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Toward a Strategic Perspective of Human Resource Management

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Abstract

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Keywords

CAHRS, ILR, center, human resource, job, worker, careadvanced, labor market, satisfaction, employee, work, manage, management, managerial, employment growth, HRM

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TOWARD A STRATEGIC PERSPECTIVE OF
HUMAN RESOURCE MANAGEMENT

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INTRODUCTION

The current decade has brought yet another transformation in the practice and study of human resource management (HRM). The field, for better or for worse, has discovered, and indeed begun to embrace, a strategic perspective. The intellectual energy currently being invested in discussions of the nature, extent, and desirability of this development is a clear indication that something of significance is afoot. Understand it or not, believe in it or not, like it or not, strategy is well on its way to becoming an important paradigm behind much of what HR professionals do and think.

How is this paradigm different from earlier ones that have driven the development of the field? While observers differ on the details, there is a fair amount of agreeement on the critical distinctions (Mahoney and Deckop, 1986). These organize around four major themes: level, focus, framework, and roles:

> Level: Since strategies involves decisions about key goals, major policies, and the allocation of resources, they tend to be formulated at the top. This contrasts with the design and implementation of personnel programs or activities (e.g., training sessions or job evaluation plans), usually done by middle-level personnel specialists, and the day-to-day administration of policies and programs, usually carried out by line managers at various levels assisted by middle- to lower-level personnel generalists (Tichy, Fombrun, and Devanna, 1982).

Focus: Strategies are business-driven, and the focus
is on organizational effectiveness; thus, in this
perspective people are seen primarily as resources
to be managed toward the achievement of strategic
business goals.   The more traditional perspective
emphasizes HR outcomes (e.g., performance, turnover,
job satisfaction) or, more often, programs or activities
and tends to view people, or at least their behaviors
and attitudes, as ends in and of themselves (Mahoney
and Deckop, 1986).

Framework: Strategies by their very nature represent
unifying frameworks which are at once broad,
contingency-based, and integrative.   They incorporate
a full complement of human resource goals and activities
designed specifically to fit extant environments and
to be mutually reinforcing or synergistic.   This is
quite different from the usual approach which treats
personnel programs or activities more or less in
isolation, both from their environments and from one
another.

Roles: As the foregoing suggests, strategy-making is generally
the responsibility of line managers, with personnel playing a
supportive role.   Traditionally, in HRM the role of line managers
has been downplayed in deference to the personnel function and
the professionals who staff it (Beer, Spector, Lawrence, Mills,
and Walton, 1984).

While it is impossible to say just how thoroughly the strategic perspective has permeated HRM, the available evidence suggests a movement in the making. Certainly, it has made deep inroads into the professional journals, particularly those that are practitioner oriented and even more particularly those that are aimed at HR planners (see, for example, any recent issue of Personnel Journal, Human Resource Management, or Human Resource Planning). Several recent books on HRM (Beer, et al, 1984; Fombrun, Tichy and Devanna, 1984; Foulkes, 1986; Lawler, 1986) have a strategic focus. There has been a little published research (for reviews, see Dyer 1984, 1985), and more such work is underway (DeBejar and Milkovich, 1985; Schuler and Jackson, 1987(b)).

The topic of strategy has become obligatory at major meetings where HR professionals gather to talk shop. An increasing number of HR consultants are hawking their recently acquired strategic expertise. A few companies -- IBM, G.E., Hewlett Packard, Eli Lilly, Marion Laboratories, Lincoln Electric, and United Parcel Service (UPS), for example -- have garnered considerable status as a result of their strategic approaches to HRM. Still others -- Chaparral Steel, New United Motors Manufacturing, Inc. (NUMMI), Motorola, Federal Express, and (perhaps unfortunately) People Express -- have more recently generated considerable publicity for their efforts along these lines. Many others are no doubt making more quiet forays into the strategic waters. Certainly, this view is supported by the available surveys (Heidrick and Struggles, 1984).

What lies behind this flurry of activity? Much can be attributed to business necessity. The past ten years have been particularly challenging for American business. In the rush to competitiveness a great

many firms have been forced to rethink and recast their basic business strategies. As a consequence, all organizational resources, including human resources, have come under close scrutiny. While in many cases this initially led to piecemeal (and sometimes draconian) responses, over the longer run it has also apparently encouraged at least a few firms to engage in a deeper level of thought and action. For some, the natural outcome of this introspection has been a more strategic approach to the management of people.

On its own, the force of business necessity may not have turned the tide, but it has been aided and abetted in a couple of important ways. First, this decade has witnessed a steady erosion in the influence of factors which traditionally have given HR professionals much of their raison d'etre. In particular, the labor movement has continued to lose much of its punch and, most notably at the federal level, both the promulgation and enforcement of laws and regulations have withered. For some, then, strategy has come to be viewed a means, and indeed a particularly convenient and salient means, of filling this vacuum. Further, the time and resources thus freed have been available to pursue this not altogether unattractive possibility sometimes (as noted) with considerable success.

A second facilitative force, never to be underestimated, is the pervasive bandwagon effect. Certainly one result of the aforementioned activity is to generate yet more activity. If strategy represents the cutting-edge, what company, what HR professional wants, or can afford, to be left behind?

Thus primed by a fortunate confluence of events and fueled by a steady stream of exhortatations, success stories, and insecurities has the

strategic perspective rapidly worked its way into the consciousness of the HR community, and by extension many line managers.

The purpose of this chapter is to pause and reflect on these developments. Initially this involves a further exploration of the concept of strategy and its offshoot, strategic HRM. From there, attention turns to a fuller analysis of the evolution of events that have brought us to where we seem to be; here the major message is that the current interest in strategy is neither accidental nor particularly unwarranted, but rather a natural and perhaps even predictable progression of the field. From this point, at the risk of seemingly imposing order on chaos, the chapter takes an in-depth look at three specific strategic types which appear to be especially well formulated and successful. This is done not to tout these particular approaches, but to provide specific examples of what is actually going on. Following this, notice is taken of the evolving role of the HR function and HR professionals in organizations adopting a more strategic perspective. Finally, the chapter closes with a bit of speculation about what lies ahead and draws some implications for practioners and students of HRM.

STRATEGIC HUMAN RESOURCE MANAGEMENT

Broadly, strategies indicate the goals that key organizational decision-makers intend (or hope) to accomplish and, to some extent at least, how they intend to accomplish them. In large companies strategies occur at three levels: at corporate, within divisions or strategic business units, and within various functions (Schendel & Hofer, 1979). The first indicates the businesses an enterprise intends to pursue, the second how

it intends to compete in each of these businesses (e.g., by becoming a low cost producer or a highly innovative product developer), and the third the contributions each major function (e.g., marketing, manufacturing, and research and development) is expected to make to each business's competitive strategy. Obviously, all three types of strategies (hereafter collectively referred to as business strategies) often contain HR issues and implications.

Strategic HRM consists of three major tasks. The first, which occurs during the formulation of business strategies, is to assure that extant HR issues and implications are fully considered as various alternatives or proposals are weighed. The second, and subsequent, task involves the establishment of HR goals and action plans -- that is to say, HR strategies -- in support of the business strategies being pursued (Dyer, 1983). And the third, and final, task is to work with line managers as principal clients to assure that established action plans are indeed implemented.

To carry out the first task, each potentially serious strategic proposal is assessed in terms of its feasibility and desirability from an HR perspective. Feasibility is judged by determining: (1) whether or not the numbers and types of key people required to make the proposal a success can be obtained on a timely basis and at a reasonable cost (or those no longer needed can be reallocated or released quickly and cheaply enough) and (2) whether or not the behavioral expectations (e.g., retention rates and productivity levels) assumed by the strategy have some reasonable chance of being met (Schuler, 1987).

Making these judgments, as Figure 1 suggests, requires an extensive knowledge not only of the business strategies under consideration, including

any implied or stated changes in the organizational environment (i.e.,

structures or technologies), but also of any constraining factors in the

organization's internal or external environments. When judging a proposal

to grow a business significantly through ongoing new product development,

for example, it would first be necessary to determine who the key personnel

are (e.g., researchers, process engineers) and then to estimate how many

the strategy would require (this, of course, necessitates assumptions about

their productivity). Next attention would turn to the internal supply

of the relevant talent and, allowing for likely turnover, an estimate of

their probable availability when needed. If shortfalls are indicated,

the resort is to external labor markets to determine how likely it is that

the anticipated deficiencies could be made up through external hiring on

a timely and affordable basis. (For more on this type of HR planning see

Chapter II of this volume.)

Figure 1 about here

Simultaneously, the matter of desirability is addressed. Here the

implications of strategic proposals are examined in terms of sacrosanct

HR policies or conditions. A strategy of rapid retrenchment, for example,

would be called into question at a company with a full employment policy

if it were unclear that the required employee dislocations could be

accomplished without layoffs. Or a proposal that calls for rapid increases

in productivity would be flagged in many companies if the heightened

pressure on employees might cause morale problems and a propensity to

unionize. Or a strategy dependent on a new technology involving previously

unused chemicals would be contraindicated if there was a chance of possibly serious health risks to employees.

Desirability, even more than feasibility, is a judgment call. But, again, the same basic information is required: a thorough knowledge of the business proposal, including its organizational and technological implications, and a data base of existing and expected conditions in the organization's internal and external environments (for specifics on analyzing the latter, see Chapter III of this volume).

When an investigation suggests that a particular proposal is potentially infeasible or undesirable from an HR perspective, it is rethought. This does not mean, of course, that it is necessarily scrapped or even altered. Other more compelling and thus overriding considerations may outweigh HR concerns (adverse business conditions, for example, have recently led to layoffs in some companies -- e.g., Kodak, Control Data, and Data General -- which previously had touted themselves as full employment companies). But, even when HR concerns do not carry the day the analyses that were conducted can still be useful during the next major task in strategic HRM, the formulation of a supporting HR strategy.

