HUMAN RESOURCE STRATEGY - AN INTEGRATIVE APPROACH

by

EARNEST WILLIAM DEAVERPORT, JR.

B.S., Mississippi State University (1960)

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Signature of Author

Alfred P. Sloan School of Management
April 30, 1985

Certified by

Arnoldo C. Hax
Thesis Supervisor

Accepted by

Alan F. White
Director of Executive Education
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ABSTRACT

Formulation of human resource strategy and its integration with the overall strategy of the firm, has become increasingly important as businesses attempt to break the spiraling decline of productivity growth in the U. S.

This study addressed three aspects of this issue.

1. "State-of-art" human resource formulation methodology is explored both through a review of published literature and interviews with three major U. S. corporations.

2. Major human resource issues which firms must address strategically during the next decade are identified and discussed.

3. A methodology is developed to provide a conceptual framework useful in formulating human resource strategy and insuring integration with overall business and corporate strategy.

The findings of the study clearly indicate that executives consider human resource strategy as crucial to the firm's success. However, significant differences exist between line and staff, and between corporate, business, and functional levels, with regard to how human resource strategy is formulated, who has primary responsibility, and how to insure that human resource strategy is fully integrated into the firm's strategic direction. Finally, this study makes recommendations which should provide firms with a concept of the essential elements of a well integrated human resource strategy.

Thesis Supervisor: Arnoldo C. Hax
Title: Professor of Management
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CHAPTER I

INTRODUCTION

Background

"We always seem to have the right people for last year's strategy" - Vice President, Human Resources, equipment manufacturer. This statement represents a dilemma found by many corporate executives and managers of business units. With increased emphasis during the past decade on development of strategic plans for business units and corporations, brilliant strategies integrated with congruent organizational structures have been developed. Sadly, too frequently, these brilliant plans and organizations have failed miserably during the implementation phase because of the lack of the right people with the correct skills to carry out the chosen strategy. (Stonich, 1982, p. 67).

In a recent survey of a sample drawn from the Fortune 500 industrials, only 20 percent of the senior planning and the senior personnel executives responded that human resource considerations had a substantial impact on strategy formulations. But more alarming, only 51 percent thought they should be instrumental in shaping strategic decisions. (Fombrun and Tichy, 1982, p. 321).
Fombrun and Tichy (1982) suggest that the problem may be due to the strategies of American business throughout the post-war boom, (1946 - 1970). Too many corporations relied on strategies that exploited existing technology and neglected longer-term investments. This was especially true in the manufacturing sector of many major industries, such as steel and automobiles, where plant and equipment did not keep pace with emerging technologies. Neglect in the human resource base of the firm was especially manifest during this period, with executives clearly focused on short-term profit and activities to achieve it.

In the past several years, there has been a reversal, with a trend toward longer range planning. This reversal is due in large part to the intense competition given United States firms by Japanese industries. Many U.S. companies have tried to emulate their Japanese competitors by adopting Japanese practices, such as consensus management, quality management, and a sense of focusing on the long-term health of the firm.

W. Edward Deming (1982), the internationally renowned consultant, whose work led Japanese industry into new principles of management and revolutionized their quality and productivity, states:
"Failure of management to plan for the future and to foresee problems has caused waste of manpower, of materials, and of machine-time, all of which raise the manufacturer's cost and the price that the purchaser must pay.

"Emphasis has been on short-term profit, to the undernourishment of plans that might generate new products and services that would keep the company alive.

"The basic cause of sickness in American industry is failure of top management to manage.

"Long-term commitment to new learning and new philosophy is required of any management that seeks to improve ----

"Performance of management is no longer measured by the quarterly dividend ----"

With this increased emphasis on long-term strategic planning has come the rude awakening that "strategy formulation" without "strategy implementation" is artificial. As Fombrun and Tichy (1982, p. 322) state:

"Sound strategy formulation must from the onset include implementation in the early interactions of the planning process. Nowhere is this artificial separation of formulation and implementation more common and more dangerous than with regard to human resource issues. People are too often the implicit part of the plan, the unknown factor."
Pioneers in the field make human resource strategy a central part of, or key input to, their long-range strategy, rather than letting human resource strategy become a residual or an outcome of other strategic thrusts. (Skinner, 1981, p. 114).

**Human Resources - A Current Look**

"As we assess our strategic positioning in relation to the anticipated environment of the 80s, human resource capacity more than financial capacity lies on the critical path to meeting our business objectives in the years ahead." Alan F. Lafley, Executive Vice President of Human Resources for Chase Manhattan Bank. (Boruck and Lafley, 1984, p. 76).

"Jack eats, sleeps, and lives the people equation." Senior Executive concerning John F. Welch, Jr., Chairman and CEO of General Electric. (Friedman and LeVino, 1984, p. 187).

"It may well be that the organizations who learn to deal successfully with their human resource problems will dominate their industries in the next decade. ----Those that fail to do so may not survive." (Fombrun, Tichy, and DeVanna, 1984, p. 273).

"When we introduced the concept of resource planning, the manager we found who was most likely not to have a meaningful voice in the formulation of the business plan was the human resource manager." Senior Vice President of Corporate Relations. (Fombrun, 1984, p. 436).
"Farsighted managers are recognizing the crucial role of human resources management as the United States moves further into the complex and changing world of a high-technology, service-based economy."

(Miles and Snow, 1984, p. 36).

"Planning, to human resource professionals is still a numbers game and not seen as an integrated strategic activity which will help create the human and work culture needed to drive organization success and excellence." (Metz, 1984, p. 29).

"Human resource planning is as vital to the enterprise as planning the procurement and utilization of finances, material, capital equipment, and market resources.----without the right people in the right jobs at the right time, any of the vital management processes can become so inefficient as to threaten the existence of the organization." (French, 1978, p. 218).

"The evidence seems to indicate, however, that in many corporations, human resources are underutilized and underemployed. ---- Given the relative sophistication in the management of financial and other resources, human resources may offer the best opportunity for management to improve competitiveness." (Beer, et al., 1984, p. viii).

"Treating people not money, machines, or minds as the natural resource may be the key to it all." (Peters and Waterman, 1982).

These quotes from scholars and business executives, all within the past couple of years, indicate the emphasis being assigned to the human resources of today's organization. The overriding theme is that human resources must demand equity with other resources such
as marketing, manufacturing, finance, etc., if U. S. business is to remain competitive in the emerging global market for goods and services. The emphasis is on the planning process, to ensure the most effective use of a resource that is predicted to become critically scarce within the next decade.

In my personal experience, as a company division President for the past several years, I have been intimately involved in participating in and guiding the strategic planning process of a major group comprising several Strategic Business Units. Significant efforts were directed at segmenting the group into proper SBU's, establishing the overall mission of the businesses, integrating this mission with the corporate strategic thrusts, doing an internal and external scan of the industries and businesses, and finally formulating both broad and specific business strategies. It seems we were very careful to make sure all external and internal factors had been reviewed and that we had positioned our industries and businesses properly. Much attention was given to the proper allocation of resources such as manufacturing capacities, research and development funds, and strategic capital funds. In other words, we could be confident that these type resources matched and were sufficient to implement our formulated strategies.
Looking back, it is now apparent that we must have made an implicit assumption concerning "human resources." This assumption was that proper human resources would be available at the precise time needed in order to implement strategies and achieve the resulting benefits. Implicit in this assumption was that managers are managers, regardless of the strategies they are managing. Also implicit was that personnel, both professional and operational, would be available in sufficient quantity and quality to meet all strategic goals.

It is easy to understand now, that these type assumptions can lead to the artificial separation of formulation and implementation referred to earlier. In companies, such as my own, which place such value on "people as their most important asset," it is difficult to understand how human resource strategy can be so readily overlooked as an integral part of overall business and corporate strategies.

What we have implied is the necessity of human resource strategy in implementing overall corporate and business strategies. In any organization, people are the implementers. Most important, people with the proper skills, abilities, and training are required to implement strategy. When strategies vary within an organization because of diversities of businesses, the importance of having the right people in the right place at the right time is even more crucial.
In addition to planning for people in correct numbers with proper skills, abilities, and training, it is equally important to have people with congruent attitudes and cultures. Skinner contends:

"Acquiring and developing the right talents for the business as it changes strategy, technology, and products requires more shrewd, wise, long-range planning than any other corporate endeavor. Companies can usually replace or rebuild technology, physical facilities, products, markets, or business systems in three to five years. But how long does it take to change attitudes of 1,000 employees with an average age, let's assume, of 40, and with 10 years of seniority?" (Skinner, 1981, p. 111).

---

Human Resources and Strategy

A Conceptual View

"But most important, an effective planning process must be responsive to the individual talents and capabilities that reside in the organization, to the personal aspirations of its members, to the organizational style and corporate values, and to long held beliefs and traditions ---- (Hax and Majluf, 1984, p. 1).

After discussing "planning" as a subject, and pointing out that "there is no such thing as an effective unique way to plan, authors Hax and Majluf conclude with the statement above. Careful examination of this statement reveals that employees, individuals,
people, persons, or, as we will refer to them, "human resources," are central to the very core of an effective strategic planning process for any organization or firm. Competitive advantages gained from the development of human resources can be more valuable and longer lasting than those gained from capital resources. (Analog Devices, 1984, p. 62).

"The essence of planning is to organize, in a disciplined way, the major tasks that the firm has to address to maintain an operational efficiency in its existing businesses and to guide the organization into a new and better future." (Hax and Majluf, 1984, p. 1).

The essence of strategy is to achieve a long-term sustainable advantage over the firm's competitors. Therefore, "strategic planning" can be defined as a process of organizing the major tasks that a firm must address in order to achieve a long-term sustainable advantage over its competitors. Note that key words in the definition are process, major, must, long-term, sustainable, and competitors. These are terms which distinguish strategic planning from operational or managerial planning.

First, the word "process" emphasizes that strategic planning is an ongoing activity. (i.e. process, as opposed to a finalized plan or document which is static.) Because strategic planning reduces to
specific action programs which are influenced by both external and internal environments, it is mandatory that strategic planning be a "process," constantly changing to reflect both the external and internal environments influencing the firm. The majority of managers interviewed, during research for this thesis, emphasized the value of the process of human resources strategic planning, as compared to the plan itself. (See Chapter V).

Second, the term "major" emphasizes that strategic planning focuses on the major critical issues, as opposed to the vast array of tasks which comprise the total activity of the firm. These major tasks are closely tied to and support "critical success factors," those factors which, by definition, are essential to achieving this long-term sustainable advantage over competitors.

Third, the term "must" is closely related to the notion of "critical success factors." "Must" denotes the mandatory nature of these tasks and their importance to successful strategy implementation. Essential or critical tasks are not optional, if the firm is to succeed in the overall process of strategy implementation. As we will see later, this is a major driving force behind the assignment of specific responsibilities for "functional" strategy formulation, such as human resources.
Fourth, "long-term" is key to strategic planning. Formulation of strategy involves developing goals and objectives, translating into broad action plans, and formulating specific action programs for the future. Because of the time element and the specific thrust of strategic planning, these goals, objectives, plans, and programs must focus on the future. Normally, this time focus is five to ten years, but may be different depending on the strategy required. Realistically, shorter range (3 - 5 years) goals and action programs are better defined because of the accuracy of the assumptions and forecasts for both external and internal environmental factors. Generally, however, human resource strategies must look beyond this time period since people recruitment, selection, and development takes much longer than the acquisition of materials and plants. The "long-term" nature of strategic planning is closely allied with the "process" concept, in that strategic thinking is an ongoing process, adjusting and readjusting goals, objectives, plans, programs, and assumptions. This feature of strategic planning requires prudence and expertise in building into strategic plans flexibility, so that as the process evolves over time, implementation action plans can be readily adapted as necessary. This requirement has major implications in the area of human resource planning, because of the long-term nature of most human resource programs. Most executives now recognize that a long-term business perspective also means a long-term view of people. (Friedman and LeVino, 1984, p. 198).
Fifth, the term "sustainable" is a vital concept and requirement of any strategic thinking or planning process. Strategic planning is not designed to accomplish a certain level of performance for an instant or a given period of time, but rather implies a level of performance which can and will be sustained over a long period of time. This does not imply that many of the specific action programs are not designed to accomplish specific goals or objectives, but rather infers that the cumulative outcome of all the specific goals and objectives will accomplish the overall goals of a "long-term sustainable" advantage. Again, "sustentation" is closely allied to "long-term," which in turn related to the "process" nature of strategy formulation. Human resource strategy formulation must be vitally concerned with this "sustainable concept". Since the acquisition of human resources as an asset is a type of contract for an extended time period (40 plus years is not uncommon), the part of human resource strategy that deals with sustaining the productivity and viability of these resources over time is of the utmost importance.

Finally, the definition of strategic planning would be incomplete without inclusion of a "benchmark" against which to measure. This long-term advantage is to be measured vis-a-vis the firm's competitors. In strategy formulation, "competitors" may vary, depending on the particular strategic process. For example,
specific businesses (SBU's) may identify external competitors, which may be different from what the firm or corporation as a whole might identify as its major competitors. This is particularly true of diversified companies such as Eastman Kodak Company, who might consider Fuji as a major competitor for the photographic segment of the corporation, while the business unit of the Chemicals Division, that markets plastic resins for beverage bottles, would identify Goodyear Tire and Rubber Company as a major competitor. Competitors are also different when competing for resources on the open market. This is true for major raw materials and is especially true for human resources. Firms are competing with firms in entirely different businesses when recruiting technical, managerial, and operating personnel. Strategy designed for retention of human resources may identify yet other competitors which must be considered. Regardless of whether strategy is being formulated for the firm, its business units, or its functional parts, strategic plans should always be aimed at gaining a long-term sustainable advantage over identified competitors. Of course, for the firm as a whole, this may be a rather complex collection of corporate, business, and functional competitors.
Human Resource – A Lagging Strategy

Human resource planning has been a function of management since the origins of modern industrial organization. Economist Alfred Marshall observed in 1890 that:

"The head of a business must assure himself that his managers, clerks, and foremen are the right men for their work and are doing their job well." (Walker, 1980, p. 5).

