolutionary approach to competitive strategy. A strategy is not always planned under an evolutionary strategic approach; rather, it develops over time. From this perspective, the human resource capabilities of an organization can be viewed as part of the process of formulating strategy. The idea that human resources contribute to competitive strategy

implies that businesses with limited human resources may be unable to implement particular strategies.

### **The Role of HR In Small Businesses**

Human resource management has traditionally concentrated on large organizations. But what is the function of human resource management in small firms with few employees? Frequently, small enterprises lack sophisticated HR systems and strategy. This does not, however, diminish the significance of human resource strategy and practice for small enterprises. It has been demonstrated that small firms with superior strategic plans for human resource management have a greater survival rate. Moreover, small businesses that place a greater emphasis on recruiting, selection, performance evaluations, training, and remuneration expand quicker than others. Particularly, efficient human resource management aids small businesses in innovating, which is vital to their existence.

### **What Might the Future of HR Look Like?**

The discipline of human resource management is in a constant state of evolution. In recent years, the focus has shifted from personnel management geared to assure legal compliance to a strategic model that relates the management of people to competitive objectives. This tendency is anticipated to persist.

### **The Outlook for Organizations**

How change will alter the role of the human resources department in future enterprises is an important subject. Will the importance of HR increase or decrease? Which focus areas will expand? Which will decline? What additional contributions are anticipated from HR departments?

### **Increased Emphasis on Measuring the Value of HR**

In recent years, the discipline of human resource management has accepted that the majority of firms favor measurable outcomes. Therefore, human resource professionals have placed a greater emphasis on establishing measurable indicators of the value of good human resource management.

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The trend toward quantifying the value of human resources is anticipated to persist. The linkage of the benefits of human resource management to shareholder value is a new phenomenon. The market value of the majority of corporations includes an allowance for intangible assets, which are nonmaterial assets that contribute value to the organization. Intangible assets involve various things, such as customer relationships. However, a company's skill pool certainly constitutes the majority of its intangible assets. Future efforts in the field of human resource management are anticipated to focus not only on determining how much intangible value the HR system generates, but also on how this value might be enhanced.

**Growing Importance of HR**

Significant demographic change is occurring in the United States. According to estimates, companies will soon experience a labor scarcity. In the next years, it will become increasingly difficult to find individuals to fill available positions. This is particularly true for occupations requiring specific expertise. Thus, the competitive advantage of attracting, selecting, and retaining employees should grow. As brilliant individuals become scarcer, the advantages of effective human resource management will continue to increase.

**Greater Prominence of Strategic Issues**

It has been demonstrated that the alignment of HR and competitive strategy increases organizational effectiveness. However, according to a recent poll, only approximately half of firms have a strategic human resource plan that is related to their competitive business plan. This figure demonstrates an improvement over time, but also reveals that many firms have a significant deal of opportunity for growth. Organizations lacking a clear human resource strategy are required to adapt by pursuing improved methods for acquiring, developing, and utilizing staff capabilities. Thus, the emphasis on strategic aspects of human resources is anticipated to increase in the future.

**The Outlook for HR Professionals**

As with everyone else, human resource management professionals can benefit from career management. Listening to the advice of others with more expertise is frequently the best approach

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to learn how to effectively manage a profession. A recent analysis based on interviews with seasoned human resource professionals highlighted five significant career obstacles that human resource professionals are likely to confront. These obstacles are outlined in Table 14.5. If you wish to pursue a career in human resource management, you will need to recognize and be prepared for comparable obstacles.

The primary obstacle is a shortage of power. In many instances, human resource professionals lack the authority to make crucial decisions. They lack positional power, which is the authority that comes with a formal role inside an organization. This difficulty is not anticipated to alter in the near future. Human resource experts will likely continue to help corporate executives and serve as advisors. Nevertheless, human resource experts can exert enormous influence over firms and people. Effective professionals are able to generate and utilize expert power, which results from delivering valuable knowledge and abilities. Human resource experts can persuade decision-makers to engage in effective practices for getting and motivating people by providing the expertise required to address challenges.

The second difficulty for human resource specialists is walking the tightrope between managers and employees. To be great performers, human resource professionals must succeed in their dual responsibilities of assisting the organization in maintaining efficiency and ensuring that employee rights are honored. As with the challenge given by a lack of positional power, the difficulty of balancing the interests of the organization with those of its individual employees is not expected to alter.

<b>Table 14.5</b>	
<i>Challenges Faced by Human Resource Professionals</i>	
<b>Challenge</b>	
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: Stewart, G.L., & Brown K.G., 2<sup>nd</sup> Edition (2015). *Human Resource Management Linking Strategy to Practice*. pp – 555

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True or False

1. Effective human resource management can provide a firm with a competitive advantage.
2. Human resource practices are most effective when they are aligned with the competitive business strategy of a firm.
3. The most effective strategy for selecting a method of performance management is to locate and adopt a successful practice from another firm.
4. In smaller organizations, human resource policies and practices are of less importance.
5. The significance of human resource management will undoubtedly decrease as a result of future developments and trends.
6. Human resource practices are aligned when they are appropriately situated in relation to other practices and strategic objectives.
7. Training emphasizes training people how to execute specific duties effectively.
8. Common competitive strategy variations include the turnaround plan, the global expansion strategy, and the growth strategy.
9. Compensation reduces inequalities between workers and rewards those who remain with a company for an extended period of time.
10. Recruiting focuses on acquiring qualified candidates for certain positions.

**Answer Key**

1. True
2. True
3. False
4. False
5. False
6. True
7. True
8. True
9. True
10. True

**Identification**

1. The state in which an organization's human resource strategy supports its competitive business strategy.
2. The state in which individual human resource practices fit together and support each other.
3. The state in which organizational practices are in their proper place relative to other practices.
4. A competitive business strategy that focuses on radical change to return a company to profitability.
5. A competitive business strategy that focuses on increasing an organization's presence in foreign countries.
6. A competitive business strategy that focuses on expanding products and services into new markets.
7. An approach in which organizational leaders carefully plan a strategy before carrying it out.
8. An approach in which an organization's strategy unfolds over time in response to common issues.
9. Nonphysical assets that represent value to an organization.
10. Power that is based on one's formal role within the organization.

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**Answer Key**

1. Vertical Alignment
2. Horizontal Alignment
3. Alignment
4. Turnaround Strategy
5. Global Expansion Strategy
6. Growth Strategy
7. Rational Strategic Approach
8. Evolutionary Strategic Approach
9. Intangible Assets
10. Positional Power