This, as previously suggested, involves decisions concerning major HR goals and the primary means that will be used to pursue these goals. While HR goals and means are necessarily situation specific, a generic set of areas that might be considered is presented in Figure 2 (the goals are in the inner circle and the means in the two outer ones). These areas are defined in Exhibits 1 and 2.

Figure 2 and Exhibits 1 & 2 about here

HR goals define the main issues to be worked on. Not surprisingly, they derive primarily from the content of the business strategy, although often they are tempered by what is known about other relevant environments (refer again to Figure 1). To cite an example, many businesses these days are striving to become lower (if not the lowest) cost producers. This typically requires, among other things, reducing labor costs which, in turn, often translates into at least two types of HR goals: higher performance standards (contribution) and reduced headcounts (composition). For some it may also translate into a third and fourth: maintaining employee quality (competence) and morale (commitment) especially as the organization begins to cut back on employees. Whether the latter two issues, in particular, would be of concern might be influenced by such outside factors as the labor market availability of replacement talent (in case of a subsequent upturn) or the threat of unionization.

With HR goals in place, HR strategists are left with the chore of deciding on means. Two matters are at issue. One involves priorities, which ultimately are reflected in resource allocations, and the other major policies. Priorities are necessary since few organizations can, or would want to, put equal emphasis on all the program areas described in Exhibit 2. Major policies provide guidance to those who design the specific programs or activities that underly the HR strategy.

To a large extent HR goals determine priorities and policies, although there is certainly some latitude in the decision-making process. A company

in search of high levels of routine performance from its employees, for example, might emphasize the reward activity with a policy of offering high levels of contingency based pay (e.g., through incentives, bonuses, or gainsharing plans). Another company, more interested in inducing initiative, creativity, and flexibility, however, might put its money on work system design with an emphasis on employee participation (e.g., through job enrichment or self-managing work teams).

The general rule (not universally ascribed to) is: the tighter the external and internal fit, the better the strategy. In the present context, external fit refers to the degree of consistency between HR goals on the one hand and the exigencies of the underlying business strategy and other relevant environmental conditions on the other. Internal fit refers both to the extent to which HR means follow from HR goals and other relevant environmental conditions and to the degree of coherency or synergy among the various HR means. In some companies these conditions are clearly met rather well, while in others they obviously are not.

One in which they are is Chaparral Steel (Forward, 1986). A so-called mini-mill, the company's business strategy is to outdo the majors and the importers through niche marketing, product innovation and low prices, made possible by a very flat and flexible organization structure, the continuous introduction of state-of-the art production technologies, and tight cost controls.

Chaparral's HR strategy, which has evolved over time, features the following goals: (1) high performance standards (a constant drive to do "better") and expectations of initiative and creativity from all employees (contribution); (2) minimal management (4 layers), minimal staffs, some

slack at lower management levels (for flexibility), lean headcounts on the production floor (composition); (3) high skill levels and considerable personal flexibility (competence); and (4) high identification with the company and its business goals (commitment).

To achieve these goals Chaparral has put in place a tightly integrated set of HR activities. Greatest emphasis is placed on the work system and a policy of participative management ("not consensus management", according to one manager, "but [rather] driving decisions down to the lowest possible level"). All research and development and quality control work, for example, is done by line supervisors and production employees, not specialized departments; supervisors are responsible for their own hiring, training, and safety; production employees regularly serve on special project teams to look after customer concerns and evaluate new technologies.

In the spirit of synergy, the work system is supported by very high hiring standards (the company looks for "home grown entrepeneurs"); extensive training efforts (including sabbaticals); profit sharing (six percent of pre-tax profits goes into the plan) and special bonuses for extraordinary achievements; an active employee relations effort (featuring constant communication about company goals and performance and an egalitarian atmosphere -- no time clocks, all salaried employees, no reserved parking, no fancy offices); and no union.

Chaparral is a highly productive company: labor costs run nine to 10 percent of sales, about one-fourth the industry standard; output per person is a little over three times the industry average. Gordon Forward, the CEO, attributes about 60 percent of the company's productivity advantage to its advanced automation, and about 40 percent to its HR strategy.

Results of this kind no doubt serve to reinforce the current interest in HR strategy. But, as suggested earlier, it is apparent that the forces behind the current surge go much deeper. For the evidence it is necessary to take a brief trip down memory lane.

THE EVOLUTION TO STRATEGIC HUMAN RESOURCE MANAGEMENT

Just as earlier preoccupations of HRM can be explained in terms of the events of the time, so too with strategy. As noted previously, it is not surprising that this particular paradigm has gained prominence during the current decade. In a sense, it is an idea whose time has come.

As is now clear, an organization's HR strategy is the result of a series of managerial decisions about priorities and policies designed either to influence or to adapt to dominant environmental forces. Carrying this logic to a more aggregate level suggests that broader developments in HRM -- which are, after all, simply the sum of prevailing organizational patterns -- emerge in much the same way. Once again, then, reference is made to Figure 1 as a useful framework for examining, first, the evolution of the forces acting on managerial decision-makers and then, the dominant patterns in their responses. For brevity, the analysis is collapsed into two broad time periods: the 30 to 35 years following World War II and the current decade.

FROM THE FORTIES TO THE SEVENTIES

In retrospect the period from the mid-forties to about 1970 was a golden age for American business. The demand for goods and services, especially early on, was practically insatiable and the U.S. entered the

period in possession of over one-half the world's usable industrial capacity (Bluestone and Harrison, 1982). The name of the game was produce and market. Business strategies (the term may be too grandiose for the reality) focused on the maintenance of uninterrupted production and, to a lesser extent, on distribution and advertising. Costs, quality, and other aspects of product differentiation, while not matters of total indifference, were obviously often second-level concerns.

Structurally, during this time, the drift was toward immense size, centralization, and bureaucratization; it was in the mid- sixties, it will be recalled, that John Kenneth Galbraith (1967) was first moved to warn of the emerging "technostructure". There were a number of important technological breakthroughs, but more pertained to products than processes. Perceived threats of widespread technological obsolescence and displacement among blue-collar workers proved to be seriously overdrawn (Hunt and Hunt, 1983).

Interestingly, this comfortable pattern of operation changed very little even well into the seventies. Unfortunately, however, the business environment did. Oil shocks and recessions took their toll. But, the longer-term challenge came from foreign competition. In 1970, somewhere around 20 percent of the goods produced in the U.S. were competing with foreign-made products either here or abroad; by 1980, the figure was probably more like 70 percent (Reich, 1983, p. 121). In part because of managements' failure to adjust their business strategies to meet these changing circumstances, American share of world markets fell by 23 percent during this decade (Bluestone and Harrison, 1982, p. 140).

Just as business had prospered right after the war, so too had the

American labor movement. In 1945, union membership reached 35 percent
of the nonagricultural labor force (and stayed at that level for over a
decade). Labor militance was also high; lost time due to strikes reached
uprecedented levels in the mid-forties and, at the time, it was feared
that this situation would continue.

Clearly, this was a vexing prospect for employers given the large
rewards they stood to reap from continuous and uninterrupted production.
Thus, there was great interest in preserving the golden goose. The
corresponding HR challenge was to find paths of accommodation and
stabilization in ongoing labor-management relations and to stave off the
unions where they had yet to make inroads.

By all accounts, it was a challenge admirably met. Top managers by
and large delegated the task to their newly-formed personnel departments.
Labor relations specialists were assigned responsibility for negotiating
and administering contracts in a manner satisfactory to both their bosses
and the unions; that is, without strikes or other disruptions. This they
learned to do, particularly (with a couple of major exceptions) during
the fifties, and with a few exceptions a general pattern of managed
adversarialism held sway in union-management relations well into the 1970s
(Kochan, Katz and McKersie, 1986).

At the same time, other personnel managers and specialists were at
work developing and expanding programs and procedures that had gained
acceptance during the war. These included job analysis, psychological
testing, technical training, job evaluation, and other techniques of wage
and salary administration (Jacoby, 1985). Much of this effort was aimed
at forestalling the spread of unions (Dunlop and Myers, 1955). But, it

was also particularly well-suited to the large, centralized bureaucracies of the time.

The sixties and, particularly, seventies brought a diminution of labor's power. By 1970 union membership had dwindled to 27.3 percent of the nonagricultural labor force and by 1980 it was down to 21.9 percent. Organizing attempts declined and became increasingly less successful partly because of managements' enhanced willingness and new-found capability to resist unions in nonviolent ways.

As the influence of unions dwindled, the action picked up on the legislative front. The litany of laws, Executive Orders, and regulations promulgated by the federal government during the socially tumultuous sixties and early seventies is legion: Title VII, the Age Discrimination in Employment Act, the Equal Pay Act, EOs 11246 and 11375, the list goes on and on. Between 1960 and 1975, according to one estimate, the number of regulations administered by the U.S. Department of Labor tripled from 43 to 134 (Dunlop, 1976).

Enforcement of these statutes and directives reached full force during the seventies. There were several sizable and highly publicized consent decrees and judgments, many of behalf of women who were entering the labor force in unprecedented numbers (Fullerton and Tschetter, 1983). In a survey taken in the mid-seventies, personnel professionals singled out government regulation as a major instigator of change in their organizations during the previous decade (Janger, 1977).

Unfortunately, no similar survey was taken among top and other line managers. As with the labor unions before, however, it appears that most, the notably socially-conscious and legally vulnerable excepted, saw these

legal developments as somewhat less central and significant. Once again, then, much of the action wound up in the hands of the ever-expanding personnel departments. By the mid-seventies virtually all medium-sized and large companies had established equal employment opportunity units within their personnel functions (Janger, 1977). And, _de novo_, a cadre of capable professionals had developed to carry out and champion the often sophisticated analyses and actions required to meet or exceed the basic legal requirements.