Principles such as division of labor, specialization, organization of management into levels, work simplification, and application of standards for selecting employees and measuring their performance were applied early in industrial management. Therefore, planning for staffing of work to be done is not a recent notion, although the techniques introduced and emphasized have varied from period to period, based on the conditions and events of the particular time and the emphasis of the period. For example, emphasis on participative management, career management, and affirmative action programs would not have been in vogue during the first half of the century, whereas today these are recognized as principal thrusts in any human resource planning process. Again, we have observed a shift from focus on the hourly production worker, to improving the lagging productivity of the massive "white collar" force prevalent in industry today.
During the 1970s, terms such as manpower planning and personnel gave way to the term "human resources." This term implies a scope broader than merely supply - demand balancing or quantitative forecasting. The new term shifted attention from these parts of the process, while still recognizing their importance, to the more comprehensive view of the "human resource planning process" encompassing both needs forecasting and program planning. Programs designed to deal with issues such as women's rights, reverse discrimination, career counseling, mid-life crisis, quality of work life, and lagging productivity represent just a few of the many areas encompassed in the "human resource" movement. This term also emphasizes the positive view of personnel as a basic corporate resource to be managed utilizing the most advanced methodologies available. (Walker, 1980, pp. 5 - 9).

Fombrun and Tichy use human resources in its broad context, referring not only to the flow of people within an organization, including recruiting, selecting, promoting, terminating, and retiring, but also to all programs normally included under industrial relations and/or employee relations. Included are functions such as training, development, benefits, compensation, rewards, employee participation programs, organizational development, etc. Conceptually, human resources can be defined in three levels; the operational, managerial, and strategic roles. (Devanna, et al., 1984, p. 43).
The operational level merely serves as a retriever of information. The human resource function houses all data files on employees, such as performance evaluations, skills inventory, education, medical, etc.

The managerial level of human resources monitors the strategic business plans of the firm and develops projections of human resource needs and concerns. Programs are developed and managed to assist in the implementation of the overall corporate strategy.

At the strategic level, human resources would be on a par with finance, marketing, and manufacturing in directly participating in the formulation of the strategic directions of the company. These three roles are shown in Figure 1, together with a time, resource requirements, and organizational impact perspective.

Although much has been written concerning "human resource" planning methodologies, with several examples cited in Chapter III, the state of the art seems to be lacking a straightforward methodology for human resource strategy formulation that adequately integrates human resource planning throughout all levels of an organization. The three levels of an organization where strategy formulation must occur, proposed by HaX and Majluf and discussed in
FIGURE 1
THREE LEVELS OF ACTIVITY FOR BUSINESS AND HUMAN RESOURCE FUNCTIONS

<table>
<thead>
<tr>
<th>Business Functions</th>
<th>Time Horizon</th>
<th>Resources Required</th>
<th>Organizational Impact</th>
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<tr>
<td></td>
<td>Long-run</td>
<td>Large quantity</td>
<td>High</td>
</tr>
<tr>
<td>Strategic level</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• What business(es) is</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>the organization in</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Identification of</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>major priorities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Specifying major</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>programs and policies</td>
<td></td>
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| Managerial level        |              |                    |                       |
| • Strategy sets the     |              |                    |                       |
| parameters              |              |                    |                       |
| • Acquisition of        |              |                    |                       |
| resources               |              |                    |                       |

| Operational level       |              |                    |                       |
| Day-to-day execution of | Short-run    | Small quantity      | Low                   |
| tasks                   |              |                    |                       |

| Human Resource Functions|              |                    |                       |
|-------------------------|              |                    |                       |
| Strategic level         |              |                    |                       |
| • What people are needed|              |                    |                       |
| to run future businesses|              |                    |                       |
| • Policies and programs |              |                    |                       |
| for long-term human     |              |                    |                       |
| resources fit world     |              |                    |                       |
| conditions and          |              |                    |                       |
| organization strategy   |              |                    |                       |

| Managerial level        |              |                    |                       |
| Having effective human  |              |                    |                       |
| resources function for  |              |                    |                       |
| acquisition, retention, |              |                    |                       |
| and development of      |              |                    |                       |
| people within           |              |                    |                       |
| strategic umbrella      |              |                    |                       |

| Operational level       |              |                    |                       |
| Daily support of        |              |                    |                       |
| business with human     |              |                    |                       |
| side of the organization|              |                    |                       |

(Devanna, et al. 1984, p.43)
detail in Chapter III are:

The Corporate Level
The Business Level
The Functional Level

During my 20 years as a manager at the business and functional levels, I observed human resource strategy formulation (when it was done), to lag business strategy and to be an afterthought of the planning process, rather than an integral part of overall strategic planning for the business unit and the firm.
Miles and Snow state that the development of human resources management systems has tended to lag behind developments in strategy and structure. This, they contend, can be explained, in part, by the fact that in most organizations the demand for human resources derives from strategic business considerations. It has been rare for human resource planners to act (or be allowed to act) strategically. Seldom are they allowed to participate proactively in the planning process by conceptualizing and helping to design organizations that tap the full complement of human capabilities, while supporting — if not driving — the formulation of new business strategies. (Miles and Snow, 1984, p. 50).

Another reason for the lagging nature of human resource planning surfaced during an interview by the author with a manager of human resources of a large manufacturing organization. He reasoned that in the past, when competitive pressures were low and profit margin comfortably high, organizations could afford to maintain an abundance of human resources, possessing a varied mix of skills, talents, and abilities. In essence, human resources were abundant and not a real strategic concern. He continued by stating that today, however, human resources might well be the resource that demands keener strategic analysis than any other the firm may have.
This thesis attempts to develop a methodology useful in formulating human resources strategy, which is an integral supporting part of the entire strategic plan of the firm. The methodology will provide direction to insure that as human resource strategy is formulated at each level, proper linkages are developed between the various levels, so that the overall corporate strategy includes those specific action programs which maximize the effectiveness of human resources as a major asset of the firm.

The study will address four related issues.

1. Is human resource strategy formulation viewed as a major concern within the framework of overall corporate strategic planning?

2. What is "state of the art" methodology for developing human resource strategy and providing linkages of this strategy with that of the entire firm?

3. What are the critical human resource issues that U.S. firms must address strategically, to insure the long-term health of the corporation?
4. What recommended methodology for planning will properly position human resource strategy formulation within the overall corporate planning process?

Each of these issues will be explored by reviewing the available literature, my own thoughts based on approximately twenty years as a manager of businesses, functions, and their related strategies, and an in-depth study, by interviews and questionnaires with officers and managers of three major U. S. corporations.

The interviews and questionnaires are designed to obtain information from both line and human resource managers at three distinct levels in the corporation; corporate, business unit, and functional. They focus on human resource strategy formulation at each level, with particular emphasis on the elements of the planning process and the degree of integration with the corporate, business, and functional strategic plans. Specific information was gathered to determine how the firms insure linkage and congruency between the human resource strategies at the various levels.

Finally, conclusions are drawn from a comparison of the methodology developed from the literature review and business experience, with that actually observed from the interview/
questionnaire process. The study concludes with recommendations concerning how firms can improve the integration of human resource strategy formulation with the overall strategy of the firm, thereby insuring that human resource issues properly influence and respond to the strategic direction of the firm.
CHAPTER II

HUMAN RESOURCE ISSUES OF THE 1980s AND 1990s

Overview

Managing personnel as a major resource of the firm during the remainder of the 1980s and into the 1990s will necessitate the recognition that issues requiring strategic thinking change with the nature and complexity of our society, the world, technology, and human aspirations. Programs designed to maximize the effectiveness of human resources in the 1960s and 1970s will, in most part, be inadequate to compete in the last 15 years of this century.

Richard Kaumeyer, a Senior Vice President of a management consulting firm, asks and suggests:

"Why is this? The United States is changing as we are going from an industrial society to what many are now calling a post industrial society. We are importing manufactured goods at an ever increasing rate. Our exports are now increasingly becoming products in areas of technology and communications. We are in the process of becoming a service oriented society. People or human resources are at the center of this activity. Items such as plant, equipment, materials, etc. are not as important in this equation. It is the human resource that comes to the forefront." (Kaumeyer, 1984, Preface)
Edmund Metz suggests another reason new human resource programs are needed when he talks about a fundamental shift in business purpose toward providing social/economic stability rather than the primary purpose of economic and material growth. He states: "People are not here to serve institutions; people create institutions to serve people. Then, who is the master?" (Metz, 1984, p. 29)

Edward Giblin contends that the human resources function has often been caught unaware by major social, political, and economic changes and has thus by and large been a reactive process. He states, however:

"As we approach the midpoint of the decade, several society changes are already affecting business and will have an even greater impact in the next few years. These changes -- all of which affect human resources -- pose a major challenge to its function." (Giblin, 1984, p. 1)

The major issues, which will require strategic thinking and planning in human resources, can be broadly classified as coming from four arenas. These are: (1) the economic, (2) the social, (3) the legal/governmental, and (4) the global areas. Fombrun (1984) identifies four sectors from which environmental trends will surface. These are:
1. **Technological Sector:** The set of established technologies used in the production of goods and services; the rate and locus of innovation in products and processes.

2. **Economic Sector:** The costs of the factors of production and their impact on the market system; the leading indicators of the macroeconomy.

3. **Sociocultural Sector:** The changing values and attitudes within society and in particular the labor force.

4. **Political Sector:** The influence of the controlling overlayer, its manifestation in the social system; the nature of societal decision making.

From each of these sectors or arenas emerge many issues which will be important in the next decade. (See Figure 2.) This chapter will focus on those issues which are considered critical with respect to human resource management for the next decade, from a strategic viewpoint.

**Job Security/Lifetime Employment**

Lifetime employment, or some version of job security, recently became a major issue in labor negotiations during 1984. (Fortune, 15 November, 1984.) The movement was certainly influenced by the large U.S. unemployment in the automobile industry, during the 1982-83 recession, and by the fact (or notion) that Japanese
FIGURE 2

Human Resource Strategy Formulation and Implementation

Economic Sector
- Wage Rates
- Productivity Decline
- Product Quality
- Benefit Packages
- Rising Medical Costs
- Lifetime Employment
- Scarcities in Natural Resources
- Stagflation
- Reward Systems
- Part-time Labor
- Acquisitions
- Union issues

Technological Sector
- Factory Automation
- Robotics
- Computers
- Office Automation
- Shorter Product Life Cycles
- Skills Obsolescence
- Knowledge Obsolescence
- Retraining
- Information Age
- Reward Systems
- Reduced Middle Management

Global Sector
- Growing Imports
- World Markets
- Joint Ventures
- Currency Value
- Cultural Differences
- Labor Cost Differences
- Off-shore Manufacturing
- Increased Competitiveness
- 3rd World Competitors
- Protectionism
- Management Development

Socio-Cultural Sector
- Changing Values
- Leisure Time
- Professional Unionization
- Retraining Programs
- Lifetime Employment
- Reduced Middle Management
- Unemployed and Families
- Unemployables
- Underemployed
- Shift from Manufacturing to Service Economy
- White Collar Expansion
- Demographics of Baby Boom
- Women, Minorities, Handicapped, Aged
- Education Level Increase
- Quality of Life
- Cultural Evolution
- Career Counseling
- Employee Voice
- Reward Systems
- Increased Life Expectancy

Political and Legal Sector
- Women and Minorities
- Handicapped and Aged
- Guaranteed Job Security
- Antitrust Issues
- Environmental Issues
- Labor Laws
- Industrial Policy
- Inflation
- Tax Burden
- Concern for Equality
- Wealth
- Opportunity
- Jobs
- Rights
- Welfare Burden
- Comparable Worth
industries are successful because of their human resource policies, of which lifetime employment has been singled out.

The trend toward shifting the burden of human welfare from the public to the private sector is yet another factor causing employment security to emerge as a major human resource issue. Corporate, as well as business strategies, must reckon with this trend and find ways to turn it into a benefit for the firm, rather than a cost burden. The fact that many large U.S. industrial firms, such as IBM and Hewlett-Packard, have operated for many years with essentially a lifetime employment policy indicates these issues can be resolved. (Beer, et al., 1984, p. 100).

Lifetime employment has implications for human resource strategy in areas of recruitment, training, career development, personal and family counseling, and quality of work life, to name a few. In essence, human resource strategy must address the challenge of maximizing the effectiveness of an individual over a period of 40 years. Because individuals, and the environment they must function within, change drastically over a time period of this magnitude, successful firms will be those employing innovative and unique techniques in assisting individuals in their career development. Training and retraining will become a lifelong process. Getting out of school and going to work, never to return to school, will be a
thing of the past. Education, at the adult level, will become one of the largest industries. Human resource planning will be called on to measure the needs and identify areas for retraining. (Kraumeyer, 1984, pp. 37 – 38).

Employee Voice

Concerning employee participation, (Jain and Murray, 1984) state:

"Probably one of the most consistent findings coming out of behavioral science research over the past 30 to 40 years has been that employees, on average, will experience greater motivation to produce --- in terms of both quantity and quality --- if they have a say in decisions affecting their work lives. Such participation gives them the feeling of being a valued and trusted member of the organization."

