

Whitepaper

Strategy Models

How Human Resources can link business objectives to HR deliverables



CourageousHR works with HR leaders and Communities to identify their distinctive contribution and then make it, both culturally and operationally, an organisational reality.

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Strategy Models: How Human Resources can link business objectives to HR deliverables

Despite popular acceptance within the HR profession and much research, there remains little awareness and agreement as to what a 'strategy' actually is, let alone how it can (or should) be linked to delivering business value.

'Strategy' and 'strategic' are much misused words. The purpose of this Whitepaper is to set out some common strategic models and demonstrate how they can be linked to HR Deliverables.

Context

While there are many definitions of strategy, a practical one is *"the pattern or plan that integrates an organisation's major goals, policies and action sequences into a cohesive whole"* (Quinn).

A strategy can occur at different levels within an organisation e.g. corporate, business and function; as well as apply to different and often cross-level groupings e.g. geographical.

The purpose of a strategy is to *"...help marshal and allocate an organisation's resources into a unique and viable posture based on its relative internal competencies and shortcomings, anticipated changes in the environment, and contingent moves by intelligent opponents"* (Quinn). In other words, a strategy can

- Provide a roadmap to the future
- Articulate an organisation's direction
- Create a benchmark to assess alternatives and prioritise resources
- Provide a measure of success
- Create a psychological sense of purpose for employees

Strategic Models

While there are hundreds of different strategic models – it is the second most popular management topic after Leadership – two academically well supported models that CourageousHR use are the Product Life Cycle and Strategic Focus approaches. They both fall under the contingent school, that is they seek to explain and guide strategy dependent upon certain factors holding true, as opposed to 'best practice' models which seek to hold true in all circumstance that organisations might find themselves. The two models below, in CourageousHR's experience, provide a balance of;

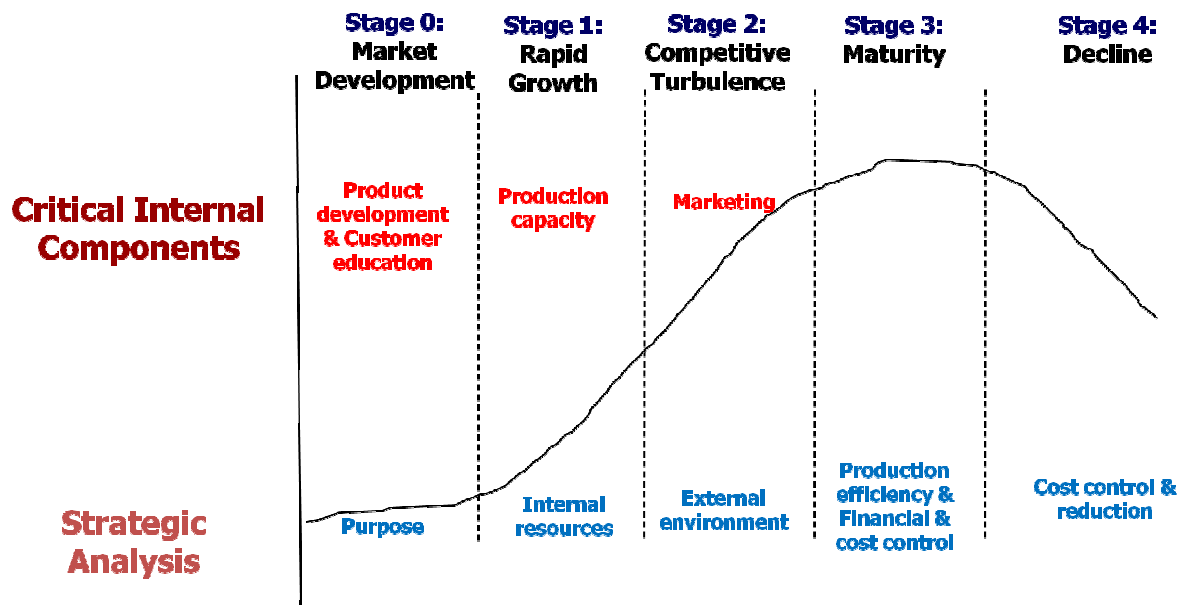
- Simplicity, which enables their use with audiences that have a variety of strategic knowledge
- Insightfulness, which provides for understanding of both an organisations existing and potential strategy, as well as how tensions are created within an organisation of a number of different businesses
- Practicality, which enables agreement to be turned into actions
- Common business language, which allows audiences from different cultures and backgrounds to communicate in a common language

- Academic support to ensure the concept is well grounded.