At the same time, of course, labor relations and other specialists continued their activities. Despite a general preference among the former, and their union counterparts, for the status quo (Freedman, 1979; Kochan, 1980), a few unionized, and no doubt a few more nonunionized, firms found themselves experimenting with a host of activities -- quality circles, quality of work life programs, and the like -- in attempts to bolster productivity, enhance product quality, and improve employee morale (Kochan, et al, 1986, pp. 40-45). Also, greater attention was being given to care and feeding of the burgeoning number of so-called knowledge workers in the expanding high tech and service sectors. Many of these activities were driven by an emerging sense of "professionalism" in the personnel community and a concomitant desire to be on the "cutting-edge" of the field. In general, however, the emphasis was on relatively dissociated programs and practices rather than a broader concept of HR strategy (Tichy, et, al, 1982).

INTO THE EIGHTIES

During the past 10 years, globalization has continued apace.
Deregulation has brought competition to the airlines, railroads, truckers,
bankers, telephone companies, oil and gas producers, and broadcasters.
Evolving technologies have blurred traditional industry lines and generated
competing products and services from unexpected sources. Institutional
investors and corporate raiders have become bolder and more assertive
thereby increasing the pressure on management to produce immediate financial
returns and constant increases in shareholder value. And there was a
worldwide recession.

In the face of these developments, some managements have sought refuge
in what Reich (1983) has called "paper entrepeneurialism" and "historic
preservation"; that is, in asset shuffling, protectionism, and even
reregulation. But many, too, however belatedly, have begun the process
of corporate revitalization. Change has been wrought in strategies,
structures, technologies, and processes. Business strategies have been
reformulated to assure that every product and service offers a clear
competitive advantage (e.g., low cost, high quality, a unique feature,
or an innovative application) (Porter, 1980). Firms of all sizes, but
particularly the huge bureaucracies of the post-war era, have been
restructured -- and often downsized; between 1980 and 1987, it is estimated,
about one-half the Fortune 1,000 firms experienced at least one significant
reorganization (Russell, 1987). Decentralization -- driving business
decisions out to operating units and down to the lowest feasible level
("getting back to the basics" and "close to the customer" in the vernacular)
-- has once again come into vogue.

Huge investments (just how huge no one seems to know) have been made in process technologies -- computer-aided design and manufacturing (CAD/CAM), robotics, computer integrated manufacturing (CIM), point of sale ordering and inventory systems, fault-tolerant transaction processing systems, and multi-functional work stations, to name just a few -- in attempts to increase efficiency, improve quality, and enhance flexibility in manufacturing and, to a lesser extent, the service sector (Greenhouse, 1987; Pava, 1985; Walton, 1985(a); Zuboff, 1985). In recent years, new technologies of this type are said to have altered the jobs of an estimated 40 to 50 million Americans, or about 40 percent of the civilian labor force (Hoerr, Pollock and Whiteside, 1986).

Commensurate with these events, the labor movement has continued its downward slide; union membership is now less than 18 percent of the nonagricultural labor force. Competitive realities have forced a number of large and visible unions to make significant concessions in wages, benefits and work rules. In 1986, according to the Bureau of Labor Statistics, negotiated wage settlements reached record low levels for the fifth consecutive year (Work, Seamonds and Black, 1986). Strikes are at their lowest point in forty years. Until very recently, organizing was at a virtual standstill.

Consistent with the spirit of deregulation and rugged individualism, the Reagan administration has neither instigated nor supported any major legal initiatives in the HR arena. Enforcement has lapsed. To some extent the vacuum thus created has been filled by state governments and the courts (Hoerr, Glaberson, Moskowitz, Cahan, Pollock and Tasini, 1985). But on balance, thus far in the eighties the legal heat felt by employers has

been well below the level of the preceding decade.

The big HR challenge, then, has been keeping up with the changes on the business front. One apparent effect of this has been an increasing involvement by top and other line managers in HR matters. The early impetus for this came when the initial moves toward competitiveness resulted in HR implications -- especially massive layoffs, dislocations, and wage and salary freezes and even cuts -- that were too far-reaching and serious to ignore or delegate. The impetus has been sustained where enhanced levels of contribution and commitment on the part of all employees have become recognized as necessary conditions for business success.

Where this metamorphosis has occurred, the perhaps surprising result has been an enlarged role for the personnel function. Increasingly, personnel managers and specialists have been called upon to understand the businesses in which they operate, be familiar with extant or evolving business strategies, propose strategic HR solutions to strategic business issues, and work closely with line management to implement these solutions. This is quite different from having continually to press for action because it is contractually or legally required or because it has been judged appropriate from a professional point of view. Not surprisingly, the change has proved to be not entirely comfortable for some personnel professionals (a point covered in more depth later).

These new-found partnerships between line and staff have resulted in a wealth of organizational experimentation. Some is relatively limited in scope and aimed at fairly specific goals. At Federal Express, for example, a systematic program of information, incentives, and controls have been used to keep headcounts in line (Wagel, 1987). Several companies

-- Digital Equipment, Hallmark, Pacific Bell, Worthington Industries --
have successfully redeployed and retrained significant portions of their
work forces to enhance performance without layoffs (Saporito, 1987). Pay-
for-performance in the form of merit pay, bonuses, gain-sharing, and profit-
sharing has enjoyed a resurgence where employee motivation is a concern
(Lawler, 1986). Earlier experiments with employee participation through
quality circles, quality of worklife programs, semiautonomous work groups,
and self-managed work teams -- in the auto and steel industries, for example
-- have been expanded and diffused to a wide variety of firms and industries
(Port, 1987; Port and Wilson, 1987).

More extensive efforts are also underway. Virtually every manufacturer
that is committed to retaining production in this country has been forced
to undertake productivity and quality improvement programs of one type
or another. Some -- e.g., Outboard Marine -- have built new modular plants
in low-wage areas in the south. Others, such as Allen-Bradley, have made
substantial investments in new technologies and in the people who install
and operate them. Still others have put their money mainly on human
resources (Lawler, 1986; Walton, 1985(b)). A typical example of the latter
is NUMMI, the joint venture between General Motors and Toyota in California.
Here, in "partnership" with the United Auto Workers, the emphasis is on
participative management -- semiautonomous work groups, open
communications, extensive training -- in combination with Japanese
production techniques. The plant, which General Motors once closed because
of labor and production problems, now regularly outperforms more
technologically advanced facilities in terms of both productivity and
quality (Bernstein and Zellner, 1987; Levine, 1986).

As these various forms of experimentation take hold, they begin to create internal anomolies that require still more changes in HR priorities and policies to preserve internal consistency (Lawler, 1986). And as these adjustments are made, the organizations at some point become embroiled in the evolution of an HR strategy, as earlier defined. This, then, constitutes one group in the strategy fold.

To this group can be added a no doubt smaller number that have been, and in some cases still are, involved in even more ambitious efforts. These include several well-known corporations -- Bank of America, Corning Glass Works, G.E., Kodak, Motorola, Polaroid, and Xerox, among others -- whose paternalistically-oriented HR strategies (some would say cultures) have proven to be unsustainable in the face of continuing competitive pressures and depressed earnings. All are engaged in the struggle to specify and implement more performance-oriented HR strategies corporate-wide.

To these two groups of companies can be added a third, the aforementioned firms that so far have maintained their basic HR strategies through the turmoil -- e.g., such long-timers as IBM, Hewlett Packard, Eli Lilly, Marion Laboratories, and Lincoln Electric and such Johnny-come-latelies as Chaparral Steel and Federal Express.

Taken together, these three groups probably represent the sum total of the current action in the realm of HR strategy. Unfortunately, too little is known about many of these efforts to permit full documentation at this time. Nonetheless, some of the essence can be captured through a more extensive look at a few specific examples.

ILLUSTRATIVE HUMAN RESOURCE STRATEGIES

Certainly, there is now more action in the HR strategy arena than

can be fully comprehended, let alone discussed, without resort to some

sort of typology or taxonomy to identify and define generic patterns.

Unfortunately, students of HR strategies (unlike those of business

strategies) have only just begun to tackle the needed research (DeBejer

and Milkovich, 1985; Dyer, 1984; Lawrence, 1985) and no generally accepted

typology or taxonomy has yet emerged.

So once again the frameworks presented in Figures 1 and 2 are called

into service. By applying these to available information on various HR

strategies, it is possible to identify a few prevailing patterns. For

purposes of illustration, three strategic types -- labelled inducement,

investment, and involvement -- are discussed in detail. As the discussion

proceeds, repeated reference is made to Exhibits 3, 4, and 5 which compare,

respectively, the relevant environmental conditions, goals, and means

associated with these three HR strategies.

Exhibits 3, 4, and 5 about here

It is not suggested that these particular strategies are either notably

prevalent or unusually promising; no such claims are possible given the

present state of knowledge. The purpose, rather, is to demonstrate just

a few of the ways in which various organizations are attempting to achieve

external and internal consistency in their HR priorities and policies,

at least among selected employee groups. (For a similar, although more

normatively oriented, exercise, see Walton [1985(b)].)

THE INDUCEMENT STRATEGY

The origins of the inducement strategy trace to the work of the much-maligned Frederick Winslow Taylor (1911), the father of scientific management. Its evolution, however, probably owes more to the philosophies of James B. Lincoln (1938), and particularly to the highly successful and well-publicized application of his ideas at the Lincoln Electric Company (Zager, 1978; Volard, 1982).