Employee participation or employee voice is another major issue human resource strategy must address. This movement, which actually started in the 1970s, has gained momentum as technology has progressed. Employees are better educated than their predecessors and, therefore, are demanding a greater voice, not only in the manner in which they perform their jobs, but also in the areas of
how the company is managed. Employee ownership of companies (ESOP) and union representation on Board of Directors will increase. Employee teams, working without formal supervision, will foster a work force freed from the tedium of supervision and oriented to coordination, organization, and planning. (Fombrun, 1984, p. 3). Distinctions between blue collar, white collar, and management will decrease and in many firms (particularly nonunion there will be no differences in benefits, incentives, and recognition. Fombrun states:

"Where managerial attention in the first half of the twentieth century was focused on the problems of managing a blue collar labor force, where unionization had its strongest appeal, the managerial concerns of the year 2000 are the problems of motivating and rewarding a highly professional and educated group of workers. In the next 10 to 20 years, these problems will be particularly exacerbated in the United States by the burgeoning of the ranks of the 28-45 year cohort, the coming of age of the post-World War II baby boom. Thus, in 1990 there will be an estimated 60 million workers of promotion age compared to only 39 million in 1975. (Fombrun, 1984, p. 8).

Beer, et al. (1984) suggest that employee influence is represented by the stake employees have in the company. This stake divides into three parts:

1. **Employees' economic stake:** This is the fraction of the economic pie that goes to them as wages and benefits rather than to the owners.
2. **Employees' psychological stake:** This is the dignity accorded the individual by management's policies and practices. Also included is the status one has as a factory employee, as a supervisor, as a division controller and the amount of intrinsic satisfaction an employee derives from their work.

3. **Employees' political stake:** This political stake involves the rights of an employee. Implicitly, if not explicitly, the employment relationship involves a contract in which an employee accepts a truncated set of political rights. The question is how truncated? Reflecting job security views espoused by society today, many employees view employment itself as a right rather than a privilege. (Beer, et al., 1984, pp. 39 - 40).

Regardless of its form, employee influence, voice, and/or participation is reality which is here to stay. The challenge to management is to recognize the unlimited opportunities this trend affords the organization and to develop plans which effectively utilize these untapped resources. I suggest that a good beginning
would be to involve employees at all levels in formulating the strategies concerning how to best maximize these resources.

Technology

Technology, which has brought great change to the work place in the past half century, will change at such an unbelievable rate that employees will become obsolete in very short time periods. This will be true for plant operators, office workers, and managers alike. The introduction of computers and their use in information processing and communication have already obsoleted many workers, while simultaneously creating new jobs requiring different skills and knowledge. Information technology will increase the organization's ability to decentralize decisions, probably resulting in less personal interaction and more isolation for workers. (Fombrun, 1984, p. 5).

The emergence of robotics, particularly in the auto and related industries, is a direct response to concerns over the declining productivity of labor; particularly the goods producing sector of the economy. Displacement of workers by robots is a traumatic event, particularly to older and/or less educated workers. Human resource strategy must address these issues. Fombrun states:
"As the dynamic of cost-minimization and competitiveness drives further automation into the fundamental work process of society, the reactions of displaced labor, whether fired or retrained, or of unemployed workers and their families, are likely to provoke or support social unrest and political militancy. As society struggles with these problems, organizations will probably be asked to play a new role in the retooling of workers, in maintaining motivation, managing psychological strife, and reshaping decision-making for the information age." (Fombrun, 1984, p. 5 - 6).

The issue of technology has yet another facet that impacts human resource planning. Not only will human resources have to adapt to the rapidly changing technologies invading the work place, but strategic planning must also recognize the long lead times required to bring technical innovations through research and development to commercialization. Metz states:

"For technological leadership in world markets, the strategic planning period for research and development is 10 to 15 years, therefore, it seems more appropriate to view five years as appropriate 'tactical' plans." (Metz, 1094, p. 20).

Human resource planning must grapple with the investment of human resources over these extremely long time periods. Questions concerning developing, purchasing, and/or acquiring technology for the firm are interwoven closely with human resource planning.
No one will argue that technical innovation is occurring exponentially and will continue to have a profound effect on the human resource needs and concerns of the firm. While union issues, technical obsolescence, and uninformed management may slow its advance in some industries, prudent management will recognize its strategic significance and formulate human resource plans designed to capture its full value.

**Political and Legal**

Political and legal issues continue to have far reaching strategic implications for human resource management. The continuing concern for social and economic equity will reinforce existing and prompt new regulations regarding the treatment of special groups with regard to employment, training, promotion, terminations, retirement, etc. Affirmative action programs, while articulating noble goals, thereby forecasting the day such specific programs will no longer be necessary, have for the most part, fallen far short in the implementation phase. Human resource strategies must be more creative in designing programs to facilitate female and minority representation at all levels of management in the organization. Designing jobs for the handicapped and the increasing number of elderly individuals (now 20 percent of the population in 50 - 75 age group) in the work force, pose special human resource challenges. Giblin (1984) states:
"But increased pressures from older workers and minorities will be only the tip of the iceberg. America's true majority - women - is coming into its own. It is inconceivable that the business community will maintain the status quo in terms of women in the work place much longer. ---No single issue threatens more to affect business, and the human resources function, than that of comparable worth. (Giblin, 1984, pp. 2 - 8).

As union membership continues to decline as a percent of the work force, employees and society will look more toward the political and government regulatory systems to provide safeguards for their rights. These concerns will be manifest as increased regulations in the areas of safety, wage and hour, guaranteed employment, benefit packages, and environmental protection.

In the last several years, business and labor leaders, politicians, analysts, and writers have become advocates of a "National Industrial Policy," a phrase with many meanings.

"To some it means simply that the United States should put more effort and resources into general policies to promote growth, innovation, and labor market adjustment. Such policies might include retraining and relocation of dislocated workers. To others the phrase suggests greater government involvement in planning and carrying out strategies for industrial change. They envision a government agency (or perhaps a tripartite body representing business, labor and government) that would design a new industrial structure and allocate capital and other forms of assistance to industries and companies picked for special treatment (and special obligations)." (Lawrence, et al., 1984, p. 133 - 134).
Regardless of which group is correct, it is safe to assume, that as all U.S. businesses become more global in nature and as foreign competitors include governments as well as firms, increased coalition, in some form, between business and government will occur. When it does, human resources will undoubtedly be a major issue in policy formulation.

Union Issues

While union strength in the U. S. private sector has declined from a peak of 35 percent of the work force in the 1960s to only 15.3 percent of the work force today, this does not signal the demise of unionism and collective bargaining in the U.S. (New York Times, 8 February 1985). The recent devastating loss of membership, political clout, and public approval is forcing union leaders to consider changes in the way unions operate that were previously unthinkable. A recent study, by Harvard University economist, James L. Medoff, commissioned by the AFL-CIO to study labor's dilemma indicated a greater openness to new ideas than in the past. (Business Week, 17 December, 1984).
Human resource strategy takes different perspectives on union issues, depending on whether the firm is currently unionized and expects to remain so, or whether the firm is nonunion and desires to maintain its nonunion status. Beer, et al. (1984) concludes that by and large, the companies that are today totally or predominately nonunion intend to stay that way. They further suggest that large nonunion companies, such as Delta Airlines, Eastman Kodak Company, IBM, and Gillette, have remained nonunion, largely because of responsive human resource policies and practices. (Beer, et al., 1984, p. 56). This suggests that a strategy to remain nonunion must address both these programs and practices, which have been successful in the past, as well as focus on areas of vulnerability. These areas may be external or internal to the firm. External trends suggested by Medoff in his report to a major national union include:

"• Union should focus organizing campaigns on companies or units with fewer than 50 employees, particularly in the financial, insurance, real estate, and retail trade"

• Unions should de-emphasize the 'monopoly face'—that is wage demands that are viewed publicly as 'inflationary' and 'self serving,' and concentrate on the issue of 'employee voice' on 'employee participation' which has greater public appeal"

• Unions should concentrate on special groups such as women, blacks, and younger employees in small companies.

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• Unions should concentrate on the fast growing white collar work force.

• Unions should encourage and help establish nonunion trade or employee associations across occupational boundaries, because associations contain seeds for future unionism." (Business Week, 17 December, 1984, p. 35).

Given that unions heed Medoff's advice, a firm's human resource strategy must address these issues. Decisions on acquisitions, divisionalization of existing organizations, structure of new compensation and reward systems, affirmative action efforts, and employee participation programs are examples of the areas of human resource management which will influence the union-free status of the firm. Firms who intend to remain nonunion, must be proactive rather than reactive in their human resource policies. This proactive approach is possible only if firms strategically view human resource issues as pertinent to every business and corporate decision.
In general, there are two opposing trends on the part of companies that currently are partly or predominately unionized. On the one hand, a growing number of managements are attempting to structure a closer partnership with their unions. This involves accepting as legitimate the unions role in a larger set of enterprise issues. Conversely, a smaller number of companies are trying to decertify the unions whenever possible. Both sets of policy objectives are rationalized in terms of increasing the competitiveness of the company through an increase in operational flexibility and a decrease in disruptive conflict.

Efforts by those companies seeking a close partnership with their unions, have been primarily focused on employee participation efforts. Glen Watts, President of the Communication Workers of America (CWA) believes that the time has come for unions to insist upon influence over the quality of working life for their members. Watts stated, "Our members were expressing concern about things that went well beyond wages and benefits." (Beer, et al., 1984, p. 57). The term "quality of work life" (QWL), was coined in an international conference in 1972 and has gained institutional status as the UAW and General Motors used it as the umbrella concept for work reforms they would sponsor jointly, including participative problem solving groups and comprehensive redesigned work systems. (Beer, et al., 1984, p. 166). This supposedly cooperative movement
is not without its problems for the firm, since:

"The majority of unions have not endorsed QWL, while the AFL-CIO's top leadership has expressed, at best, guarded optimism. Those who do favor QWL programs insist that they should be established only with union presence and involvement. QWL in a nonunion setting becomes, in their view, a paternalistic 'gift' that can easily be taken back. Says Glenn Watts of the CWA, without a union 'bosses will never give up the idea of being a boss.' Still, some union leaders see cooperation as a sellout, 'getting in bed with management.' Others feel that their role as sole protector of the rights of workers is threatened. Still others find old adversarial patterns and ways of thinking and behaving hard to break." (Beer, et al., 1984, pp. 172 – 173).

A recent article in Business Week (24 December, 1984, p. 69) indicates a more optimistic outlook as it discussed the new cooperative attitude.

"In the face of extreme adversity, unions are beginning to adopt a radically new role. Labor is combining an entrepreneurial spirit with collective action and thrusting itself into decision-making areas that management had always jealously guarded. This nascent trend is turning into one of the most important changes in labor-management relations in decades."
Examples are cited of Ford Motor Company and General Motors Corporation agreeing (even proposing) with the United Auto Workers to jointly set up "new ventures" funds with which the union and management working together will launch "nontraditional" businesses to keep workers employed and increase profits. Eastern Airlines, now 25 percent owned by the employees, also has three unions represented on the Board of Directors, taking part in decisions on scheduling, capital expenditures, pricing, and human resources. United Steel Workers President, Lynn R. Williams, states:

"By combining union participation in decision-making at all levels of the corporation, with the "entrepreneurial urge," unions and corporations could inject a new dynamism and new creativity into our whole society." (Business Week, 24 December, 1984, p. 69).

While many see this cooperative initiative as a passing fad, brought on by concessions both unions and corporations had to make during the recent recession of 1982 - 1983, many, including this author, see this change as fundamental, signaling a new era in union/management relations. General Motors Industrial Relations Vice President, Alfred S. Warren, expresses a realistic view when he states, "It's obvious in the kind of competitive world we find ourselves in, that unless we put together joint, united programs we aren't going to solve our problem." (Business Week, 24 December, 1984, p. 70). Further, it is obvious that this trend, among
unionized companies, towards joint management of the company, has far reaching implications for traditional human resource programs and will alter significantly human resource strategy formulation, methodology, and implementation techniques. Unionized companies whose strategy is to remain unionized, would do well to recognize this movement as permanent and design strategies which will capture the full synergy of this effort.

Productivity and Quality

Perhaps no other movement since work simplification and mass production has swept American industry like the recent frenzy of productivity and quality improvement efforts. Dr. Joseph Juran, one of the leaders of this movement, is quoted as having said:

"What is happening out there is unprecedented. I've been in this type work for over 50 years, and in all those previous decades, you could count on two hands the number of U. S. companies where the top management team - the Chairman, the President, and the Vice-President - asked me to meet with them. [But in the past three years] I've had more than 100 top-level meetings." (Business Week, 1 November 1982, p. 66).
Philip B. Crosby, the author of a widely read book, *Quality Is Free* (1979), established and runs a quality training institute in Winter Park, Florida, known as the "Quality College." Thousands of U. S. businesses have participated in this training, attempting to reestablish the quality reputation of U. S. goods and services, which was, for the most part, lost to foreign competition between 1960 and 1980. Crosby's message depicted in the title of his book, is that "Quality is not only free, it is an honest-to-everything profit maker." (Crosby, Philip B., 1979, p. 1). Juran, Deming, and Crosby all propose that productivity is a product of emphasis on quality. The two are inseparable. To successfully implement quality and productivity improvements requires a focus on the "people side" of the business, i.e., human resources. People's skills, attitudes, management styles, and philosophies must be changed. Paul Tippett, Chairman and CEO of American Motors Corporation, in discussing Japan's economic recovery since World War II as perhaps the greatest economic success story of our time, says: "The key to Japan's productivity is a matter or incorporating state-of-the-art technology with a pragmatic attitude of worker-management cooperation." (Tippett, Paul, 1984, p. xv).

A further indication of the magnitude of this movement can be found in the Quality of Work Life (QWL) programs, previously discussed under union issues and in an unprecedented move by
Westinghouse Corporation in 1980 in establishing an executive position of Vice President of Corporate Productivity and Quality and the creation of a Productivity and Quality Center (staffed with 300 full time employees), devoted exclusively to improving productivity and quality. The philosophy behind Westinghouse's strategy as described by Thomas Murrin, a Westinghouse executive:

"Our greatest resource is our people. Treat them with respect, challenge their intelligence, appeal to their innate sense of quality -- in short, encourage their full participation in your business and Productivity and Quality Improvement will likely result." (Borucki and Childs, 1984, p. 391).