However, their use must always be tempered by the recognition that any organisation of any significant size is both themselves complex and typically work in complex environments. The purpose of such strategic models is therefore to support management decision making and not lead to a 'perfect' answer.

Product Life Cycle (PLC) Model

Taken from well established marketing concepts around the development and maturity of products, the PLC model suggests that organisations will develop and evolve from their creation to maturity and potential decline in a logical way. The model can be best expressed in the diagram shown below;



In this model the terms 'product' and 'organisation' are interchangeable. However, many organisations will have multiple products, potentially at different stages of their life cycle, and therefore you have to be careful when using this model to ensure that terms are both understood and kept consistent.

The PLC Model suggests that products/services and organisations will evolve out of recognition of a potential customer need and the first stage (stage zero) is therefore to understand and develop that latent market. The key strategic goal is to therefore define the product/services purpose in order to develop and educate the market as quickly as possible.

The second stage is to take advantage of the newly developed market before competitors enter it (at stage two) and maximise profits by taking advantage of the organisations ability to charge higher prices (due to no competitors). The emphasis is therefore on producing as many products or services as possible.

Stage two sees the entry of competitors (attracted by your high profits) and the strategic focus is therefore to keep a close watch on the marketplace to ensure competitors development efforts are matched or exceeded by your own.

The third stage, maturity, sees you and your competitors selling similar products with little new development. The strategic focus becomes one of efficiency i.e. maximising profits by reducing the costs of selling.

The final stage (stage four) sees the organisation overtaken by new competitors offering superior products, forcing the organisation to either reinvent itself (by returning to stage zero/one), combining with another organisation or closing down.

The powerful impact for HR of undertaking an analysis of an organisation using the PLC model is that it is very easy to link each stage to specific People actions.

People Deliverables *	Start Up	Growth	Maturity	Decline
Recruitment, selection & staffing	■ Attract best technical / professional talent	■ Recruit adequate numbers & mix of qualified workers. Manage rapid internal labour market movements.	■ Encourage sufficient turnover to minimise redundancies & provide new openings. Encourage mobility and shift jobs around	■ Plan & implement redundancies & reallocation
Compensation & benefits	■ Meet or exceed market rates to attract talent	■ Meet external market but consider internal equity effects. Establish formal compensation structures	■ Control compensation	■ Tighter cost control
Employee training & development	■ Define future skill requirements & begin establishing career ladders	■ Mould an effective mgmt team though development & organisational development	■ Maintain flexibility & skills of an aging workforce	■ Implement retraining & career consulting services
Labour / employee relations	■ Set basic employee relations philosophy & organisation	■ Maintain labour peace & employee motivation & morale	■ Control labour costs & maintain labour peace. Improve productivity	■ Maintain peace

* See K Legge for further details.

CourageousHR like the PLC strategic model because it uses concepts that many managers will already know (or will easily pick up) and is therefore easy to explain; it helps explain why different businesses at different PLC stages within the same organisation require different types of support from HR; and it is an easy leap to think about the People implications at each life stage.

Strategic Focus Model

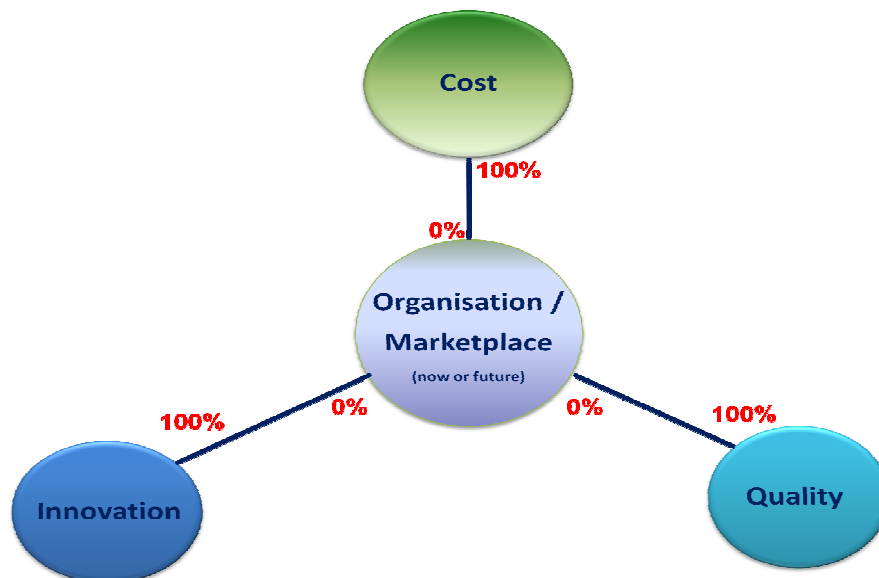
While there are many derivatives of the Strategic Focus Model, at CourageousHR we recommend the simplest. Essentially, the model suggests that an organisation can create and maintain a competitive advantage only by making its primary focus either (high) quality, (low) cost or (high) innovation.