The environmental conditions giving rise to the inducement strategy are outlined in the first column of Exhibit 3. The business environment tends to be very competitive with firms competing largely on the basis of low prices and/or the quality of their products or services. Decision-making power is highly centralized, although organizational structures tend to be relatively flat (i.e., to have relatively few layers and wide spans of control). The technology is traditional, simple, and only slowly evolving. External environmental conditions are by and large benign, although highly militant unions are not unheard of. Top managements pay a good deal of attention to human resources, and particularly to the costs of human resources. At Lincoln Electric, for example, management considers employees the second most important stakeholder group in the organization, just behind customers and well ahead of stockholders. At UPS, another well-known inducer, it has been said that the "... ability to manage labor and hold it accountable is the key to [the company's] success" (Machalara, 1986, p. 1).

Goals

With respect to contribution (as shown in Exhibit 4), the inducement strategy is aimed first and foremost at encouraging reliable role behavior at very high levels. There is at most only a modest level of concern about employee initiative or flexibility. And no expectations of innovation, creativity, or spontaneity.

Since cost is a major consideration, inducers seek to staff lean, particularly with respect to overhead and staff jobs, and to hold down the ratio of (comparatively) skilled to unskilled employees. This, too, is a major HR goal.

Competence, in contrast, is a second order goal. While there is little tolerance for incompetence, no attempt is made to develop employee skills beyond levels required by current tasks.

Commitment is encouraged, although in most cases it is not a preoccupation. And, at any rate, it is an instrumentally based commitment (i.e., we pay, you stay), although some inducers -- most notably, again, Lincoln Electric -- reinforce it with a touch of paternalism and a strict no-layoff policy (Zager, 1978).

Means

Inducers are seldom cited as being on the "cutting-edge" of HRM. They are by-and large unmoved by the successive waves of fads and falderol that wash over the field. Their forte lies in getting the best out of the basics.

The focal activity is pay (note the star in the first column of Exhibit 5). Notwithstanding a preoccupation with cost control, however, the thrust

is not toward low wages or salaries. On the contrary, inducers offer

opportunities for very high earnings. But, the emphasis is on

opportunities. Inducers are among the most avid users of performance-based

pay schemes such as incentive pay, performance bonuses, gain-sharing, and

profit-sharing. In every way possible high pay is made contingent on

high levels of contribution.

At Lincoln Electric, for example, piece-rate plans are applied to

every possible job in the shop, even some classified as indirect labor,

and among the sales force. All other employees are on merit pay. Everyone

is part of a profit-sharing plan which distributes bonuses not on the basis

of earnings (as is customary), but on the basis of performance appraisal

ratings -- inducement style. In good years, which at Lincoln is most years,

the bonuses often match or exceed regular earnings; semi-skilled shop

workers can and do earn $40,000 a year or more. Also, many of Lincoln's

employees at all levels are stockholders as a result of a long-standing

and relatively generous stock purchase plan. Even at UPS where the

Teamsters union has resisted incentive pay, hourly rates exceed those of

most comparable firms and with overtime pay many drivers earn $35,000 to

$40,000 a year. There is also a profit-sharing plan and, for management,

a stock ownership plan.

But, even inducers do not rely on bread alone. Work systems are

carefully designed and managed; jobs tend to be narrowly defined and work

standards tightly controlled. Despite the general loathing of staff jobs

among inducers, UPS employs over 1,000 industrial engineers (the company

has 152,000 employees) with state-of-the-art electronic stopwatches and

computer programs to time and retime tasks and jobs and project appropriate

performance standards.

Inducers using incentive pay plans deemphasize supervision (employees are relied on to manage themselves), while the others give it a good deal of attention. In either case, it tends to be directive. "A sorter is expected to handle 1,124 packages an hour and is allowed no more than one mistake per 2,500 packages. UPS counts on strict supervision to overcome the occasional human lapses" (Machalara, 1986, p.1).

Selection, while not central, is used to identify those who not only can do the job, but will respond positively to and be comfortable with the inducement strategy. Non-contributors are weeded out early. There is little emphasis on career management, or on employee development. What training is done tends to be task-oriented and carried out on the job.

Employee relations activities -- communication, voice, due process, and employee assistance -- are not matters of major concern to inducers, although there is a tendency to be egalitarian with respect to amenities and perks. Unionized inducers seem to have strained relations with their unions, particularly with respect to work systems and supervision (witness, for example, the running war between UPS and the Teamsters). Government relations tend toward compliance, nothing more.

THE INVESTMENT STRATEGY

The investment strategy has its origins in the welfare capitalism of the 1920s, but also borrows ideas from the human relations movement of the forties and fifties and the more recent human capital theorists. Its greatest success has come among start-up companies with intensely paternalistic founders of longstanding influence. IBM, Hewlett Packard,

and Eli Lilly are classic examples; Polaroid was.

As noted in the middle column of Exhibit 3, the business strategies in these firms center around product or service differentiation (e.g., unique features, brand identification, or superior service) rather than price which allows for relatively generous cost structures. Most -- although certainly not all -- are highly centralized and, until recently at least, were relatively tall organizations with many layers of management. State-of-the-art, and thus rapidly changing, technology is a common feature.

Investors worry more than inducers about evolving trends in external environments. They rely on this information to help fashion personnel policies and programs attractive to the highly trained talent their business strategies and technologies demand, to maintain postures as good corporate citizens, and to remain nonunion. Internally, top managements pay a good deal of attention to HR matters and provide generous funding to back up this concern.

Goals

When it comes to contribution, "excellence" is a common theme among investors. Performance standards are high, although not excessively so, and employees are expected routinely to exercise a fair amount of initiative and creativity in carrying out their tasks (see the center column in Exhibit 4). Continual technological change also requires a certain amount of employee flexibility, especially since most investors eschew layoffs.

Competence is clearly the preferred path to achieving the desired levels of employee contribution. Investors exhibit an unrelenting and uncompromising preoccupation with employee quality. Attract and develop

the best, they seem to say, and contribution will naturally follow.

Since this works only if employees stick around, attaining a high level of employee commitment is also an important goal for investors.

And because of their full employment policies, so is composition. The primary aim here is flexibility. As a result, many investors deliberately overstaff a bit, both in terms of numbers and skill mixes, and maintain relatively large staff groups (e.g., in personnel) to enhance organizational adaptability. Recent events may be changing this situation, however. Some investors are experiencing unprecedented levels of competition and are finding that their biggest current HR challenge is trying to figure out how to downsize without layoffs and without causing declines in traditional levels of employee contribution, competence, and commitment. (Which, if the competition continues, ultimately may call into question the long-term viability of the investment strategy.)

Means

Investors are not, as is frequently assumed, the premiere practitioners of McGregor's (1960) Theory Y style of people management. Rather, theirs is a kid glove version of Theory X. Management establishes performance and related standards and fashions the accompanying amenities. There is close control. Employees are expected to exercise judgment and initiative in their work, but investors do not advocate or encourage high levels of employee participation in a wide range of firm affairs. Rather than autonomy and involvement, the prevailing organizational values are personal growth, respect, equity, justice, and security (Foulkes, 1981).

The emphasis on employee competence naturally leads investors to be
big spenders on employee development (as indicated by one of the stars
in Exhibit 5). Much of the money goes toward employee socialization, but
a good deal is devoted to various types of skill-based training as well.
Employees at virtually all levels from managers on down are trained not
only for their current jobs, but also for future moves, and even, when
the time comes, for retirement. Much of the managerial and supervisory
training involves the essentials of effective people management, and
especially of employee relations. Companies such as IBM, G.E., Hewlett
Packard, and Eli Lilly are not about to have their carefully designed
employee relations programs undone by unthinking or uncaring managers and
supervisors.

Employee relations, it will be recalled from Exhibit 2, incorporates
four subactivities and it is the policy of investors to be on the "cutting
edge" of all four (Foulkes, 1981). They employ a wide variety of
communication media to bombard employees with both factual and symbolic
information. They also encourage an ongoing flow of information up the
organization through a range of voice mechanisms: opinion surveys, skip-
level meetings, sensing sesssions, and the like.

Further, they make every effort to assure that employees receive fair
treatment in all aspects of the employment relationship. And this concern
is solidly backed by due process mechanisms -- most commonly open doors,
"speak out" programs, and grievance procedures -- with teeth. Investors
are prominent providers of employee assistance programs, child care
programs, non-legislated family leaves, alternative work schedules, wellness
programs, nonsmoking policies, and company-sponsored social events. The

message: investors care.

Along with employee development and employee relations, investors emphasize staffing. Selection policies are designed to atttract not only highly qualified employees, but also those with the "proper" values. Career management and counseling programs emphasize long-term development within the company. Extensive HR planning and ongoing coordination among external and internal staffing and development activities are employed in the interest of employment stabilization (Dyer, Foltman, and Milkovich, 1985).

Extra resources are allocated to government relations with a prevailing policy of going well beyond the basic requirements in such areas as equal employment opportunity, affirmative action, and safety and health. Again, investors care.

In contrast, investors tend to downplay rewards. Most pay competitively and, in keeping with their paternalistic tendencies, offer attractive benefit packages. Merit pay may be used (although often loosely). But more hard-core incentive schemes, bonuses, and profit-sharing plans are rare.

Work systems, as suggested earlier, receive relatively little attention and are by-and-large traditional: jobs and performance standards are fairly well defined, bosses boss and workers do. Supervision is ever-present and supportive; basically it is viewed as a delivery system for employee development and employee relations activities.

Labor relations tends to be a non-issue since most investors are nonunion and rely on the other elements of their HR strategies to stay that way.

THE INVOLVEMENT STRATEGY

The involvement strategy contains vestiges of the human relations movement, particularly its organizational offshoots (Likert, 1961), but gains most of its theoretical justification from subsequent work on job enrichment (Hackman and Oldham, 1980), quality of worklife programs (Mohrman and Lawler, 1984), and industrial democracy. Because of its democratic underpinnings, this is clearly the most highly touted HR strategy in the current literature (see, for example, Lawler, 1986; Walton, 1985(b), 1986). Applications include the aforementioned HR strategies at Chaparral Steel, NUMMI, and Marion Laboratories. Another, which represents a conversion rather than a start-up, is Motorola's well-known "participative management program" (O'Toole, 1985; Weisz, 1985).