Peters and Waterman (1982, p. 238) in their discussion of the "excellent companies" states:

"Treat them (people) -- not capital spending and automation -- as the primary source of productivity gains. In other words, if you want productivity and the financial reward that goes with it, you must treat your workers as your most important asset."

In describing the Productivity and Quality program at Westinghouse, Borucki and Childs (1984, pp. 395 - 396) state:

"The essence of the program is the slow and tedious process of accomplishing a cultural change within a large conservative company. A corporatewide, people-intensive program of this caliber and scope necessarily has implications for human resource
management. Human resources is now operating strategically in the identification, evaluation, training and development, and selection of appropriate individuals for placement both within-group and within outlying business units. By realigning the focus of human resources to one supportive of strategic objectives, a significant mechanism for facilitating the 'cultural' shift is now in place."

From all evidence, the productivity and quality movement, which is sweeping the U. S., is here to stay. Many industries have been involved with these programs long enough to reap the anticipated benefits. A good example is the automobile industry, whose products several years ago rated an all time low compared with foreign producers. An article published in USA Today states that seventeen of twenty highest ranked automobiles are USA-made, while only seven of thirteen lowest ranked were USA-made. Most surprising was that in the subcompact group, a class won hands-down by Japanese producers in the past, Ford Motor Company's subcompacts captured two of three "best" ratings. (USA Today, 4 February 1985).

The success of the productivity and quality movement in the U.S. is directly dependent on the ability to manage human resources in an innovative fashion. Virtually every aspect of human resource management is embodied in this effort. It will require not only the allocation of vast quantities of people, but will also include the development of programs and techniques to significantly change
peoples skills, philosophies, and behavior. Just as productivity and quality issues are becoming an integral part of strategic planning at the functional, business, and corporate levels, so must human resources demand the same integration.
Globalization

During my interviews with executives and discussions with business and government leaders, the theme of "internationalization of business" is heard loud and clear. These comments range from concerns about developing managers with a global perspective to the effect on employee morale of offshore purchases to combat lower cost foreign competition. Vladimir Pucik of the University of Michigan concludes:

"From a corporate perspective the dominant feature of today's world economy is the increasing globalization of market competition. Formerly isolated geographically bounded markets are being transformed, if not always into a global market, then into a set of interconnected markets where the competitive conditions in one may heavily influence the competitive outcomes in most of the others. As a result, long-term corporate strategy has to take into consideration not only the expected state of the current major markets individually, but examine and respond competitively to expected changes within a global framework." (Pucik, 1984, p. 403).

In discussing the demands this globalization of markets places on human resource planning, Pucik continues by stating:
"The globalization of market competition brings on the need to foster the development of globally oriented managers and executives. To supervise the transition of narrowly based specialists to global managers is the major strategic task facing the HRM function in many multinational firms today. Corporate staffing policies, appraisal and reward systems, as well as management development programs require a significant modification of the traditional practices for this transition to be successful. At times, this process might be painful and costly. However, in the current environment, the choice facing the multinational firms is clear: either increase its global character in order to compete worldwide or give up and disappear." (Pucik, 1984, pp. 403 - 404).

Globalization of business complicates human resource planning in the traditional areas of recruitment, selection, training, reward, etc. For example, there seems to be a lack of consensus among human resource managers in multinational firms on whether technical competence is "in general" less important to the successful management of a foreign subsidiary than is the understanding of and adaptation to the local society. The trend, however, is increased reliance on local management. Inherent in this strategy is the question of the potential resentment of foreign managerial dominance. For many multinational firms, questions concerning the rightful position of foreign managers in succession planning at the corporate level, is becoming increasingly pertinent as more and more multinationals have developed outstanding foreign managerial talent.
Appraisal systems must be designed to properly evaluate managers against criteria specific to managing in non-U. S. environments. The successful execution of competitive global strategies requires managers with the ability to environmentally scan conditions of business and market opportunities in a number of countries and regions and the ability to successfully deal with different cultures, values, and legal systems.

Reward systems, which are effectively linked to long-range corporate strategy, become much more complex as globalization occurs. Questions of cost-of-living, job status differences, cultural norms, and a perception of fairness become important in designing worldwide reward and compensation systems.

Human resource strategy must address the problems faced by many U. S. firms as their businesses become internationalized. To develop managers to think "globally" requires time, training, and experience. It is, therefore, important that the strategic plans of the corporation, particularly in the area of increased globalization, be recognized and that human resource needs be identified early and integrated into the overall strategy.
"The future managers of multinational firms will not only be more globally oriented than their counterparts today. As worldwide coordination of people becomes a critical factor affecting in major ways the outcomes of global competition, the HRM function itself will lose much of its specialist character and will become an integrated part of each and every manager's job." (Pucik, 1984, p. 419).

While many issues of the 1980s and 1990s will have a profound effect on human resource strategic planning, the several discussed in this chapter certainly appear to raise issues that demand strategic thinking. Further, these issues represent areas where an isolated human resource strategy, aside and separate from the strategy of the business and corporation, will not suffice. Only by early integration of these issues into the formulation of business and corporate strategies will firms be prepared to capture their full synergy.

Giblin (1984, p. 10) views the future by stating

"The last half of the 1980s and beyond promises to be a challenging time for the human resource function. It can also be an exciting time for the profession -- a time in which the human resources function sheds its past reactive nature and becomes a proactive, dynamic contributor to business success."
If we accept that human resource strategy is necessary for implementation of corporate and business strategies, we may ask ourselves, "What is human resource strategy and how does it fit into the overall corporate and business framework?"

In most companies, human resource management and planning (that which is done) normally resides with a staff organization which is either centralized at the corporate level or may be decentralized with responsibility assigned at each division, group, or plant level. Regardless of where this organization is located, there is generally no argument that it is staff and by nature a functional organization.

Hax and Majluf (1984, p. 41), have identified three conceptual hierarchical levels, which have always been recognized as the
essential layers of any corporate planning process. These are the corporate level, the business level, and the functional level.

Corporate Level: This level is defined as both line and staff personnel who reside within the top centralized organization of the firm. This organization normally consist of the chairman, president, and several vice presidents responsible for specific functions which are centralized with respect to the firm. For this discussion, corporate level normally refers to the chairman and/or CEO and the vice president in charge of human resources.

Business Level: This level refers to groups or divisions of a firm, normally headed by a general manager, which is divided from other business units on the basis of products, markets, and/or industry. Business units are generally fairly autonomous, exercising control over functions, such as manufacturing, marketing, development, finance, and human resources, necessary to run the business as a stand-alone company.

Functional Level: A functional level is defined for discussion purposes, as an organization within a firm, which performs a specialized function in support of one or more business units or in support of the entire corporation. Examples are, manufacturing, finance, marketing, human resources, and research and development.
Clearly human resource strategy formulation, along with such strategies as manufacturing, research and development, financial, marketing, etc. reside at the functional level. It is likewise clear that while formulation is a responsibility at the functional level, implementation and integration demand the involvement of all three hierarchical levels. In addition to consolidating the human resource requirements of the various business units, functional human resource strategies impose legitimate strategic direction and development constraints to these business units. (Hax and Majluf, 1984, p. 41).

Realistically then, human resource strategy formulation is a two-direction process. In one direction, receiving inputs from the business units concerning the requirements necessary to successfully implement business strategies and in the other direction, imposing constraints and giving direction resulting from the integration of the requirements of all business units.

Depending on whether it is heavily centralized or decentralized, the human resource organization will be more or less directly involved in the development of human resource strategies to support each business. With strong centralization of the human resource organization, their role may be minimal, reduced only to review and resolution of minor inconsistencies. Where decentralization exists,
human resource organizations can be more directly involved in assisting in the formulation of business strategies and can concurrently develop human resource strategies which are supportive of the business. In this case, consolidation of these human resource strategies at the corporate level is necessary to insure against conflicts and suboptimization of resources. (Hax and Majluf, 1984, p. 58).

In addition to human resource strategy supporting and providing resources for implementation of business strategies, there are times when human resource strategy must address major long-term corporate thrusts and objectives. These could be human resource thrusts designed to develop human resources in a manner which would apply to all business units or to change behavior within an organization to guide the company long-term to a new culture. For example, a corporation may have a strategy to enhance the abilities and skills of all managers in certain disciplines. This could be a corporate-wide human resource thrust. Likewise, a company may elect to significantly modify its hiring practices to achieve some long-term competitive advantage. Hewlett-Packard, a leading electronics and computer company, has a corporate objective or goal to only hire job candidates who "culturally fit" with the organization. As an H. P. division manager states: "We can accept widely different backgrounds, but don't accept divergent style."
(Yon Werssowetz and Beer, 1982). Human resource strategy at the many divisional levels of Hewlett-Packard must therefore address and support this corporate strategy concerning hiring criteria. Again, this broad action program would represent a functional strategy aimed at supporting a corporate objective.

**Human Resource Functions/Activities**

What are the main issues in formulating human resource strategy? A good starting point is to consider the basic aspects of human resource management. Strategic planning involves a careful analysis of the human resource requirements of an organization and the related needs for management policies, programs, and resources to satisfy these requirements.

James Walker (1980, p. 3) suggests that human resource activities can be grouped into three major categories. These are: (1) Forecasting, (2) Performance Management, and (3) Career Management.

**Forecasting**

Forecasting human resource needs is a central aspect of the process and involves anticipation of changing staffing and organizational requirements.
Performance management involves the planning and implementation of programs for improving overall productivity through organization of work activities, appraisal, and development of individual competencies, performance planning and appraisal, and compensation practices.

Career management provides a coordinated process for recruitment, selection and placement, promotion and transfer, training and development, and other actions influencing individual career plans and development. An important focus is on the development of careers of high talent managerial employees.

Skinner (1981, p. 109), conceives of human resource strategy consisting of four different disciplines to improve employee performance and relations. These are human relations, labor relations, personnel administration, and industrial engineering.

Human Relations is concerned with "group behavior," which deals with social interaction and interpersonal relationships. It is also concerned with "individual behavior," which focuses on individual psychology, leadership, power, authority, responsibility, and the subconscious. Finally, "organization development," which focuses on the need for people to reason together about common difficulties is involved. Its central belief is that employees can often manage themselves better than managers can.
Labor Relations involves labor laws, public policy, the economies of wages and costs, demographics and manpower management, collective bargaining, contract administration, and grievances.

Personnel Management activities involved in managing large numbers of people in the aggregate are recruiting, selecting, training, compensating, and developing people. This discipline holds that if companies perform these tasks well, they will acquire a set of employees with appropriate motives, habits, and behavior.

The Industrial Engineering discipline concentrates on designing jobs to fit technology and human capabilities and controlling performance with standards based on industrial engineering studies.

Each of these four disciplines is important in acquiring an effective, loyal, and committed group of employees, but in very different ways. Because of these differences, strategically integrating these four schools into one effective corporate system is imperative. Two ingredients are necessary. One is a comprehensive unifying concept and the other a general manager who can effectively mix and match these necessary ingredients. (Skinner, 1981, p. 109).
Fombrun and Tichy (1982, p. 327) divide the human resource functions in somewhat another way. They suggest that all human resource functions have some responsibility for four generic activities that service the line organizations. These are:

1. **Selection**: recruiting qualified personnel

2. **Evaluation**: managing the performance appraisal progress

3. **Rewards**: maintaining adequate compensation and fringe benefits packages

4. **Development**: creating systems to enhance skills, promotional opportunities, career paths

These activities are absolutely essential on a day-to-day operational level to support current operations. The right people must be hired to fit current vacancies and compensation must be adequate for competitive recruitment. In a more strategic sense, however, these human resource activities must also reflect long-term considerations in order to properly reflect on and be supportive of both business and corporate strategies. (Fombrun and Tichy, 1982, p. 327).
To return to the point made earlier of the basic functional nature of human resource planning, it is important to build linkages with strategic business and corporate strategies, however, it is becoming increasingly necessary to increase the long-term thinking of the function itself as it relates to these four sets of generic activities.

Strategic Planning

We have discussed the importance to the firm of human resources planning, human resources as a strategy at the functional, business, and corporate level, and the functions and activities that comprise human resources. Now we will examine current methodologies which have been proposed to accomplish human resource planning.

Stonich (1982, p. 83) suggests that organizations that effectively manage their human resources begin with a strategy formulation process that recognizes the strengths and weaknesses of the current managerial base. A managerial acquisition strategy is chosen by selecting the proper technique of acquiring people that assures a good match with the overall organization and its objectives. He suggests a three-step process, as shown below:
Figure 3

Define Business and Strategy → Define Jobs → Human Resources Available?

Yes → Implement

No → Make

Buy

Convert
Defining the business and the strategy involves answering the following questions:

(1) What business are we in? i.e., present

(2) What business do we want to be in? i.e., future

(3) What strategy will successfully take us there? i.e., road map

This approach assures an orientation toward future strategy and human resources and deals with what is needed for the future, rather than what has been successful in the past. It is only when answers to these questions are well defined that management can determine the new kinds of human resources required to drive the company toward its strategic goals.

Defining Jobs involves answers to the following questions:

(1) What kind of changes will this strategy require in light of where we are now?

(2) What kinds of activities, skills, viewpoints, styles, etc. are required?
(3) In what specific respects are these new jobs different from previous jobs?

The job descriptions thus flow from the strategy. As this process is repeated for each business strategy, the degree to which the firm must adapt emerges.

Having defined the jobs, the extent and timing of specific actions can be determined by answering the following questions.

(1) Which existing managers can handle these jobs now?

(2) To what extent is hiring or development needed to fill gaps?

(3) How soon do these required changes need to be made?
The answers to these questions are critical in determining the position in Stonich's (1982, p. 72) matrix, which is shown below. (See Figure 4.)

