

Human Resource Management

Chapter 14

Aligning Strategy with Practice

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Learning Objectives

- After reading this chapter you should be able to:
 - Explain the concepts of vertical and horizontal alignment.
 - Identify the specific human resource practices that fit within each of the basic HR strategies.

Learning Objectives

- After reading this chapter you should be able to:
 - 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.
 - 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?

- Each human resource practice is in **alignment** when it is in its proper place relative to other practices and strategic objectives.

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

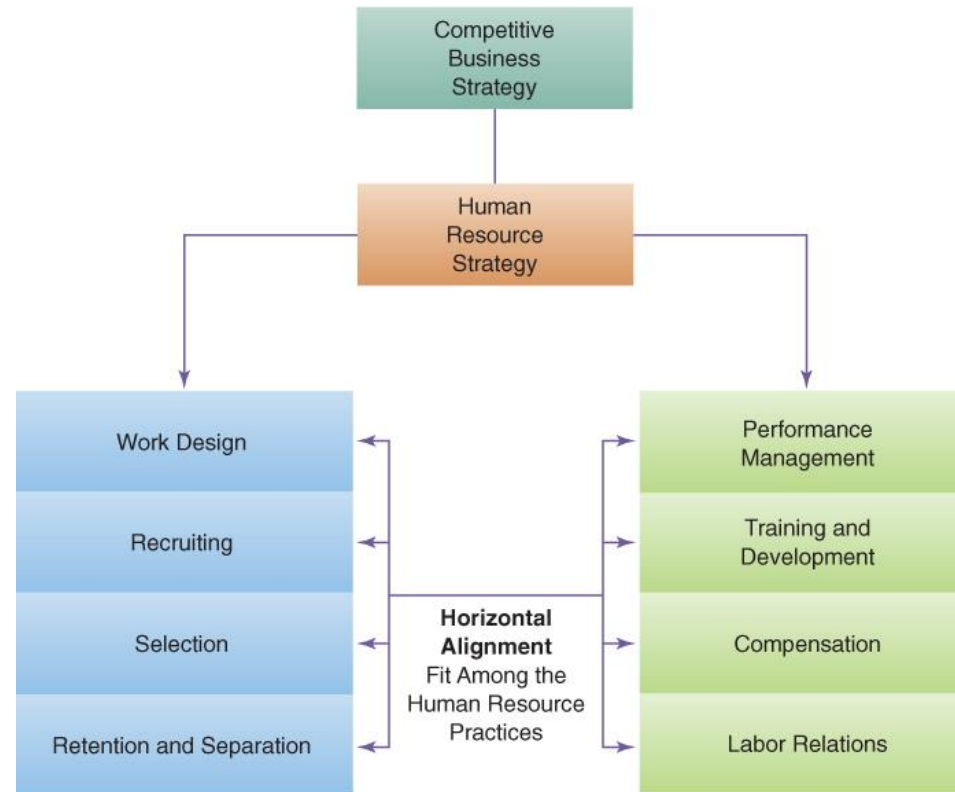
Two Types of Alignment

Vertical

Horizontal

WHAT ARE TWO BASIC FORMS OF STRATEGIC ALIGNMENT?

Figure 14.1 Vertical and Horizontal Alignment



Vertical Alignment

- Refers to the positioning of an organization's human resource management strategy to support the competitive business strategy.
 - For example the organization might be out of vertical alignment if it seeks to differentiate its products through innovation but adopts a Bargain Laborer HR strategy

Horizontal Alignment

- This alignment is concerned with the coordination of parts within the organization.
- In human resource management, **horizontal alignment** refers to the fit of specific practices with other practices.
 - The selection practice of hiring team players aligns with the performance appraisal practice of reducing competition among employees.

HOW DO HR PRACTICES ALIGN WITH ONE ANOTHER?

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

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

Work Design - 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.

Recruiting and Selection -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.

Retention - 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.

Performance Management - 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 - 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.

Compensation - 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.

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.

Core Human Resource Practices

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

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

Work Design - Organizations pursuing a Loyal Soldier HR strategy adopt standardization as a core principle of work design.

Recruiting and Selection

Recruiting strategies linked to the Loyal Soldier HR strategy are designed to identify current employees who can be promoted and transferred.

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.

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.

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.

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.

Labor Relations

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.

Core Human Resource Practices

Table 14.3	<i>Practices Aligning with Committed Expert HR Strategy</i>
Practice	Emphasis on
Work Design	<ul style="list-style-type: none">• Broad work responsibilities
Recruiting and Selection	<ul style="list-style-type: none">• Predicting high potential
	<ul style="list-style-type: none">• Organizational and job fit
Retention	<ul style="list-style-type: none">• Retaining high performers
	<ul style="list-style-type: none">• Dismissing low performers
Performance Management	<ul style="list-style-type: none">• Merit-based assessments that encourage good outcomes
Training and Development	<ul style="list-style-type: none">• Skill training for current job
	<ul style="list-style-type: none">• Development for future jobs
Compensation	<ul style="list-style-type: none">• Using variable pay to reward high performers
	<ul style="list-style-type: none">• Long-term benefits and employee ownership
Labor Relations	<ul style="list-style-type: none">• Potential negative impact of labor unions on innovation

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

HR Practices

Table 14.4	<i>Practices Aligning with Free Agent HR Strategy</i>
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

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

WHAT ARE SOME OTHER HR ISSUES?

Turnaround Strategy

- Companies using this strategy lay off employees and look for new approaches to production.
 - This strategy is 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 adopted with part of a competitive strategy emphasizes the need to turn around low organizational performance quickly.

Other HR Issues

Global Expansion Strategy

- Focuses specifically on growing an organization's presence in foreign countries.
 - This 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.

Other HR Issues

Growth Strategy

- Is adopted by companies seeking to expand into new markets.
- Growth may occur through acquisitions and mergers.
 - human resource management focus will be on reducing barriers to effective integration of organizational cultures.

HR AS AN INPUT TO COMPETITIVE STRATEGY

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.

HR in Small Business

- In small firms the emphasis on recruiting, selection, performance appraisals, training, and compensation grow at a faster rate than other firms.
- Effective human resource management helps small organizations innovate.

WHAT MIGHT THE FUTURE OF HR LOOK LIKE?

- It is estimated that organizations will soon face a shortage of workers.
 - It will become increasingly difficult to find people to fill jobs, specifically jobs requiring special skills.
 - The need for good human resource management and practice will continue to grow to meet this challenge.
 - There will be a greater emphasis on identifying quantifiable measures to show the value of good human resource management practices.

THE OUTLOOK FOR ORGANIZATIONS

- ✓ **Increased Emphasis on Measuring the Value of HR**
- ✓ **Growing Importance of HR**
- ✓ **Greater Prominence of Strategic Issues**

Challenges for HR Professionals

Table 14.5

Challenges Faced by Human Resource Professionals

Challenge	
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.

Source: Stewart, G.L., & Brown K.G., 2nd Edition (2015). *Human Resource Management Linking Strategy to Practice*. pp – 555

THE OUTLOOK FOR HR PROFESSIONALS

Positional power

Power that is based on one's formal role within the organization.

THE OUTLOOK FOR HR PROFESSIONALS

Expert power

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

Thank You