The involvement strategy has been tried, at least in part, in many different types of organizations pursuing a number of different business strategies. Its greatest success, however, seems to have come under two rather diverse sets of circumstances. The first is in companies doing business in highly competitive markets on the basis of low prices and/or high quality (note the similarity with inducers). The second is in firms pursuing business strategies that rely either on innovation to provide continually differentiated products or services or on agility in moving from niche to niche as markets change or competitors begin to catch up. Both, but the latter in particular, tend to be relatively small, decentralized companies or business units within larger companies with either flat or unconventional (e.g., matrix) organizational structures, and state-of-the-art flexible systems technology.

The external environment is also a factor. Proponents argue that the involvement strategy is particularly well-suited for today's highly educated and narcissistic labor force, which presumably has great needs to experience high levels of autonomy, challenge, and influence at work. Despite the open hostility of many unions to the involvement strategy, there have been a number of applications in unionized environments (Kochan, et al, 1986; Lawler, 1986). Internally, top managers tend to adopt a Theory Y philosophy concerning the management of people and to back their beliefs with at least moderate levels of funding for HR experimentation.

Goals

The major goal of the involvement strategy is to achieve a very high level of employee commitment (indeed, one of its leading proponents calls it the commitment strategy [Walton, 1985(b)]). What is sought is a deep psychological commitment based on a close identification with the organization, its mission, and its work (see Exhibit 4). This is quite different from the more instrumentally-oriented commitment associated with the inducement and investment strategies.

Of course, high levels of employee commitment are expected to result in equally high levels of employee contribution. Contribution in this context involves a good deal more than a high level of output on a particular job. The goal is for employees at all levels to exercise considerable initiative, creativity, and spontaneity in solving a wide range of organizational problems, as well as a high degree of flexibility in adapting to ongoing organizational change.

This, in turn, requires very competent employees. As might be expected, this is competence defined not in terms of a specific job, but in terms of a full range of knowledge and skills, including problem-solving and social skills, even at the lowest organizational levels.

Composition goals are generally downplayed in the involvement strategy, although it is frequently suggested (and demonstrated in cases such as Chaparral Steel) that adopters can operate with fewer levels of management and smaller staff groups than would be possible under other HR strategies. There may be offsetting differentials in headcounts at lower organizational levels, however, and in the skill upgrades that occur at these levels. Also, some overstaffing may be necessary to allow for the necessary training and to achieve desired levels of organizational adaptability.

Means

The whole idea behind the involvement strategy is to enhance the power and contribution of employees at all organizational levels by redistributing authority, increasing both the downward and upward flow of work-related information, and enhancing the knowledge base and skills of employees (Lawler, 1986).

Not surprisingly, the work system is the main means through which this is achieved (see Exhibit 5). The basic policy position is that all decisions involving work goals and means should be driven down to the lowest feasible level. In practice, this translates in limited cases into job enrichment and in more extensive applications into the formation of semiautonomous work groups and self-managed work teams (for a working example, see Frohman [1984]). It may also involve the liberal use of task

forces and other such temporary groups not only to accomplish work (often work that would otherwise be done by staff functions), but also to foster maximum participation and involvement. Accompanying features are such things as flex-work and flex-time which also enhance employee control over the work situation.

Supervision is another key element in the involvement strategy, particularly in the early going. The key concept is facilitation. The role of supervisors at all levels is to assist subordinates in the creation and communication of missions and goals for their units, in the proper allocation of decisions, and in decision-making by providing information, encouraging openness and trust, and lending support (Lawler, 1986). Social control is provided primarily through peer pressure rather than supervisory direction.

Since participation and facilitation are beyond the usual experience of many employees and supervisors, involvers usually find it necessary to do considerable training and development, particularly when such a strategy is first adopted. Much of the emphasis is on problem-solving, interpersonal, and group facilitation skills, and on economic and financial knowledge, rather than on more traditional job skills and knowledge.

While work design, supervision, and development are central to the success of the involvement strategy, other HR activities are made to be supportive. Careful selection, for example, is used to assure that those hired possess skills (or at least aptitudes) and attitudes consistent with the demands of the involvement strategy. Careers are redefined in terms of skill growth and cross-functional movement to overcome reduced opportunities for upward mobility, and career counseling is used to

communicate and facilitate this concept. Layoffs are mimimized for philosophical reasons, but also in an attempt to protect investments in employees and enhance organizational adaptability.

With their heavy emphasis on so-called intrinsic rewards, involvers have tended to deemphasize the role of pay and benefits. Increasingly, however, experience suggests that this policy eventually bumps up against the philosophical (and actual) inconsistency of spreading responsibility without enhancing payoffs. For this reason, many involvers have become more sophisticated in the use of compensation; examples of innovations include skill-based pay, which rewards employees for learning new skills and jobs, gain-sharing, and tying payoffs to long-term corporate earnings through profit sharing and stock ownership plans (Milkovich, in press). Bonuses, for example, are an integral part of Motorola's "participative management system" (Weisz, 1985).

Involvers downplay employee relations. It is apparently assumed that participation in forums for discussing and deciding on work related issues obviates the need for employee relations oriented communication or special voice programs. And that employee involvement is somehow incompatable with the emergence of personal grievances or problems, thus making due process and employee assistance programs less central than they are, for example, in the investment strategy. Nevertheless, it is recognized that participation and involvement are inconsistent with status differentials, and so egalitarianism is practiced with respect to the provision of amenities and perks. Indeed, participation often starts around these issues.

While most involvers, as others, would no doubt prefer to be nonunion, the involvement strategy, as noted, is not inconsistent with unionization. Its implementation in an unionized environment, however, requires a level of union-management cooperation and trust that typically takes much effort to achieve (Kochan, et al, 1986; Lawler, 1986).

Involvers do not stress government relations and, indeed, they can experience difficulties in maintaining compliance with equal employment opportunity and affirmative action legislation if and when participation is extended to decisions about hiring, promotions, and the allocation of training opportunities and rewards.

As these brief descriptions show, the inducement, investment, and involvement strategies share very few common priorities or policies (high performance standards and careful selection are about the only two exceptions). Yet, it is clear that each of the three (and probably many others) can be made to work when carefully fitted to the prevailing composite of business strategy, organizational structure, technology, and external and internal environmental conditions and molded into a coherent and synergistic whole. Obviously, then, the current rhetoric (Lawler, 1986; Walton, 1985(b), 1986) notwithstanding, there is no one best HR strategy. However much the practitioners and students of HRM might wish otherwise, the inescapable conclusion has to be: What is best, "depends".

THE CHANGING ROLE OF THE PERSONNEL FUNCTION

Thus, it is no cinch to conquer the complexities of strategic HRM. Among other things, it usually involves significant changes in the prevailing priorities and practices of personnel departments and the

professionals who staff them. The simple prescription, obvious but oft-
stated, is that both must become more strategic in their thoughts and
actions. But, what does this mean? What specifically are the implications
for the personnel function? For personnel professionals? And how prepared
are they to meet these challenges?

Some preliminary answers to these questions can be provided by drawing
on the experiences of the companies that have adopted or are in the process
of adopting the strategic perspective.

IMPLICATIONS FOR THE PERSONNEL FUNCTION

The recommended role for the personnel function is that of "strategic
partner" (Holder, 1986). As generally described this role has four aspects.
First, top corporate and divisional personnel executives take the lead
in working with their line counterparts to formulate and from time to time
review broad HR strategies (inducement, investment, involvement, or
whatever) appropriate to their organizations. Second, top corporate
personnel executives fully participate in all business strategy sessions
at the corporate level on a par with chief financial officers, general
counsels, and subsidiary operating heads (Levine, 1986), while personnel
managers down the line operate in a similar fashion with divisional and
functional managements. This permits an early evaluation of proposals
in terms of their feasibility and desirability from an HR perspective as
well as an early warning of upcoming HR issues. But, the participation
occurs routinely and is not limited to situations in which it is known
in advance that HR issues are at stake (McLaughlin, 1986).

A third aspect is that personnel executives, managers, and specialists work closely with line managers on an ongoing basis to assure that business strategies, including but not limited to their HR components, are adequately implemented. And fourth, the personnel function itself is managed strategically; that is, it has its own departmental strategy which lays out priorities, directs the allocation of resources, and guides the work of various subfunctional specialists.

No doubt this concept of strategic partnership has been fully implemented in only a handful of firms. In others where the strategic perspective is taking hold, however, it is being pursued in a number of ways.

Some personnel executives and managers, for example, have taken it upon themselves to formulate broad HR strategies suitable for their organizations. They then use these visions at every opportunity to guide and influence the decision-making of top line executives on HR policy matters. Others have worked to heighten line managements' awareness of HR issues and to assure that these executives seek professional expertise whenever such issues arise in their strategic deliberations. Still others have gained for themselves the right of review and concurrence over any and all strategic moves and plans prior to implementation as part of the formal strategic planning process (Dyer and Heyer, 1986).

The basic goal of these personnel executives and managers is to exercise leadership in all matters having to do with HR strategy and policy. They constantly search for ways in which their organizations might achieve or enhance a competitive advantage through better people management (Schuler and McMillan, 1984; Schuler and Jackson, 1987(a)). They call into question

the wisdom of business strategies that appear to be at risk because of potential HR problems. When strategic business directions change, they take the lead to assure that time is spent evaluating the continued relevance of broad HR strategies and, if necessary, in making changes.