<table>
<thead>
<tr>
<th>Large Difference from Previous Strategy</th>
<th>Long Time Frame for Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Slow Overhaul</td>
<td>Steady at the Helm</td>
</tr>
<tr>
<td>Rapid Overhaul</td>
<td>Full Speed Ahead</td>
</tr>
<tr>
<td>Steady at the Helm</td>
<td></td>
</tr>
<tr>
<td>Full Speed Ahead</td>
<td></td>
</tr>
</tbody>
</table>

Stonich recommends the following techniques depending on where a particular strategy places a firm in the above matrix. These are:

The **Make Approach** which involves the routine development of a broad managerial base within the firm by grooming managers who can fulfill the requirements of a diverse range of strategic moves. This approach is only applicable in the long-term position in the matrix.

The **Buy Approach** implies hiring from outside the firm managers who meet the requirements of the job descriptions. This method has the great advantage of speed but the disadvantage of cultural fit within the firm.
The Convert Approach involves less time than the "Make Approach," but more than the "Buy Approach." It avoids the cultural fit problem but is many times more difficult to accomplish unless the changes inherent in the new strategy can be assimilated into the organizational structure and culture.

In practice, firms generally utilize a combination of these approaches to insure that their human resources are congruent with achieving the firm's overall strategic objectives.

While Stonich's methodology concentrated on matching human resources to business strategies, Walker's (1982) proposed methodology represents a broader perspective by encompassing external, as well as internal, environmental scans; and strategies dealing with human resources as a function as well as human resources as a support for business strategies.

Walker's (1980, p. 11) planning process is depicted in Figure 5. Basic to this approach is that effective human resource planning is a process of analyzing an organization's human resource needs under changing conditions and developing the activities necessary to satisfy the needs. Figure 4 shows this to be a two-step process involving first, "Needs Forecasting," and, second, "Program Planning." The emphasis is on responsiveness to needs emerging within and outside the organization. This forecasting allows for determining priorities and allocating resources accordingly.
FIGURE 5

THE HUMAN RESOURCE PLANNING PROCESS

1. Needs Forecasting

Analysis of external conditions
- Economic, social, political factors
- Government and legislation
- Population and work force
- Markets and competition
- Technologies

Future human resource requirements
- Organization and job design
- Plans and budgets
- Management policies and philosophy
- Technologies and systems
- Affirmative action/EEO goals and plans

Future human resource availability
- Current inventory of talent
- Forecasted attrition
- Forecasted movement and development
- Effects of past human resource programs

Forecast of human resource needs
- Immediate and longer term
- External hiring needs
- Reductions and reallocations
- Improved utilization
- Development

2. Program Planning

Performance management
- Organization
  Activities
  Relationships
  Responsibilities
  Standards
  Quality of work life (climate)
- Performance appraisal
  Performance plans and goals
  Coaching
  Evaluation
- Reward structures
  Compensation
  Benefits

Career management
- Policies and systems
  Recruitment
  Selection and placement
  Promotion and transfer
  Development and training
  Termination or retirement
- Management succession
  Individual assessment
  Position requirements
  Replacement charting
  Succession planning
  Tracking career progress
- Career opportunities
  Job requirements
  Career paths
  Career communications
- Individual career planning
  Self-analysis
  Personal career plans
  Development action plans

(Walker, 1980, p. 11)
Analysis of needs naturally leads to the planning of programs which will fulfill the needs in a timely manner. Three basic areas, which we have discussed previously, are:

(1) **Needs Forecasting:** improved planning and control over staffing and organizational requirements, based on analysis of conditions.

(2) **Performance Management:** improving the performance of individuals and of the organization as a whole.

(3) **Career Management:** activities to select, assign, develop, and otherwise manage individual careers in an organization.

Walker contends that by focusing on these areas, a link can be established between the broad range of external and organizational factors and specific personnel programs. His planning process defines human resource needs and then defines a strategy to satisfy the needs. This then becomes a dynamic process which insures that programs, which do not satisfy identified needs, are dropped in favor of specific programs pertinent to current or forecasted needs. He states:
"The crux of human resource planning is neither a particular set of techniques nor their relative sophistication, but the capacity to help managers anticipate and meet changing needs relating to the acquisition, deployment, and utilization of people." (Walker, 1980, p. 10).

What's Ahead?

While both of the planning processes (Stonich and Walker) are good within the scope of long-range planning, I believe they fall short of moving the human resource planning function toward a fully integrated strategic process. Hax and Majluf (1984) propose that planning is evolutionary, progressing from simple to more comprehensive stages. They recognize five major stages in the evolution of planning. These are:

(1) Budget and Financial Control
(2) Long-Range Planning
(3) Business Strategic Planning
(4) Corporate Strategic Planning
(5) Strategic Management

Hax and Majluf (1984, p. xv) state:
"Strategic Management represents the most advanced and coherent form of strategic thinking. Not only does it attempt to extend the strategic vision throughout all the operational and functional units of the firm; it also encompasses every administrative system and recognizes the central role to be played by the individuals and groups within the organization and its resulting culture."

Until we move our planning and thinking concerning human resource management to this level, where human resources are not only integrated into the entire corporate strategy, but are dealt with as a major corporate strategic issue, we will continue to find incongruence between strategy formulation and strategy implementation. For this reason, it is desirable to have a methodology to structure the formulation of a human resources strategy which becomes an integral part of the entire corporate entity.

Developing such a methodology and examining it in light of current methodologies utilized by industrial concerns, is the subject of this thesis.
Chapter IV

A METHODOLOGY FOR HUMAN RESOURCE STRATEGIC PLANNING

Need For Methodology

Fombrun and Tichy, in an article in *Competitive Strategic Management*, describe a common method of how human resource issues are handled in corporate and business strategies when they state:

"In working with senior executives on a variety of consulting and research projects over the last ten years, the authors found a familiar complaint of personnel officers to be their exclusion from active involvement in sessions where strategic decisions are made. Typically, top management would meet and review a host of external trends (political, social, technological, as well as economic and competitive) and proceed to balance these against internal strengths and weaknesses. In the latter were usually included a relatively superficial assessment of human resource capacity. Decisions were made to enter new markets, develop new products, and pursue new technologies. Decisions were made to withdraw from markets, abandon products and technologies, or put them on hold. Millions, if not billions, in sales and profits were to be impacted. Cigars were passed, glasses lifted, and a call put through to personnel with instructions to find three of 'these,' four of 'those,' five of 'these,' and five hundred of 'those' and then figure out what to do with the fifteen hundred 'thems' no longer needed in implementing the new strategies." (Fombrun and Tichy, 1982, p. 320).
They further observed that fortunately many human resource officers are gaining their CEO's attention and support in allowing them to help shape the strategic direction of their organizations, by requiring decision makers to see human resource issues as among those considered and given weight before, not after, decisions are made. Many human resource officers have gained this support only to find they have not developed the ability to deliver what is needed. (Fombrun and Tichy, 1982, p. 321).

This chapter attempts to develop a methodology (a body of methods, rules, and procedures), useful in formulating human resource strategy, which is an integral part of the firm's overall strategic direction. This methodology places the importance of human resources, as decision inputs, alongside such issues as finance, manufacturing, capital, marketing, and technology.

The particular methodology utilizes, as a foundation, the framework developed by Dr. Arnoldo Hax and Dr. Nicholas S. Majluf and described in their recent book, Strategic Management, An Integrative Perspective. Hax and Majluf have set the framework for corporate, business, and functional strategic planning and have devoted a greater portion of their book to describing methodologies for formulation of strategies at the business and corporate levels. While the framework relies, ultimately, on the development of
specific action programs, which are usually functional in nature, specific methodologies for formulating functional strategies such as human resources, manufacturing, etc., are not dealt with directly. It is the intent of this chapter to deal with the specific methodology for formulating human resource strategy.

Hierarchical Levels of Planning

The particular methodology developed requires an understanding of the "hierarchical levels of planning," as proposed by Hax and Majluf and discussed previously in Chapter III. As shown in Figure 6, three conceptual hierarchical levels have been identified as essential layers of any corporate planning process. These are the corporate, business, and functional levels. While Lorange and Murphy identify another level, the business family or divisional level, for current discussions, the business level is considered to be a single strategic business unit (SBU) or a group or family of several SBU's. (Lorange and Murphy, 1984, p. 276). There are interactions between the various levels in developing a fully integrated strategic plan. There is a constant process of strategy formulation, strategic programming, and strategic budgeting, interspersed with guidance and review at all three hierarchical levels. The second column of Figure 6 indicates that "structural
THE FORMAL CORPORATE STRATEGIC PLANNING PROCESS

<table>
<thead>
<tr>
<th>Hierarchical Levels of Planning</th>
<th>Less Frequent Than Annual Review</th>
<th>Annual Review</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Structural Conditioners</td>
<td>Strategic Formulation</td>
</tr>
<tr>
<td>Corporate</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Business</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>Functional</td>
<td>5</td>
<td>8</td>
</tr>
</tbody>
</table>

1 The vision of the firm: corporate philosophy, mission of the firm, and identification of SBUs and their interactions.
2 Strategic posture and planning guidelines: corporate strategic thrusts, corporate performance objectives, and planning challenges.
3 The mission of the business: business scope and identification of product-market segments.
4 Formulation of business strategy and broad action programs.
5 Formulation of functional strategy: participation in business planning, concurrence or non-concurrence to business strategy proposals, and broad action programs.
6 Consolidation of business and functional strategies.
7 Definition and evaluation of specific action programs at the business level.
8 Definition and evaluation of specific action programs at the functional level.
9 Resource allocation and definition of performance measurements for management control.
10 Budgeting at the business level.
11 Budgeting at the functional level.
12 Budgeting consolidations and approval of strategic and operational funds.

(Hax & Majluf, 1984, p. 42)
conditioners" are established at the corporate and business levels to define corporate philosophy, the mission of the firm, strategic business unit segments, mission of the businesses, business groups, and product market segments.

Within this formal corporate strategic planning process, human resource planning is considered a functional strategy, but as we shall argue, in the development of a specific methodology, human resource planning permeates all levels and is a critical success factor in the formulation and implementation of any functional, business, or corporate plan. For this reason, the proposed methodology will require the involvement of all three hierarchical levels in the formulation of human resource strategy.

Lorange and Murphy, in attempting to measure the crucial involvement and input into strategy formulation, developed the following normative propositions regarding how human resource systems might effectively contribute to the process at each of the three levels.
Business Level - The critical human resource problem is the attainment of an optimal match between competitive strategic needs of the business and the skills and strengths of the individuals selected to implement the strategies.

Functional Level - The critical human resource problem is the selection and development of individuals with specific expertise and skills to match the needs of the function for strategy implementation. Human resource management should cultivate teamwork between functional and business managers to foster a spirit of cooperation that would facilitate the realization of any potential synergies.

Corporate Level - General management talent should be perceived as a strategic resource, like financial resources, that can be deployed within the corporation to contribute effectively to the development of the optimal portfolio of businesses for the firm.

(Lorange and Murphy, 1984, pp. 276 - 267).
Although these propositions represent a limited scope of human resource issues, they serve to reinforce the idea that human resources are crucial at all three levels and, therefore, must be treated as more than a separate functional strategy. As a Senior Vice President of Corporate Relations at General Electric states:

"The great debate --- focused on how to introduce a more forceful look at human resources, production resources, technical resources planning --- without functionalizing the strategic planning system. That was the effort. We found that we needed to get human resource considerations introduced into the planning process at an early stage - because, if we waited until plans were formalized and then stepped back, the human resource decisions were already made - and a lot of them were necessarily accommodating since they were treated as a derivative rather than a primary function." (Fombrun, 1984, p. 429).

Framework

Figure 7 shows a framework of the fundamental elements in human resource strategic planning. This framework is fashioned after the structural concept of the liaison of the firm and its strategic posture, and the formulation of business strategy and its broad action programs. (Hax and Majluf, 1984, pp. 50 - 58).
The framework consists of seven major steps:

1. Defining/articulating the **mission** of the Human Resource Function for the firm.

2. Recognizing **corporate thrusts and planning challenges** in regard to human resource issues.

3. **Internal scrutiny** at the business, functional, and corporate level of current human resources and future needs.

4. **External environmental scan** of conditions affecting human resource issues.

5. **Formulation of human resource strategy** (a set of multi-year broad action programs.)

6. Translation of strategy into **operational specific action programs**.

7. **Integrating** specific action programs to match strategic business goals.
FIGURE 7
FRAMEWORK FOR HUMAN RESOURCE STRATEGY FORMULATION

MISSION OF THE HUMAN RESOURCE FUNCTION
- Human Resource Function Scope
- Assignment of Responsibility
- Expression of Competitive Position
- Identification of Organizational Segments to be Services by Human Resource Function
- Identification of Shared Concerns and Resources
- Insuring Linkages
- Self-Analysis of "Human Resource Function"

CORPORATE STRATEGIC THRUSTS/PLANNING CHALLENGES
- Corporate Policy
- Corporate Culture
- Founding Principles
- Equal Employment Thrusts
- Major Organizational Changes
- Legal Concerns
- Societal Concerns
- Union Posture

INTERNAL SCRUTINY
- Assessment of Current Human Resource
- Assessment of Past Performance
- Assessment of Competitive Position
- Forecasting of Human Resource Needs and Performance
- Definition of Basic Strengths and Weaknesses
- Identification of "Critical Success Factors"

EXTERNAL ENVIRONMENTAL SCAN
- Assumptions Concerning Environment
- Assessment of Competitive Position
- Identification of Opportunities
- Identification of Threats
- Identify "Critical External Factors"

FORMULATION OF HUMAN RESOURCE STRATEGY
- Set of Multi-Year Broad Action Programs
- Human Resource Activities
- Matrix of Activities with Organizational Levels
- Human Resource Generic Strategies
- Matrix of Activities with Generic Strategies

TRANSLATION OF STRATEGY INTO OPERATIONAL PROGRAMS
Specific Action Programs
- What is to be accomplished?
- Who is responsible?
- When, i.e., timetable?
- Where, i.e., function, business, corporate?
- Identification of Resources

INTEGRATION ANALYSIS
- Match to Major Strategic Goals
- Judge Relevance to Goals
- Ensure Competitive Advantage Criteria
This framework for human resource strategic planning recognizes the necessity of considering the corporate environment in terms of culture and specific corporate thrusts, as well as the human resource needs at the business and functional levels. It also forces the examination of internal needs within the framework of the external environment from which the resources must be acquired. Finally, it demands translation of wants and needs into broad long-term goals supported by well defined specific shorter range programs, which insures practical implementation of the plan. To quote Dr. Arnoldo Hax of MIT, "The reason one does strategic planning is to come up with a package of tactical programs to be implemented in the near term."