While each of these terms is relative to its specific competitive marketplace and all organisations will pay some attention to all three areas, the model suggests that continued success will only come to an organisation when it differentiates itself from its competitors on one of the three axes.

The model also suggests that an organisation should not try to focus on all three axes e.g. innovative focused organisations need to spend money on risky R&D (therefore high costs) and create products and services which (due to the desire to get to market quickly) do not have high quality built in. If an organisation tries to focus on all three areas, they will be at risk from competitors who are better at any one axis and therefore able to differentiate themselves from the market.

The model can capture both existing and future organisational strategies, as well as competitor's strategies (and therefore potential gap analysis). As well, by using percentages e.g. the three axes are rated out of 100% in total, many management teams feel that the model is 'quantitative'.

The model can be captured diagrammatically as seen below;



For HR professionals who are new to the area of strategy, the strategic focus model is very easy to facilitate, requiring only a flip chart and a quick explanation to get a management team started. It also tends to generate multiple opinions!

Like the PLC model, the Strategic Focus Model lends itself to clear people interventions.

Strategy	Employee Role Behaviour	People Policies
Innovation	<ul style="list-style-type: none"> ■ High degree of creative behaviour ■ Longer term focus ■ Relatively high level of cooperation, interdependent behaviour ■ Moderate degree of concern for quality ■ Moderate concern for quantity ■ Equal degree of concern for process & results ■ Greater degree of risk taking ■ High tolerance of ambiguity & unpredictability 	<ul style="list-style-type: none"> ■ Jobs that require close interaction & coordination among groups of individuals ■ Performance appraisals more likely to reflect longer term & group-based achievements ■ Jobs that allow employees to develop skills that can be used in other positions in the firm ■ Compensation systems that emphasise internal equity rather than external or market-based equity ■ Broad career paths to reinforce the development of a broad range of skills
Quality Enhancement	<ul style="list-style-type: none"> ■ Relatively repetitive & predictable behaviours ■ More long term or intermediate focus ■ Moderate amount of cooperative, interdependent behaviour ■ High concern for quality ■ Modest concern for quality of output ■ High concern for process ■ Low risk-taking activity ■ Commitment to the goals of the organisation 	<ul style="list-style-type: none"> ■ Relatively fixed & explicit job descriptions ■ High levels of employee participation in decisions relevant to immediate work conditions & the job itself ■ Mix of individual & group criteria for performance appraisal that is mostly short term & results orientated ■ Relatively egalitarian treatment of employees & some guarantees of employment security ■ Extensive & continuous training & development if employees
Cost Reduction	<ul style="list-style-type: none"> ■ Relatively repetitive & predictable behaviour ■ Rather short-term focus ■ Primarily autonomous or individual activity ■ Moderate concern for quality ■ High concern for process ■ Low risk-taking activity ■ Commitment to the goals of the organisation 	<ul style="list-style-type: none"> ■ Relatively fixed & explicit job descriptions that allow little room for ambiguity ■ Narrowly designed jobs & narrowly defined career paths that encourage specialisation, expertise & efficiency ■ Short-term results orientated performance appraisals ■ Close monitoring of market pay levels for use in making compensation decisions ■ Minimal levels of employee training & development

* See K Legge for further details.

Like the PLC Model, CourageousHR like the Strategic Focus Model because it uses concepts that many managers will already know (or will easily pick up) and is therefore easy to explain; it helps explain why different businesses with different strategic focuses within the same organisation require different types of support from HR; and it is an easy leap to think about the People implications at each life stage. There is an added advantage to this model in that it allows for easy competitor analysis as well.

Summary

'Strategy' and 'strategic' are much misused words. This Whitepaper set out to show two common strategic models and demonstrate how they can be linked to HR Deliverables.

'Being strategic' is, like any other organisational skill, something that can be developed in individuals. The success of HR professionals and HR Communities is both recognising the development opportunity and addressing any deficiencies.

About CourageousHR

At CourageousHR we work with HR Professionals like you to help you create innovative people solutions and courageously apply them. We help you to bridge the gap between academic vision and consulting rhetoric to guide and inspire you and your HR Community to move from being 'followers' to leaders.

Our passion and thinking comes from our experiences, research and a belief that 'tomorrow doesn't have to be the same as today'. Our reach is global and we happily work with clients throughout the world and across a wide range of industries