In addition, personnel executives exercise leadership within their own functions in the interest of developing more strategic orientations. Strategic teams are formed to analyze the content of business and HR strategies, to evaluate the relevant strengths and weaknesses of the function, and, ultimately, to formulate an appropriate functional (or departmental) strategy. While a wide variety of issues are addressed in such strategies (Kanter and Buck, 1985), at a minimum they usually include a mission statement, a set of prioritized goals for the function and the major subfunctions (e.g., employment, training, compensation), a proposed organization structure -- decentralization is common these days -- and a program portfolio to outline priorities and policies, and ultimately a budget to address the issue of resource allocation. This broad framework is then used by the various subfunctions, or by cross-subfunctional teams, as guides for program development and improvement.

Bringing strategy within the personnel function also has the effect of altering the way in which it defines and measures success. Form --that is, program elegance or process counts (such as number of managers trained) -- gives way to substance --particularly, the nature of the contribution that is being made toward the achievement of HR goals and, in the longer run, to the success of the organization's business strategies (see Chapter V of this volume).

In brief, personnel executives and managers that have adopted the strategic perspective are attempting to demonstrate what Mills (1985, Chapter 15) calls "value added"; that is, to show through word and deed that they and their functions are capable of thinking and operating strategically and that this capability can and does make a difference to the organization's bottom line.

IMPLICATIONS FOR PERSONNEL PROFESSIONALS

As this type of thinking begins to permeate through a personnel function, its members come to view their work in quite different ways. They begin to evolve into what Holder (1986) has elsewhere referred to as "Type A" personnel professionals. They become more business-oriented; that is, they learn to apply their professionalism to key business issues and work with line managers as business partners, helping to find solutions that contribute to the well-being of (or inflict the least hurt on) all organizational stakeholders, including employees. They also become more future-oriented, more proactive, broader in focus (the dysfunctionality of defending one's subfunctional turf becomes clearer), and more willing to take risks.

Obviously, changes of this type can be traumatic for personnel executives, managers, and specialists who are trained and experienced in more traditional ways. Some have found and others are finding it necessary to acquire a whole new set of knowledge and skills (Murphy, 1986).

Priority areas with respect to new knowledge include: an understanding of business and organizational environments -- markets, customers, products, services, finances, structures, and technologies; an appreciation of the

contributions various organizational units are expected to make to broader

business strategies and the major problems and obstacles that those who

manage and operate these units face; a firm enough grasp of major trends

in various components of the external environment -- labor unions,

legislation, and labor markets -- to ascertain their significance for

proposed business or HR strategies; and a thorough enough understanding

of various elements of the internal environment -- ongoing personnel

problems, dominant management values concerning human resources, and

resource restrictions -- to give them just due in the formulation of HR

and functional strategies. In addition, some personnel specialists find

it necessary to broaden their views of the activities they perform and

to develop a fuller appreciation of the ways in which these fit into the

bigger picture.

For those at or near the top it helps to be visionary or, perhaps

more realistically, to develop planning and analytical skills that can

help bring business and HR components together in meaningful ways. (Casual

observation suggests that more than a few personnel executives and managers

have seen their strategic aspirations founder because their planning and

analytical skills were inferior to those of their line counterparts.)

Diagnostic skills are important since quick fixes, gimmicks, and a follow-

the-leader mentality can no longer be relied upon (McLaughlin, 1986).

Other consulting skills also come in handy not only during the formulation

of strategies, but also during their implementation. Another key attribute

(not exactly a skill) is flexibility, since compromises are inevitable;

it is not always easy for personnel people to think in terms of what is

best for the business instead of what is optimal from an HR point of view

(Holder, 1986). And, finally, as the stakes become higher there is a need for a concomitant ability to assess and face up to risks.

Quite clearly, then, much is involved in the shift to the strategic perspective and the stakes are high.

STATE OF THE PRACTICE

Unfortunately, no one knows what proportions of personnel functions or professionals are accomplished, aspiring, or abstaining strategists. Quite clearly, there are some in all three categories. A few, as earlier noted, have completed the transition and some have been operating strategically for years (Burdick, 1986). Many others, the current commotion would suggest, whether eagerly or reluctantly, are struggling with the transition and learning as they go (Hoerr, 1985). Many more are undoubtedly non-starters.

The non-starters probably fall into two categories. The first includes those that are in situations where this is the only rational course of action. It incorporates the functions and professionals, for example, located in organizations dominated by "paper entrepeneurs" whose preoccupation with buying and selling "properties" precludes any interest in operations. And those that are in organizations so engrossed with the here and now that any type of strategic thinking is at best tomorrow's dream.

The rest of the non-starters fall in this group largely of their own volition. Some, it is known, are holding back because they are either unsure of what to do or unsure of their ability to do it. And, so far at least, they have been fortunate enough not to have been called upon

by their managements to play a more strategic role. Many, no doubt, are

persuaded that the call will never come and that the strategy kick, as

so many fads before, will soon lose its luster.

Which way will events go? Will the strategy paradigm continue to

gain momentum and eventually come to dominate the practice and study of

HRM? Or is it, after all, just another passing fancy?

A LOOK AHEAD

A look ahead shows that some forces will continue to push HRM toward

the strategic perspective, while others will have the opposite effect.

The outcome is far from certain, but on balance the former seem to have

the upper hand. The result is likely to be a continuing stream of cautious

forays into strategic HRM which, when combined with the current activity,

may eventually give this paradigm a dominant position within the field.

FORCES FAVORING THE STRATEGIC PERSPECTIVE

On the business side, virtually everyone expects the competitive

pressures that built up during the late seventies and through the eighties

to continue building into the nineties. Protectionist legislation and

reregulation may offer temporary respite for a few firms in selected

industries --the larger steel companies, for example, and the airlines

-- but most of the others will continue to face stiff competition from

a variety of both domestic and foreign companies (Choate and Linger, 1986).

This is true not only in the manufacturing sector where considerable

progress toward global competitiveness has already been made (see, for

example, Treece, 1987), but also in the service sector where the process

is only now beginning (Quinn and Gagnon, 1986).

Restructurings and downsizings are expected to continue, although of necessity they will be fewer in number and, usually, of less massive proportions than those of the past decade (Anonymous, New York Times, 23 August 1987). Freezes and cuts in pay and benefits will continue to tempt hard-pressed employers. But, they will find these measures increasingly difficult to attain and sustain as the backlash against the continuing erosion of living standards intensifies and as serious labor shortages emerge in certain occupations and areas of the country (Bernstein, Anderson and Zellner, 1987; Fullerton and Tschetter, 1983). Many firms, therefore, will be searching for life after the slashing is over and will be in need of slightly more creative ways to attain essential increases in productivity, product and service quality, and organizational innovation and adaptability. Because this process has already worked its way through, or been short-circuited in, a few companies, it is easy to see that, inevitably, these searches will primarily concentrate on some mixture of technology and HRM (Anonymous, Business Week, 13 February 1984; Drucker, 1986).

Technologists will continue to discover, however slowly and painfully, the absolute necessity of dealing with the human side of their systems both in terms of hardware and software design and subsequent installation and operation (Hoerr, et al, 1986; Howard, 1985; Hunt and Hunt, 1983; Pava, 1985; Walton, 1985(a)). But, they, and the managements they serve, will need help here. Further, it will continue to become obvious that some situations simply will not yield to technological solutions (at least in the foreseeable future), and the only answer will lie in better organization

and management and in learning how to use the full capacity of every

employee of every level and type. Help will be needed here, also.

Thus, developments in the business and organizational environments

will simply go on creating a series of critical HR issues that will be

difficult to ignore and unlikely to to yield to traditional piecemeal

solutions. And, in some cases, these will be further complicated by a

couple of already noticeable trends in the external environment.

One, previously alluded to, comes in the form of impending shortages

in certain sectors of the labor market (Bernstein, et al, 1987). Over

the next few years the growth of the labor force will be slowing

significantly. In particular, the number of 16-24 year olds will actually

decline each year between now and 1995 (Fullerton and Tschetter, 1983).

This, of course, means fewer high school and college graduates, exacerbating

already existing shortages in fields such as science and engineering.

It also means that the deficiences in many of our public school systems

will become less easy to ignore. An increasing number of employers,

particularly in potentially high-growth areas such as high tech and some

parts of the service sector (e.g., restaurants, hotels, retail stores,

hospitals, nursing homes, banks, and insurance companies) will find

themselves facing some difficult decisions.

Essentially, they will be choosing between significantly altering

or even abandoning otherwise sound business strategies and taking on

employees they have previously shunned, including some portion of the

million or so youngsters who each year drop out of school or graduate ill-

prepared to do even the simplest tasks (Choate and Linger, 1986). Fair

to say that a good many executives and managers are themselves ill-prepared

to make this choice or to deal with the consequences of pushing ahead. They will need, and perhaps even want, help in coming to grips with the issues involved.

The second complication emanating from the external environment, more limited in its effect, emerges from a significant shift in strategy among some labor unions. A few, most notably the trend-setting United Auto Workers, have been, and will continue to, use their clout to wedge themselves into the strategy and policy-making nexus of the companies with which they deal (Kochan, et al, 1986). This has two effects. First, it forces a more systematic approach to strategy-making than otherwise would be the case. And second, it necessarily complicates this process, making it more difficult to forge workable business and, particularly, supporting HR strategies (Bernstein and Zellner, 1987; Schlesinger, 1987). Witness, for example, the well-publicized events within General Motors' Saturn project. This area represents the "frontier" of labor-management relations (Kochan, et al, 1986, p. 17) and it will not yield to traditional solutions.

The accumulation of these business, organizational, and environmental pressures, of course, does not assure the emergence of carefully considered HR strategies. There are, after all, some powerful forces pushing in other directions.