Mission of the Human Resource Function

An expression of the purpose of the human resource function is an essential first step in formulating human resource strategy. This purpose may vary somewhat between firms and businesses, depending on the nature of the industry and the importance of human resources as a critical factor in the overall success of the firm. A typical mission statement for a human resource function might be:
The mission of the Human Resource function is to provide human resources at the corporate, business, and functional levels of the firm to insure that the firm maintains a distinct long-term advantage over its competition.

If human resources were just another asset, like buildings, equipment, capital, and materials, the above mission statement might be complete; however, when dealing with "human" resources, there is yet another facet of the mission. While recognizing the firm's desire to maintain a competitive advantage, meeting the needs of the individual must represent an equally important part of the mission. This unique demand, placed on the human resource planning function, distinguishes it from other strategic planning processes. Lorange and Murphy suggest that in a rationally designed planning system, effective strategy implementation requires consistency between the firm's overall strategy and the personal aspirations of its "stakeholders." (Lorange and Murphy, 1984, p. 276).

The mission of the human resource function must also be expressed as a clear definition of both the current and the future scope. First, the scope should identify the segments of the firm served by the human resource function and the services provided to
each segment. For example, the mission might identify various business units, functional organizations, or corporate staffs which are provided services, such as recruiting, training, compensation management, succession planning, etc. The scope should describe the division of responsibilities between corporate, business, and functional levels with regard to providing these services. This type definition of scope is most valuable in determining the degree that shared resources and resulting synergies are possible. With diversified companies, this step is most important in controlling human resource costs.

The mission statement is an excellent place to identify specifically where the responsibility for human resource management resides. Analog Devices Mission Statement of Human Resources states:

"The final responsibility for human resources management lies with line managers and supervisors. The Human Resources organizations' role is to support appropriate management behavior and employee interactions." (Analog, 1984, p. 59).

The mission should also contain an expression of the firm's competitive position in the human resource arena. A statement should be included which expresses a way to pursue a position of leadership or to sustain a competitive advantage. Examples might
include position statements relative to the competitive environment on compensation packages, employee benefits, managerial training, recruitment, and/or any other human resource concerns.

The mission of the human resource function at the corporate level is examined more completely in the next section. Responsibilities for corporate strategic thrusts and insuring that corporate philosophies, culture, and institutional norms permeate human resource planning at every level are discussed.

At the business level, ideally, human resource personnel would participate directly or proactively in the formulation of business strategies and their missions, rather than taking a reactive position of "filling orders." In order to accomplish this, it is desirable to have human resource personnel positioned within each business unit as participating members of management teams. A Senior Vice President of a multinational corporation states, "When we introduced the concept of resource planning, the manager we found most likely not to have a meaningful voice in the formulation of the business plan was the human resources manager." As a result, the firm included human resource managers, trained in strategy formulation, at every level where business and corporate strategies were developed. Line managers having human resource managers of their own, who are an integral part of the business teams, also
eliminates the traditional line/staff conflicts when line managers feel human resource managers imposed their services. (Fombrun, 1984, p. 436). Again, as business units make significant changes in their strategies, these human resource managers must be careful to insure that business human resource strategy is congruent with corporate policies and supports institutional norms.

Additionally, the mission at the business level is to identify areas where common resources can be shared. A caution is necessary, however, to make sure that the human resource strategy fits the business strategy, rather than forcing business strategy to conform to a strategy counterproductive to implementing its strategic goals.

At the functional level, the human resource mission must include identifying and forecasting the needs of the various functions and insuring that there are no conflicts and duplications among functions and between functions and business units. A critical role at this level is to provide assistance to the line managers to prevent "empire building," which can be a major pitfall in functional organizations.

It is at the functional level that the mission of human resources dictates a self-analysis of the Human Resource Function itself. Careful analysis is necessary to insure that the Human
Resource Organization is strategically positioned throughout the entire corporation, that adequate linkages are in place between the various human resources groups, that adequate facilities and staff are available to implement the human resources action programs in the strategy, and that the entire function performs in an economically effective manner.

Fombrun, Tichy, and Devanna discuss the organization of human resources into three levels: the operational level, the managerial level, and the strategic level. They contend the operational level is best served by a traditional functional personnel department, where there are separate units carrying out such activities as recruitment, compensation, development, etc. The managerial level must be organized to cut across the subfunctions identified at the operational level, by using such design tools as liaison managers, teams, or matrix organizational design. The strategic level activities require an elite senior human resource management (individual or team) who has political skills, a broad business orientation, and a broad human resource management background. Figure 8 presents a brief sketch of the kinds of structures, staff, and resources required to operate the human resource function at each of the three levels of the organization. (Fombrun, Tichy, and Devanna, 1984, pp. 247 - 248).
FIGURE 8
THE HUMAN RESOURCE FUNCTION

<table>
<thead>
<tr>
<th>Corporate Level</th>
<th>Business Level</th>
<th>Functional Level</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct report to CEO</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equal level with planning group</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Member of planning group</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sets business level guidelines for design of systems</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Direct contact with division management</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dialogue with planning group</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sets policy for field service groups</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Constant internal interaction among subareas</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Field office for on-site service delivery</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Implement programs designed at business level</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Refer unusual cases to business staff</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Staffing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Generalists with rotations across businesses and functions</td>
</tr>
<tr>
<td>Ability to speak in business language</td>
</tr>
<tr>
<td>Some business training for promotion</td>
</tr>
<tr>
<td>Rotation across subareas (e.g., compensation and recruitment)</td>
</tr>
<tr>
<td>Specialists in subareas</td>
</tr>
<tr>
<td>Part of field rotation</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Resources</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vary with degree of integration across businesses</td>
</tr>
<tr>
<td>Discretionary funds to initiate programs</td>
</tr>
<tr>
<td>Allocations to field staff</td>
</tr>
<tr>
<td>Budgets set through business plan</td>
</tr>
</tbody>
</table>

(Frombrun, et al. 1984, p. 245)
**Corporate Strategic Thrusts**

Basic to overall human resource strategy, is the influence or impact of corporate philosophies and directives. This is the reason the methodology indicates the *simultaneous* development of the mission of the human resource function with identifying and incorporating overall corporate influence.

Most corporations have included in their corporate policies, values and philosophies concerning *relationships with people*. These policies include such things as mutual respect, trust, integrity, honesty, openness, etc. Each human resource strategy formulated, at all three levels, must encompass and/or reflect corporate philosophies and support corporate policies. These may be new emerging philosophies and, therefore, may be viewed as major thrusts or they may be simply sustaining philosophies, established by the founder or early management of the firm. A good example are the three beliefs articulated by Tom Watson, founder of the IBM Corporation.

"1. Our respect for the individual.
2. Give the best customer service of any company in the world.
3. An organization should pursue all tasks with the idea that they can be accomplished in a superior fashion." (Watson, 1983, pp. 13, 29, 34).
Citicorp's statements on human resources within their "statement of Corporate Philosophy" is another example of the corporate emphasis which must be reflected in all human resource strategy, regardless of the level in the organization. These statements are:

"To provide the climate and resources that will enable all staff to advance on merit as far as their talents and skills will take them, without regard to age, color, handicap, marital status, national origin, race, religion, sex, or veteran status.

"To offer pay and benefits that are fair and competitive.

"To make certain that ideas, concerns and problems are identified and that two-way communication is effectively maintained.

"To provide an environment that identifies, encourages, and rewards excellence, innovation, and quality customer service.

"To remember always that respect for human dignity is fundamental to our success." (Williams, 1983).

Major corporate thrusts or directives are articulated by top management. It is the responsibility of human resource strategy to address these thrusts by developing broad and specific action programs designed to satisfy these issues. In most cases, this may be done indirectly through business and functional strategies; however, there are times when corporate programs are necessary, if these thrusts apply broadly to the entire corporation. These
thrusts are frequently tied to what is called "corporate culture" or "institutional norms." Fombrun defines the culture of an organization as, "The emergent pattern of beliefs, behaviors, and interaction that uniquely characterize the organization as it operates within an industrial and a societal context." (Fombrun, 1984, p. 203).

Such broad action programs may be required because of a conscious effort on the part of corporate management to alter the culture or institutional values of the firm. Examples of such thrusts are:

-- Shifting orientation from an industrial to a consumer markets company.

-- Changing from a functional to a business segmented organizational structure.

-- Moving from a research and development driven to a market driven company.

-- Shifting policy concerning unions from an adversarial to cooperative.
Other corporate thrusts may arise because of external requirements placed on the corporation by the environment. Normally, these type human resource issues will be detected during the "environmental scan," discussed later in this chapter. However, at times corporate directives follow from legal or the threat of legal action, general trends or concerns within the industry, or directives from Boards of Directors. Examples of such issues are:

-- Corporate thrust to accelerate implementation of affirmative action programs including the employment and advancement of minorities, females, handicapped, etc.

-- Corporate thrust to significantly enhance the safety policies and procedures of the company.

-- Corporate thrusts to significantly improve the executive compensation packages to provide more emphasis on strategic and/or long-term performance.

Regardless of the origin, human resource issues, which have been selected by corporate management to be addressed strategically, must be championed by human resources personnel, as part of the overall human resource strategy.
Corporate thrusts serve as the avenue for the CEO and other corporate managers of the firm to impart their personal values, aspirations, and ideals concerning human resources into the strategic process of the firm. As Andrews states, "What the executives of a company want to do must be brought into the strategic decision." (Andrews, 1980, p. 16).

Internal Scrutiny

To internally scrutinize the firm at the corporate, business, and functional levels implies close analysis of the past and current state of human resources at each level. As Figure 7 suggests, this involves several steps.

Assessment of current human resources first requires a careful inventory of people. This inventory should contain demographic data, appraisal data, employee interests, education, experience, skills, and any other data which might be helpful in assessing and characterizing the current supply of human talent. A common failing of many firms is, not the collection of this data, but the dissemination of the information to the various managers who are making operational, managerial, and strategic human resource decisions.
It behooves those firms seriously interested in integrating human resource issues into the mainstream of strategic planning, to provide systems that make access by management both easy and rewarding.

This inventory should also provide information concerning existing and planned human resource programs. Examples include a complete inventory of available internal and external training programs, employee benefit programs, recruitment and selection processes, employee involvement programs, reward systems, and appraisal systems. This assessment of existing and planned programs provides an opportunity for their expanded use by management, rather than the initiation of new programs.

Internal scrutiny of the firm's human resources provides an opportunity to assess the past performance of human resource management programs. It is also a time to assess the adequacy of past plans in meeting business and corporate strategic objectives. Although a complete assessment of the firm's competitive position with respect to human resources cannot be made until a scan of the external environment is complete, an initial assessment based on how well current human resources support business and corporate strategies, can provide early indications of deficiencies leading to incongruence between human resources and corporate and/or business goals.
One of the most important elements of the internal scan of the firm is the identification and forecasting of future human resource needs and performance. Forecasting is a necessary step in any realistic planning process. Forecasting human resource needs is an imprecise art, depending heavily on the judgement of those involved in the process. Qualitative forecasting is equally important as quantitative forecasting.

At the functional level this involves matching human resource needs to functional strategies such as manufacturing, marketing, research, financial, etc. The identification of specialized skills and educational background required are crucial, particularly in businesses where technology changes rapidly, obsoleting skills and educational training.

At the business and corporate levels, forecasting of managerial talent required to implement given strategies, is a key element. At this point of the process, matching of managers and strategy requires a thorough understanding of the various business strategies and the identification of managerial skills and styles necessary to manage various type strategies. Management thinking in the U.S. went through a period which advocated "a good manager can effectively manage any type of strategy." Currently, most executives believe strongly that managerial skills and style must be
matched to the business strategy for successful implementation to occur. Therefore, forecasting of needs in terms of matching managers with strategy is a crucial element of the forecasting process.

Human resource forecasting designed to meet the needs of the firm over the next decade or two, must be more than an extrapolation of current short-term needs. It must review and consider the desired state of the business 10 - 20 years in the future, since the development of fully useful human resources is a long-term commitment.

Forecasting should also incorporate the concept of "shared resources." This is particularly true in diversified companies where functional organizations of one business unit are not considered available to other units. By accurately identifying human resource inventories and needs, both quantitatively and qualitatively, opportunities for shared resources become obvious.

Internal scrutiny involves identifying major strengths and weaknesses of the existing inventory of human resources, both people and programs. By combining this analysis with that of determining the real critical success factors, decisions can be made concerning the issues that must be dealt with strategically in order to
successfully support the implementation of the firm's overall strategy. It is important to properly identify those human resource issues which are critical to functional, business, and corporate strategies. It is obvious that only a few (80/20 rule) of the many desirable human resource needs and issues are truly critical with respect to failure or success of the firm. Strategic analysis identifies these few so that attention can be given at the proper level in the firm and they can be closely monitored for possible strategy modifications. In most firms, succession planning for top management positions is considered such a "critical success factor," and is therefore planned and controlled by corporate officers; many times the CEO personally. Other examples would include certain CEO goals and programs and acquisition of skills required to embark in businesses with new and difficult technology bases.

In summary, internal scrutiny of the firm involves a close look at the human resources at all three levels. It involves assessing current resources, past performance, and future needs. Most important is an objective view of strengths and weaknesses and the accurate identification of critical success factors necessary to reach a desired future state with regard to human resources.

