A Strategic Management Approach to Human Resource Management
A Diagnostic HRM Framework

- Can help operating managers focus on a set of relevant factors
- Offers a map that aids a person in seeing the whole picture or parts of the picture
Diagnostic Model for Human Resource Management

Diagnose
Prescribe
Implement
Evaluate

External Environmental Influences

Internal Environmental Influences

Human Resource Processes

Acquiring Human Resources
Rewarding Human Resources
Developing Human Resources
Maintaining and Protecting Human Resources

Focus of each process is on people and results

Desirable End Results

Socially responsible and ethical practices
Competitive, high quality products
Competitive, high quality services
How to Take a Diagnostic Approach to HRM

1. Diagnosis
2. Prescription
3. Implementation
4. Evaluation
External Environmental Influences

- Government
  - requirements
  - regulations
  - laws
- The Union
- Economic Conditions
  - domestic
  - International
- Competitiveness
- Work Sector of the Organization
  - private sector
  - public sector
  - third sector
- Composition and Diversity of the Labor Force
- Geographic Location of the Organization
HRM Activities That Can Enhance and Sustain Competitive Advantage

1. Employment security
2. Selectivity in recruiting
3. High wages
4. Incentive pay
5. Employee ownership
6. Information sharing
7. Participation and empowerment
8. Teams and job redesign
9. Training as skill development
10. Cross-utilization and cross training
11. Symbolic egalitarianism
HRM Activities That Can Enhance and Sustain Competitive Advantage

12. Wage compression
13. Promotion from within
14. Long-term perspective
15. Measurement of practices
16. Overarching philosophy
Internal Environmental Influences

- Strategy
- Goals
- Organization culture
- Nature of the task (job)
- Work group
- Leader’s style and experience
Key Factors in the Nature of the Task (Job):

- Degree of knowledge and ability to use information technology
- Degree of empowerment
- Degree of physical exertion required
- Degree of environmental unpleasantness
- Physical location of work
Key Factors in the Nature of the Task (Job):

- Time dimension of work
- Human interaction on the job
- Degree of variety in the task
- Task identity
- Task differences and job design
Three Levels of Strategy

Strategic
(long term)

Managerial
(medium term)

Operational
(short term)
<table>
<thead>
<tr>
<th>LEVEL</th>
<th>Employee Selection and Placement</th>
<th>Rewards (Pay and Benefits)</th>
<th>Appraisal</th>
<th>Development</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic (long term)</td>
<td>Specify the characteristics of people needed to run business over long term</td>
<td>Establish reward program that will be competitive with domestic and international competitors</td>
<td>Determine the level type of performance crucial for the growth of the firm</td>
<td>Plan development experiences for staff</td>
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<td></td>
<td>Examine labor force trends</td>
<td>Establish reward system that is linked to strategic goals</td>
<td>Develop equitable performance criteria</td>
<td>Plan development program with flexibility necessary to adjust to change</td>
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<td>Analyze immigration flows into the country</td>
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<td>Link appraisal to accomplishment of long-term objectives</td>
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<tr>
<td>Managerial (medium term)</td>
<td>Make longitudinal validation of selection criteria</td>
<td>Set up five-year compensation progression plan for individuals</td>
<td>Validate systems that relate current conditions and future needs</td>
<td>Establish general management development program</td>
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<td>Develop recruitment marketing plan</td>
<td>Set up cafeteria-type benefits menu</td>
<td>Establish assessment centers for development</td>
<td>Provide for organizational development</td>
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<td>Develop approach to build labor resource pool</td>
<td>Set up retirement packages</td>
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<td>Encourage self-development</td>
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## Human Resource Activities by Level of Strategy

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</thead>
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<tr>
<td><strong>Operational</strong></td>
<td>Prepare staffing plans</td>
<td>Administer wage and salary program</td>
<td>Use annual or more frequent appraisal system</td>
<td>Use specific job-skill training</td>
</tr>
<tr>
<td>(short term)</td>
<td>Prepare recruitment plans</td>
<td>Administer benefits packages</td>
<td>Use day-to-day performance review systems</td>
<td>Use on-the-job training</td>
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<tr>
<td></td>
<td>Review performance of workers daily</td>
<td></td>
<td></td>
<td>Use Web-based training on a 24/7 basis</td>
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Strategic Challenges Facing HRM

- Caliber of the Workforce
- Organizational Restructuring and Downsizing
- Diversity: Building A Competitive Workforce
- Contingent Workers
Trends of the Technology Revolution

1. Growth in knowledge needs
2. Shift in human competencies
3. Global market connection
4. Business streamlining
5. Rapid response
6. Quicker innovation
7. Quality improvement
8. Industrial Revolution
# People and the HRM Diagnostic Framework

<table>
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<tr>
<th>Abilities of Employees</th>
<th>Employees’ Attitudes and Preferences</th>
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<td>Motivation of Employees</td>
<td>Personality of Employees</td>
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Desirable End Results

- Organizational effectiveness is critically influenced by human resource (HR) management practices.
- Changes in staffing, training, and compensation form an integral part of a coordinated change effort.
- HR management systems must be in alignment with other management systems.
A sound HRM program can contribute to organizational end results.

Before choosing an HRM program, the diagnostic approach suggests examining:

- the nature of employees
- the external environmental influences
- the internal environmental influences
- organizational factors
Summary

- HRM has become a strategic area
  - now recognized as important in creating and implementing the overall strategies of a firm
- Organizational factors must be taken into account to maximize the effectiveness of HRM
- The work sector in which the organization operates is a key factor on management systems and the HRM function