FORCES RETARDING THE STRATEGIC PERSPECTIVE

Probably the most powerful of the countervailing forces is top management. The easy nuts, one assumes, have been cracked; the rest undoubtedly neither know of nor have any reason to think they need HR strategy. Some (the "paper entrepeneurs") have little or no interest in

operations, others have what they perceive to be more pressing problems, and still others feel no more obligation to employees than to provide today's job today. All will be hard sells. Even when HR issues cannot be avoided, many will simply activate their well-fed addictions to the quick fix.

It is unlikely that many of these executives and managers will encounter a groundswell of countermanding forces from within their organizations. In most cases, this would have to come from their personnel functions, and, as previously noted, many personnel executives and managers now lack, and do not appear to be developing, the knowledge, skills, and risk-taking propensity that this would require.

And this hesitancy cannot be considered totally baseless. While the virtues of the strategic approach are thoroughly extolled in the advocacy literature, with only a few exceptions (see, for example, DeBejer and Milkovich [1985]), the supportive empirical evidence consists entirely of a small number of anecdotal case studies (most of which have been cited herein). Theorists and researchers are a long way from demonstrating beyond even a reasonable doubt that the potential rewards of this approach to HRM are worth the considerable costs involved. This, too, is an inhibiting factor.

Another has to do with anticipated developments in the legal arena. A backlash is building as a result of the human costs of the economic restructuring that has already occurred and the relative inaction of the Reagan administration. Congress, backed by organized labor, is beginning to generate a spate of new legislation and even some interest in enforcement (Hughey, 1987), to go with the continuing initiatives from the states and

the courts. While much of the impending action is unlikely to have strategic consequences (save perhaps plant closing legislation), it will probably provide a convenient and comfortable diversion for personnel practitioners who are otherwise disinclined to move further into business issues or all the way into HR strategy.

THE LIKELY OUTCOME

What is the likely outcome of all this pulling and tugging? The pioneers and their early camp-followers will continue to forge ahead, and those that learn to turn HRM to a competitive advantage will find themselves far ahead. The pressure will continue to build on many of the others, particularly in the service sector, as intensifying competitive pressures continue to expose the high costs of HR mismanagement, the initial knee-jerk reactions prove to be inadequate, and the successes of the leading-edge companies receive even greater publicity. Under this pressure, or in anticipation of it, a larger number of personnel professionals will become familiar with the precepts of strategic HRM and the result will be an ongoing wave of cautious experimentation with strategy that conceivably might, at its height, reach half the medium-sized and larger organizations in the country.

Because of the continuing need to become cost competitive (and the drying up of the downsizing and pay cut options), much of this experimentation will focus on traditional concepts of productivity. But, since the U.S. can hardly aspire to being the low cost producer of much of anything, most businesses will be forced, as many already have been, into business strategies focusing on product or service differentiation

(in extreme cases, for example, there may even be some service forthcoming from the service sector) and/or niche marketing. Thus, productivity will have to mean much more than simply efficiency.

As a result, there will be a need for management to define employee contributions increasingly in terms of innovativeness, creativity, spontaneity, and flexibility. Organizational structures and even technologies will become increasingly malleable and flexible, as will the utilization of employees (Choate and Linger, 1986; Reich, 1983; Piore and Sabel, 1984). There will be a much greater use of "disposable employees" (Pollock and Bernstein, 1986). Traditional organizational expectations of employee commitment and loyalty will continue to be rethought (as will traditional employee expectations of organizational commitment and loyalty, a process some say is already underway as a result of the massive cutbacks and layoffs that have occurred).

All of these changes hold great potential for creating a monumental backlash among employees and, ultimately, society. Modest signs of this are already evident in the current legislative and legal developments previously noted and in some of the recent successes of the labor movement (Kotlowitz, 1987). How far all this goes will depend on two things: First, on how successful businesses are in generating competitiveness and profitability (there is a genuine reluctance to annoy, let alone stick, a golden goose no matter how offensive) and second, the quality of the actions employers take to offset the negative aspects of restructuring and recalibrating. In brief, much depends on the ability of HR professionals to help generate and implement high quality HR strategies.

Consultants and academics, attracted by the glitter if not the gold, can be expected to follow -- and attempt to act on -- these developments with great interest and, indeed, gusto. As a result, professional journals and magazines will take on even more of a strategic hue (thus feeding the nascent applications). As consensus begins to emerge, textbooks will come to be organized around one or another of a small number of strategic perspectives. Useful research results will begin to emerge. And for a while, maybe even a long while, strategy may well provide the dominant and integrative paradigm that has thus far eluded the practice and study of HRM.

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Figure 1

MODEL OF STRATEGIC HUMAN RESOURCE MANAGEMENT

Figure 2
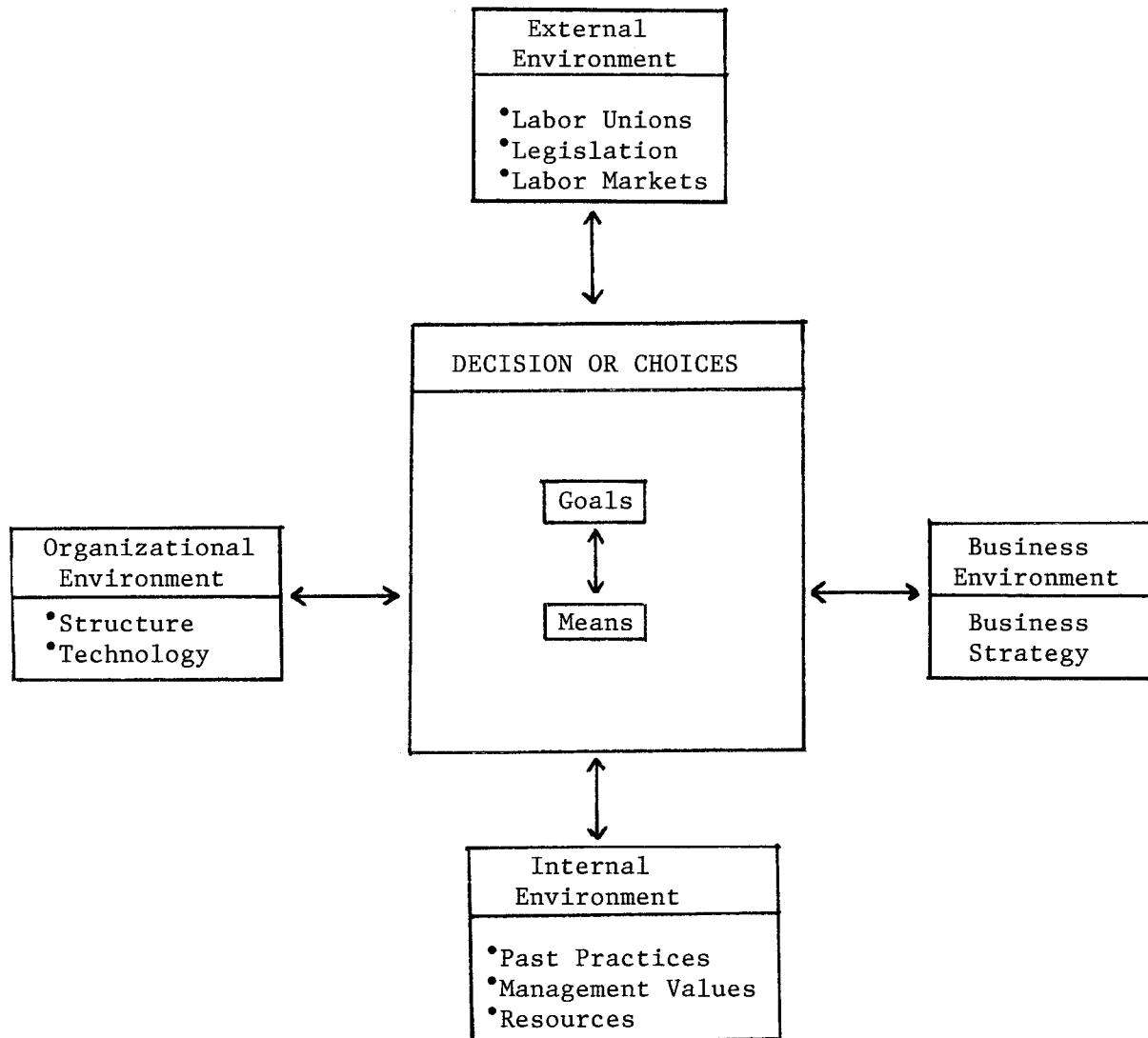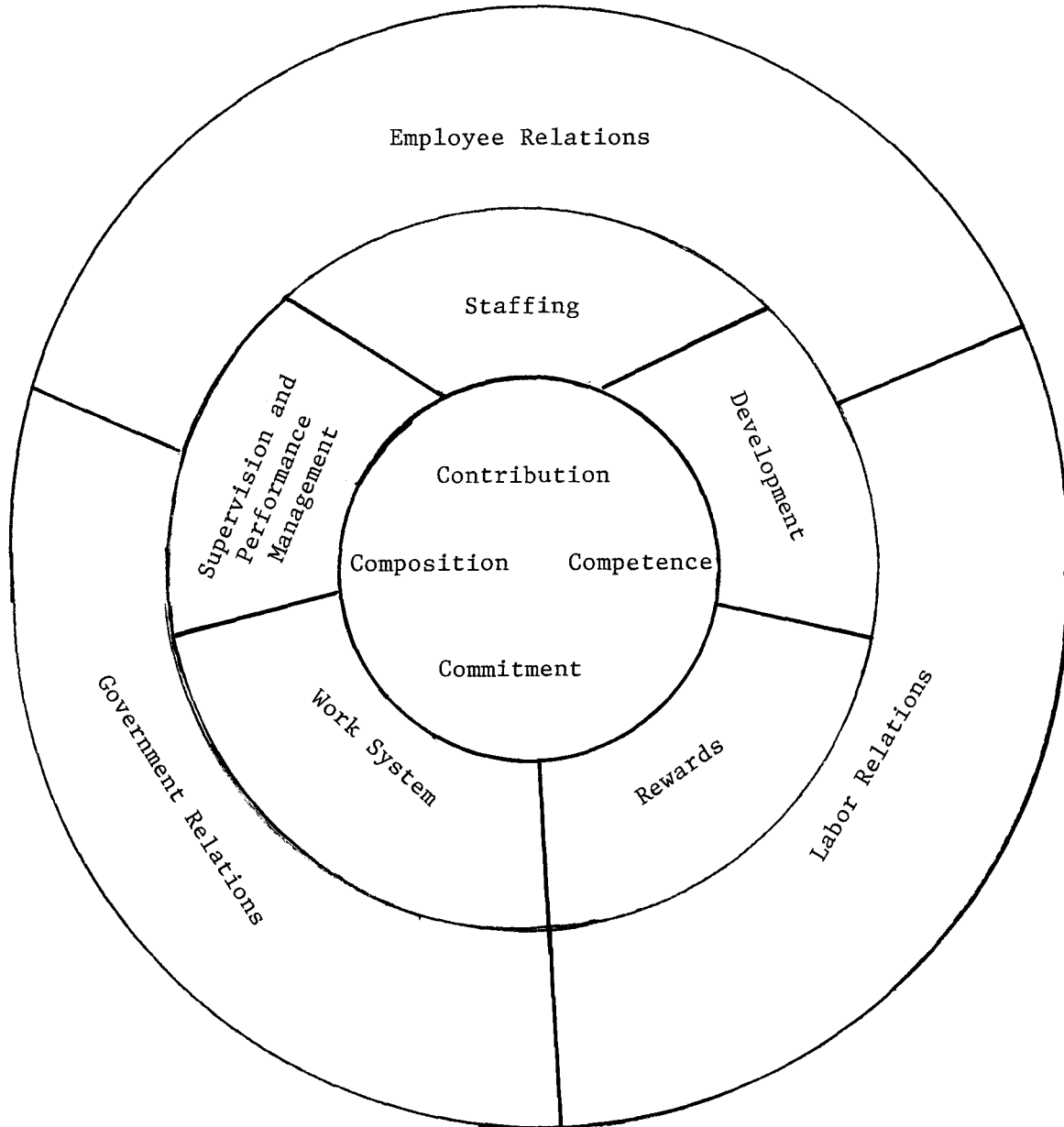
COMPONENTS OF A HUMAN RESOURCE STRATEGY