Keys to performing the internal scan are completeness and objectivity. It is mandatory to know completely and accurately the
"order of your own house" and its needs, before attempting to look external to the firm to determine the environmental factors impacting the firm's human resource plans.

External Environmental Scan

"No man is an island," applies equally to firms in the competitive world in which we exist. As discussed in Chapter I, the essence of strategy is to achieve a long-term sustainable advantage over the firm's competitors. Therefore, a methodology to develop strategy must view a firm's competitors. However, a firm's competitors represent only a portion of the external environment which may provide both opportunities and threats to the firm. For all strategies, but particularly for human resource strategy, the external environment is represented by the following factors:
In order to formulate strategy, certain information must be known about this external environment and most importantly, key assumptions must be made concerning the factors which will impact human resource strategy. It is then within the framework of these assumptions that a firm can develop its strategy. A significant benefit of developing assumptions concerning the external environment is the ability to periodically review each assumption for constancy and validity. A truism is that the external environment will not remain constant. Therefore, if certain key assumptions are critical to the firm's particular strategy, it is imperative that the firm recognize the invalidity of the assumption and modify or adjust strategies accordingly.
Factors about which assumptions should be made in developing human resource strategy include, but are not limited to, the following:

- Quantity of persons with certain skills in labor market.
- Quantity and quality of graduates with certain professional disciplines.
- Shortages and surpluses of people in various labor markets.
- Demand for skills and disciplines.
- Availability of external training programs.
- Inflation and cost of living.
- Labor contract settlements.
- Regulatory changes, EEO.
- Competitive changes.
- FLRB trends.
- General economic activity.
- Effect of international competitive trade, tariff, and quotas.
- Technology changes.
- Trends in benefit packages.
- Values and attitudes of people in work force.
- Productivity.
After assumptions concerning the external environment are complete, an assessment of the firm's competitive position with regard to human resources can be made. This assessment attempts to determine, under similar external environmental conditions, how the firm compares with firms in similar or related businesses, with regard to its past and current human resources. Examples of indices which may be useful in assessing the firm's competitive position in human resources are:

- EEO goals and achievements
- Employee turnover/retention
- Hiring/applicant ratio
- Compensation package
- Rewards systems
- Appraisal systems
- Quality of work life
- Morale
- Public image
- Benefits programs
- Share of technical/professional disciplines from universities
- Managerial development programs
- Union contracts
Most firms are quite willing to share information, thereby making this assessment relatively straightforward. This assessment vis-a-vis competitors may indicate weaknesses and strengths, which are useful in determining human resource issues which should be addressed strategically.

Andrews states: "Determination of a suitable strategy for a company begins in identifying the opportunities and risks in its environment." (Andrews, 1980, p. 48). When strategy formulation and environmental surveillance become organization processes, opportunity can be a determinant of strategy. Therefore, identification of opportunities made available by changes in the external environment is a most important element in formulating strategy. For example, awareness of environmental factors such as general economic indicators of a business, coupled with the supply profile of certain technical disciplines can provide a firm with the opportunity to recruit outstanding technical talent. Although some "risk taking" was involved, it can be argued that some firms took advantage of the opportunity to recruit exceptional technical talent during the recession of 1982-83 because they did a superior job of scanning and analyzing the environment, thus identifying this opportunity. Andrews, however, issues a word of caution concerning blindly following all perceived opportunities when he states,
"Opportunism without competence is a path to fairyland." (Andrews, 1980, p. 70).

Likewise, the environment reveals threats to the firm which must be utilized in formulating strategy. Careful analysis of the environment in recent years would have indicated changing attitudes and values on the part of employees and the general public concerning the role of business in society. Failure to detect such environmental trends can be a threat to a firm which does not alter its strategy concerning human relations.

Finally, identifying those critical external factors, which must be addressed strategically, that are crucial to the successful implementation of the overall strategic objectives of the firm, is mandatory. These factors may be threats to be reckoned with or may be unique opportunities critical to success. Regardless, it is incumbent on management to exercise foresight in "separating for special emphasis" those few critical external factors. The ability to discriminate among the numerous factors influencing human resource strategy, requires managers that appreciate that human resource strategy must be an integral part of overall corporate strategy.
Formulation of Human Resource Strategy

With a clear definition of the mission of the Human Resource function, a good understanding of the strategic human resource thrusts from corporate management, a detailed objective internal scrutiny of human resources inventories and needs, and a comprehensive scan of the external factors in the environment which impact on human resource issues, management is in a position to formulate human resource strategy as a set of multi-year broad action plans.

In order to translate needs, thrusts, and opportunities into workable plans, it is advisable at this point to segregate human resource management into broad areas of activity. While certain firms segregate the basic functions of human resource management into somewhat different categories, depending on the particular organization and culture, all human resource activities can be expressed as four generic activities.

1. Human Resource Flow
   - Selection
   - Placement
   - Retirement
   - Promotion
   - Termination
   - Transfer
2. **Appraisal**
   - Current performance
   - Potential performance

3. **Rewards**
   - Wages/Salary
   - Benefits
   - Compensation
   - Intangible

4. **Developing**
   - Work Systems
   - Training
   - Succession planning
   - Career path

(Devanna, et al., 1984, p. 41).

These broad areas of activity can be represented as "the human resource cycle" (Devanna et al.) shown in Figure 9.

Because all four of these broad activities are in progress at the corporate, business, and functional level, it is helpful to matrix the activities across the levels and define broad action programs accordingly. Figure 10 represents a simple form for broadly segregating the programs by level and activity. Viewing the broad programs in this manner reveals the extent of human resource activities applicable at each level, and the area of activity encompassing the most programs. This can be extremely useful later
FIGURE 9

THE HUMAN RESOURCE CYCLE

(Devanna, et al. 1984, p. 41)
### FIGURE 10

**ACTIVITY/LEVEL MATRIX**

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<thead>
<tr>
<th>Activities</th>
<th>Functional</th>
<th>Business</th>
<th>Corporate</th>
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<td>1. Technical/Professional Recruiting</td>
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<td>Developing</td>
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in allocation of resources. In addition, viewing this matrix facilitates the identification of opportunities for shared resources in terms of shared organizations, shared programs/systems, and shared facilities. One should also recognize this format as useful in decisions concerning the organizational structure of the Human Resource Organization within the framework of the firm.

Generic strategies have been suggested for businesses and entire firms, such as the three proposed by Porter. He suggests that a firm can pursue one or more of the following broad strategies. (Porter, 1980, p. 35).

1. Overall cost leadership
2. Differentiation of product or service
3. Focus on buyer group, segment of product line, or geographic market

Similarly, four generic strategies are proposed for use in developing human resource strategy for the firm. These generic strategies are:

1. Develop internally
2. Acquire externally
3. Leadership
4. Followership
A develop internally strategy implies that human resources will basically be developed internally within the firm. Many firms, for example, seldom hire managerial talent from the outside, but rather "grow their own" by developing managers with the many skills and experiences required of a good general manager. This generic strategy can also be applied to human resources other than individuals. Firms may adopt a strategy of developing and implementing all or most of their own training programs for all levels of employees. A good example is the General Electric Company, who has a management training facility at Crotonville, New York, used almost exclusively to train all the firm's managers. One can readily see how this generic strategy can also apply to areas such as appraisal systems, reward systems, benefit packages, etc.

The generic strategy to acquire externally can be utilized in conjunction with develop internally, depending on the resource in question. Generally, smaller firms, or newly organized firms, rely heavily on this strategy of acquiring externally for obvious reasons. Sometimes firms wishing to branch out into new business, markets, and technologies will find external acquisition of human resources to be both economical and timely, as compared to developing internally. Outside vocational schools and university
sponsored management development programs are examples of external training programs available for firms choosing this generic strategy.

In addition to the generic strategies of developing internally and/or acquiring externally, a firm must decide on a strategy of leadership or followership in the human resources field. Some firms have a policy derived from its culture, to be a leader in the area of human resources. For example, a firm may have a strategy to be "second to none" in total compensation including benefit packages and salaries. Other firms may develop a strategy to only follow their competition in this area. A firm may desire to maintain a reputation in the industry as an innovator of human resource programs, whereas others find following to best fit their overall corporate or business strategy.

Again, a matrix of the four major human resource activities with the four generic strategies can be helpful in formulating programs which will support the desired strategy. Such a matrix form is shown in Figure 11. This matrix is useful in analyzing the self-sufficiency of the firm in terms of human resources and in assessing its relative competitive position in terms of leader-follower balance. When allocating resources to support the programs designed to implement the strategy, this type profile is helpful in identifying alternate means of providing the necessary support. For
### FIGURE 11

**MATRIX OF GENERIC STRATEGY AND ACTIVITY**

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<td>Generic Strategy</td>
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example, internal training programs designed to teach specific skills to employees might be accomplished more economically by use of outside sources. This type matrix always alerts management to this type option, as well as the option of being a leader or a follower.

Translation Of Strategy To Operational Programs

In most firms today, there is significantly more strategy formulated than is actually implemented. There are several reasons for this dilemma. There is the increased use of centralized strategic planning staffs to do strategy formulation without the active participation of the individuals and organizations who must eventually implement the strategy. Another closely allied reason is the tendency to leave strategy in the form of broadly defined goals, objectives, and programs spread out over future years of the planning time period. Even though responsibility for managing such strategies may have been properly delegated to those in a position to implement, results were often never achieved. For this reason the next and a very important step in the methodology is to translate the broad strategies and programs into specific, well defined, action programs. Each strategy must be supported by
programs which specify the following parameters.

1. What is to be accomplished?
2. Who is directly responsible? i.e., organization/individual
3. When is it to be accomplished? i.e., timetable
4. Where is it to be accomplished? i.e., organization, corporate, function, business unit task force, etc.
5. Identify availability of resources needed to accomplish.

Again, the matrix charts discussed earlier (Figures 10 and 11) are useful to profile the specific action programs. Similar useful insights as to the proper fit of the programs are revealed by profiling the programs in this manner.
Integration Analysis

Finally, human resource strategy which supports corporate and business strategies, addresses corporate thrusts from top management, deals with the internal strengths and weaknesses of the firm, and recognizes opportunities and threats from the external environment, has been expressed in operational terms as specific action programs with well defined responsibilities. Therefore, we have progressed from the strategic mode, through the managerial mode, to the operational mode, where implementation can best be accomplished. Because we started with human resource needs driven by business strategies and corporate thrusts, it is prudent to now analyze the specific action programs in light of the original business strategies and corporate thrusts to ensure that the human resource programs are indeed an integral supporting element of the overall program designed to sustain a long-term advantage vis-a-vis the firm's competitors. This is best accomplished by matching specific action programs with major business/corporate strategic goals and/or objectives. When this is done, judgments can readily be made as to the relevance of the human resource program to the achievement of the firm's major strategic goals.
Chapter V

FIELD INTERVIEWS

Focus

The previous chapters of this study have dealt with human resource strategy formulation by means of a review of the published literature and an attempt by the author to suggest a framework and methodology designed to facilitate human resource strategy formulation, as an integrated part of the firm's overall strategic planning process. Human resource issues, which must be dealt with strategically during the next decade, have been selected by the author, based on current literature and personal opinion.

This chapter focuses on the practice of human resource strategy formulation in three large U. S. firms, representing broad degrees of diversification and decentralization. Emphasis was focused on determining methodologies for formulation, systems for integration, and philosophies concerning the proper role of human resource planning in the firm's overall strategy, as determined from interviews with key corporate, business, and functional managers. Each company is discussed separately in this chapter, with comparisons and conclusions reserved for Chapter 6.
Selection Of Companies

Three very large (sales revenues between $10 - $50 billion) U.S. corporations were selected for the study. While it is clear that these companies cannot be considered representative of an U.S. industry, the selection and sample size is not inappropriate in view of the exploratory nature of the interview process and the purposes for which it is intended. The three companies were selected to represent several parameters.

- The degree of diversification
  - products/services
  - markets
- The degree of centralization/decentralization
  - managerially
  - organizationally
  - geographically
In an effort to encourage candor on the part of the managers interviewed, I proposed strict adherence to the following self-imposed restrictions.

-- There will be no disclosure to any of the firms interviewed of the names of other firms being interviewed.

-- There will be no disclosure in the thesis document of the names of any individuals interviewed.

-- There will be no disclosure in the thesis document of the names of any firms interviewed, and the firms will not be described in such a manner that they are readily recognizable.

Interview Format

The interview summaries are divided into two sections. The first section is a profile of the company, which provides additional descriptive information on the size and general organizational structure of the firm. This section also describes the segments of the company represented in the actual interviews. In keeping with the anonymity promised the interviewees, these descriptions are quite general.
The second section is divided into a discussion of the responses to eight broad questions, which served as a framework for the interviews. The discussion focuses on both general and specific information gained during the interview as responses to these eight questions.

1. Does "Human Resource Strategic Planning" exist within the firm?
2. What are the major or key elements of your human resource strategic planning process or methodology?
3. At what levels in the firm does human resource strategy formulation actually occur? Corporate, Business, Functional
4. What is the role of each level (Corporate, Business, Functional) in the strategy formulation process?
5. To what extent is human resource strategy formulation an integral part of the overall strategic management process?
6. What mechanisms (if any) are used to provide linkages of human resource strategies at the functional, business, and corporate level?
7. Who in the organization is responsible for human resource strategic planning?
8. What are major critical human resource issues facing your organization over the next decade?

A more detailed outline of the actual form used during the interview to provide structure and framework is shown in Appendix A.

Finally, a disclaimer seems appropriate. The views expressed by the various managers interviewed represent their personal perceptions and may, in some instances, be different from the firm's official policies. Additionally, the accuracy of the information recorded herein is a function of my ability to listen and interpret correctly their answers to the questions. Finally, I have made interpretations and reach conclusions that are entirely my own.