Employee Relations

Staffing

Supervision and
Performance
Management

Development

Contribution

Composition   Competence

Commitment

Work System

Rewards

Government Relations

Labor Relations

EXHIBIT 1

HUMAN RESOURCE STRATEGY

GOALS

CONTRIBUTION: Refers to an organization's individual or group behavior and performance goals. Some organizations seek little more than reliable role behavior (coming to work on time and doing what is assigned), while others attempt to attain a modicum of initiative, creativity and flexibility, and still others expect a high degree of innovative, creative and even spontaneous behavior and flexibility (Katz and Kahn). In any of these situations, performance expectations may rank from relatively modest to very high.

COMPOSITION: Refers to an organization's headcount, staffing ratio, and skill mix goals. At any given point, some organizations choose to run fat, others lean; some attempt to staff up, others down; some try to enhance staff groups, others to pare them; some seek to increase the ratio of (say) engineers to technicians, others to decrease it.

COMPETENCE: Refers to the general level of ability an organization wishes to attain among various groups of employees. Some attempt to attain only the barest minimum required by the jobs at hand, others a close match between ability and job requirements, and still others a work force that is generally overqualified.

COMMITMENT: Refers to the general level of employee attachment sought and the degree of identification with organization goals desired. Some seek only a casual attachment of a strictly instrumental (work for outcomes) nature, others a moderate degree of attachment based on both instrumental and emotional ties, and still others a high degree of attachment and a nearly total identification with the organization and/or its goals.

EXHIBIT 2

HUMAN RESOURCE STRATEGY

MEANS

STAFFING: The process of matching people with jobs. Involves the use of
both external and internal staffing mechanisms. Some policy issues involve
the relative amount of emphasis to be put on external and internal staffing,
the stringency of selection standards, the amount of effort to be put into
career management, and whether or not layoffs are to be used when cutbacks
are called for.

DEVELOPEMENT: The process of enhancing the knowledge, skills, and abilities
of employees. Some policy issues involve the amount of emphasis to be put
on development and the choice of means to do that which will be done (e.g.,
on or off the job).

REWARDS: The process of paying employees or providing them with special
forms of rcognition. Some policy issues involve the general level of pay to
be offered, the steepness of pay structure(s), the bases for determining pay
(e.g., seniority or merit), and the types and levels of benefits to be
provided.

WORK SYSTEM: The process of designing jobs and workplaces. Some policy issues
involve whether employees are to work primarily individually or in teams,
whether jobs or team assignments are to be narrow or broad (enriched), and the
degree of control employees are to exercise over the work.

SUPERVISION AND PERFORMANCE MANAGEMENT: The process of directing and evalua-
ting the work of others. Some policy issue involve the amount of emphasis to
be placed on supervision (vs. self-management), the closeness of the super-
vision to be provided, and the role of supervisors (e.g., director, supporter,
facilitator).

EMPLOYEEE RELATIONS: The process of providing support to employees. Four
areas are involved: communication, voice (avenues for upward communication),
due process (means of redressing grievances), and employee assistance (for
such things as alcohol and drug abuse, family problems, etc.). Since these
are all pretty much optional (in nonunion settings), a major policy issue in-
volves whether to do them at all. If this is affirmative, others involve ex-
tensiveness and types of activities.

LABOR RELATIONS: The process of dealing with unions or the threat of unioni-
zation where present. In the former case, some policy issues involve the
nature of the relationship to seek with the union(s) (e.g., adversarial or
cooperative) and how much cooperative behavior to engage in outside the formal
bargaining relationship. In the latter, the major policy issue involves the
amount of effort to put into staying nonunion.

GOVERNMENT RELATIONS: The process of dealing with governmental regulators
and, where necessary, the courts. Some policy issues involve the amount of
effort to put into complying with existing legislation and regulations (e.g.,
non-compliance, basic compliance, over-compliance [model citizen]) and how
much to put into lobbying to affect existing or proposed legislation and
regulations.

EXHIBIT 3

ENVIRONMENT

ENVIRONMENTAL CONDITION	HR STRATEGY		
	INDUCEMENT	INVESTMENT	INVOLVEMENT
•Business Strategy	•Based on Price and/or Quality	•Based on Differentiation: Quality, Features, Service, etc.	•Based on Innovation, Flexibility
•Organizational Structure	•Flat, Centralized	•Tall, Centralized	•Flat, Decentralized, many Task Forces, Small Units
•Technology	•Traditional, Evolutionay Change	•Modern, Somewhat Rapid Change	•Varies
•Labor Supply	•Adequate	•Somewhat Tight	•Somewhat Tight
•Legislation			
•Labor Unions	•Sometimes	•Hardly Even	•Sometimes
•Mgmt Philosophy	•Much Attention to HR (Cost)	•Much Attention to HR, Paternalistic	•Much Attention to HR, Theory Y
•Resources for HR	•Low	•High	•Intermediate

EXHIBIT 4

GOALS

GOALS	HR STRATEGY		
	INDUCEMENT	INVESTMENT	INVOLVEMENT
•Contribution	•Some Initiative and Creativity, Very High Performance Standards, Modest Flexibility	•High Initiative and Creativity, High Performance Standards, Some Flexibility	•Very High Initiative and Creativity, High Performance Expectations, High Flexibility
•Composition	•Lean Headcount (Core and Buffer), Low Skill Mix, Minimal Staffs	•Comfortable Headcount (Core and Buffer), High Skill Mix, Moderate Staffs	•Comfortable Headcounts (Core and Buffer), High Skill MIx, Minimal Staffs
•Competence	•Adequate	•High	•Very High
•Commitment	•High, Instrumental	•High, Identification with Company	•High, Identification with Work and Company

EXHIBIT 5

MEANS

MEANS	HR STRATEGY		
	INDUCEMENT	INVESTMENT	INVOLVEMENT
•Staffing	•Careful Selection, few Career Options, Use of Temps, (Minimal Layoffs)	*Careful Selection, Extensive Career Development, Some Flex, Minimal (or no) Layoffs	•Careful Selection, Some Career Development, Much Flex, Minimal (or no) Layoffs
•Development	•Minimal	*Extensive, Continuous Learning	*Extensive, Continuous Learning
•Rewards	*Flat Structure, High-Variable, Piece-Rate Profit Sharing, Minimal Benefits	•Tall Structure, Competitive-Fixed, Job Based, Merit, Many Benefits	•Flat Structure, High-Partially Variable, Skill-Based, Gain-Sharing, Flex Benefits
•Work System	•Narrow Jobs, Employee Paced, Individualized	•Broad Jobs, Employee Initiative, Some Groups	*Enriched Jobs, Self-Managed Work Teams
•Supervision	•Minimal, Directive	•Extensive, Supportive	*Minimal, Facilitative
•Ee Relations	•Some Communication, Some Voice, Egalitarian	*Much Communication, High Voice, High Due Process, High Ee Assistance	•Much Communication, High Voice, Some Due Process, Some Ee Assistance, Egalitarian
•Labor Relations	•Union Avoidance, or Conflict	•Non-Issue	•Union Avoidance, and or Cooperative
•Govt. Relations	•Compliance	*Over-Compliance	•Compliance

*Indicates priority program areas.

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