Company A

Profile

Company A is a multinational, diversified manufacturer and marketer of industrial and consumer products. It is a fully
integrated company whose functions include research and development, manufacturing, distribution, marketing, finance, etc. The company has long been recognized as a "people oriented company" with a strong culture in the area of human resource policy. Like many large companies, company A has felt the impact of foreign competition, the recent world recession, the overvalued U.S. dollar, and a relatively flat productivity profile.

Traditionally, Company A has been functionally organized into several major units, representing research and development, manufacturing, marketing, distribution, financial, industrial relations, and corporate administration. The company has recently reorganized into strategic business units, while maintaining several large functional units to provide service and support to the business units. The company has also made several acquisitions, some of which tend to operate in a fairly autonomous fashion.

Human resource services and support has historically been provided by a separate "functional unit," which is linked to corporate management by a strong hierarchical organizational structure. Linkage of the human resource function with other units of the company has normally been through representatives assigned by the human resource organization to the functional units. Currently, business units and the remaining functional units are being urged to
exercise more responsibility for human resource planning and management, so that business and human resource strategies can be integrated to a greater degree.

Fourteen interviews in Company A were conducted with the following persons:

-- Chairman and CEO
-- Senior Vice President of Corporate Relations
-- Three (3) General Managers of Business Units
-- Three (3) Human Resource Managers assigned to Business Units
-- Senior Vice President, Finance and Administration function
-- Human Resource Manager assigned to Finance and Administration
-- General Manager of a manufacturing function
-- Human Resource Manager assigned to the manufacturing function
-- Two (2) Human Resource Managers on Corporate Staff
Extent Human Resource Strategic Planning Exists Within Firm

Most line and human resource managers in Company A feel that human resource strategic planning does exist to some extent. Most line managers tended to have a narrow view of human resource strategic planning, focused primarily on succession planning for middle and upper level managers. Human resource managers within Company A view human resources in a broader context; however, most feel that human resource planning, as it exists, is more tactical and operational than strategic. The CEO and the Senior Vice President of Corporate Relations both feel that only individual elements of human resource strategic planning have existed in a formal manner. As the CEO stated: "In the past, some very perceptive managers did human resource planning; however, it was spotty and not well structured." Another perception, primarily by the human resource managers, was that implementation of strategic plans, such as succession planning, lacked real implementation and follow-up.

Line and human resource managers at all levels agreed that human resource planning existed as a separate process and not as an integral part of overall management planning. All agreed that the goal of the firm should be to make human resource strategic planning a complete integral part of the planning process. The consensus,
among those interviewed, was that human resource planning had traditionally been a "reactive process," rather than a "proactive process."

The view of human resource strategic planning seemed to vary widely between line managers and human resource managers, and between less experienced and more experienced managers. In general, less experienced managers and line managers had a narrower view of the scope of human resource strategic planning, while more experienced managers and human resource managers envisioned the totality of the human resource process. Most managers used terms such as "directional," "positioning," and "vision" to infer their thoughts about the strategic nature of the planning process. A Senior Vice President said, "Strategic issues are those non-current issues which have a high probability of occurring in the future. Strategic planning deals with these type issues." Another manager phrased it in this manner, "Strategic planning is setting out a future course amidst turmoil and uncertainty of the competitive and economic environment."

For most managers, both line and human resource, the planning process itself was the most important to the firm, rather than the plan developed. One manager stated, "The process must be the most important issue. It is this disciplined process that forces the
strategic thought process." Another states, "The process is most important for the people currently involved. The product or plan is probably more important for the year 2000." From a human resource manager comes the following analysis,

"Process is important to have a disciplined approach and to make human resource strategic planning a normal way of life in doing business. However, the product or plan is also important to insulate long-term human resource issues from short-term 'knee jerk' action."

In discussing future human resource strategic planning within the company, the following statements express opinion and concern. In explaining, one manager said,

"In our company, traditional human resource planning was not viewed in a strategic sense. It was probably not necessary because we always had an abundance of people with all sorts of skills; therefore, strategically, human resources was just not a critical issue."

A line manager expressed concern that human resource strategic planning becomes a mechanical process, driven by the human resource staff, involving the completion of numerous forms. Therefore, line management feels limited responsibility for issues other than succession planning, because they cannot control the process. As one line manager states, "Many times the problem with our human resource planning efforts is that the 'urgent' pushes out the 'important.'"
Key Elements Of The Human Resource Strategic Planning Process

Although no formal procedure exists within Company A describing a methodology of strategic planning for human resources, most managers, both line and human resource, could describe a general methodology. Human resource managers tended to be more aware of the necessity of identifying the external environment within which human resource planning must take place. Both line and human resource managers felt a real need to integrate human resource planning with the early formulation of business plans.

The emphasis of the methodology described varied between line and human resource managers and between the different groups or levels. Generally, line managers and particularly corporate level managers, placed heavy emphasis on clear definition of business and corporate directions, while human resource managers were quick to identify areas more closely aligned with traditional human resources activities. The following elements were identified by one or more managers as necessary for human resource strategic planning.

-- Know your business or function, i.e., markets, technologies, etc.
-- Know corporate direction.
-- Constant interface between line and human resource managers.
-- Know where business is going, i.e., future state.
-- Accurately forecast complex mix of human resources needs, i.e., technical, business, operational, managerial etc.
-- Maintain up-to-date inventory of human resources currently available.
-- Assess what people would like to do.
-- Define external and internal environment.
-- Define what will be required in future that is not being done today.
-- Evaluate and appraise existing human resources.
-- Know people, i.e., quality/characteristics.
-- Compare people needs with business needs.
-- Formulate plans to develop human resources either internally or externally.
-- Identify training programs required to develop human resources.
-- Assess rewards systems to ensure proper development of people.
-- Ensure that all available resources are tapped, i.e., females, minorities, etc.
-- Assess strengths and weaknesses of human resource planning process.
Corporate management expressed a real need to assess human resource requirements on a "zero based" principle, rather than incrementally. The reasoning is that human resource needs are so volatile today because of changing technologies, new business ventures, and acquisitions, that the human resource base of the past may no longer be appropriate for the directions of the future. There was also an expression of need to better manage career paths of key technical and managerial people. The primary concern is to fight inflexibility in the movement of people for career development. New norms must be established to improve flexibility and to handle individual preferences in a more timely manner.

Corporate human resource management in Company A felt a clear sense of responsibility to define for the company the major external and internal environmental factors affecting human resource planning for the next decade. This definition ranged from factors such as demographics and national labor issues externally, to assumptions about new lines of business and affirmative action goals internally.

Where Human Resource Strategy Formation Occurs

All managers interviewed, both line and human resource, viewed human resource planning as a line manager's responsibility. As a
line manager states, "Ownership must be felt by the line." The human resource managers saw their role as consultant, resource person, facilitator, or director, depending on the degree of responsibility delegated them by the business or functional general manager. The role of the human resource manager, with dotted-line responsibility to the business unit, was described in one instance as "one with a different class of membership," expressing the feeling of the yet unclear relationship of line and human resource managers.

Most managers agreed that human resource strategy formulation occurred at the corporate, functional, and business unit level, but differed on which level really bore the major portion of the responsibility. Business unit managers generally felt that the business units had the major responsibility, because of their strong belief that business strategy drives human resources to a greater extent than corporate or functional strategies. As mentioned previously, some business managers expressed doubts concerning the real impact their units could have on human resource planning, as long as corporate human resources controlled processes, procedures, and methodologies.
Functional managers varied from stating that the corporate level was the most critical, because the CEO is the one who sets the tone as to where the emphasis will be in human resource planning, to arguing that the functional level is the main area of human resource planning, because it is where all the details are finally flushed out.

Corporate line management, while emphasizing the key roles played by both corporate, in setting the framework, and the business level, in identifying business strategies, felt strongly that the functional level has the major responsibility because they are in the best position to quantify needs to support all the businesses of the corporation.

Role Of Each Level In Strategy Formulation Process

Most managers interviewed described corporate's role in human resource planning to:

-- Provide vision
-- Provide leadership role (particularly in areas common to entire corporation)
-- Provide style and structure
-- Articulate corporate culture and direction
-- Provide guidelines
-- To integrate
-- To coordinate
-- To link to outside world
-- To maintain culture
-- Provide framework
-- Provide major thrusts
-- Allow movement of people
-- Orchestrate movement of people
-- Provide "bedrocks and principles"
-- Implement corporate succession planning
-- Review and assess business strategies

As noted, corporate's role lies primarily in providing an overall conceptual framework and giving emphasis to human resource planning.

The primary role of the business unit in human resource strategy formulation involves the identification of business strategies and the matching of human resources to these strategies. Another important function of the business unit, suggested by a functional manager, is to identify what is required of the functional units in
supporting business strategies. Corporate managers viewed the business unit as playing a key role in management development strategies, making certain these plans are not too narrow and/or parochial.

The role of the functional unit in human resource strategy formulation ranged from providing support as a member of the team, to being proactive in developing the details of human resource strategy. Of major importance is its role to ensure that the function, as well as the corporation, has the proper mix of skills and disciplines necessary to carry out strategies in the distant future. One manager stated that the strategies to be implemented within the next five years need people with up to 10 - 15 years experience. This requires that the proper human resources, with the proper mix of skills and disciplines, be identified today to implement anticipated business strategies 10 years in the future. This requires that functional units be primarily concerned with identifying, recruiting, selecting, evaluating, and developing those human resources, which will be needed throughout the corporation of the future. As a business manager stated, "Profits drive markets, markets drive products, products drive technology, and technology drives people." Without the functional units knowing the profits, markets, products, and technologies of the future, identification of the resources to support strategies is virtually impossible. For
this reason, most managers agreed that no one group can formulate human resource strategy alone. It is each level, playing its particular role, that results in true congruence of corporate, business, and human resource strategy.

Human Resource Strategy Formulation - An Integral Part Of The Strategic Management Process

When questioned concerning the degree that human resources is an integral part of the strategic planning process, all managers, both line and human resource, and all levels (corporate, business, and functional) stated that human resources was not on a par with functions such as marketing, manufacturing, finance, etc. The managers generally felt that human resource strategy formulation lagged business, functional, and corporate strategy as a sort of "afterthought." In one functional area, however, agreement existed between the line and human resource manager, that human resources was an equal partner in formulating strategy for their particular function.

When asked to categorize their human resource strategy formulation process as either a separate, a parallel, or an integral part of the overall strategic planning process, most managers
responded with "separate" but moving toward an integrated process. An astute observation, by a corporate manager, was that human resource issues were actually an integral part of the thought process of many managers when formulating business strategies, even though there was no formal process. An example cited was the conscious strategy to diversify into a new line of business. In deciding on this strategy, managers did consider the fact that this business and its technology could be adequately supported by human resources existing within the company, and that long-term the human resource skills and disciplines requirements were congruent with those already forecasted in the company's plan. This observation and example serve to illustrate that some superior managers do integrate the human resource dimension into their business strategies, even without a formal procedure, corporate edict, or instructions from human resource staff groups.

Given that most managers believed human resource planning should be an integral part of the overall strategic planning process, questions were asked to identify what was needed to ensure that this integration occurs. The newly organized business units and their organizational linkage with human resource management was cited as the most positive step in making integration happen. As a member of the business unit management team, the human resource manager could ensure that conscious recognition of human resource issues took place during the business strategy formulation process.
A second method to ensure human resource integration, is a recent corporate directive that all strategic business plans must contain a section devoted to strategic human resource issues. As a corporate manager stated, "It will not be a business plan without a human resource segment. It's a hard, fast rule!"

Most human resource managers placed the responsibility on themselves by suggesting that human resource professionals must first work at understanding businesses they currently do not know so that, secondly, they can demonstrate that human resource managers can bring "added value" to the strategic planning process. Several of the managers suggested that the reverse was true; the line managers must also recognize the importance of understanding more about human resource issues.

The CEO suggested that corporate can act to enhance the integration process. Corporate integrates by providing corporate thrusts concerning human resource issues, being insistent on structured planning processes, constantly requesting "people plans," and generally raising the level of awareness of human resource issues among top and middle management.
Linkages Of Human Resource Strategy

Both line and human resource managers, with the exception of corporate level, generally view the maintenance of linkages between levels of human resource strategy to be a function of human resource managers. Corporate management viewed the linkage function as a joint responsibility of both line and human resource managers.

Presently the review process is the most predominant linkage. Reviews occur at all levels between human resource and line managers, as well as review of strategic plans between levels. The major review process is the corporate review of both functional and business plans. The directive to have all business plans contain a human resource segment ensures that corporate will review human resource issues.

A very strong linkage is provided by the organizational structure which has human resource managers in a "solid line" reporting structure to the company human resource hierarchy. This relationship was established to position the human resource manager in a strong employee advocacy role, to ensure that corporate human resource policies and principles are maintained, and to provide an optional career path for the human resource managers. This structure provides a "natural" linkage, not only between the
corporate and business level, but also horizontally between various business units, and between business and functional units. The shared responsibility for human resource planning between line and human resource managers provides still another linkage as "cross talk" occurs during strategy formulation.

Methodologies, procedures, and their resultant forms also provide linkages by requiring successive higher levels of review and approval. The management succession planning process is a good example of this kind of linkage, since both human resource and line manager review or approval are required.

Finally, the corporate culture provides an informal linkage to foster adherence to institutional norms concerning human resource issues. Although this linkage can be violated, the culture of Company A, particularly with regard to human resources, is quite strong.

Responsibility For Human Resource Strategic Planning

As discussed previously, most managers agreed that the final responsibility for human resource strategy formulation rests with line managers. Although a line responsibility, human resource
professionals can play an important role as consultant, facilitator, resource person, and prodder. In Company A, all methodology for human resource planning has traditionally been developed by the human resource organization. Because of this, it has become necessary to consider how to get line managers to assume their rightful responsibility for human resource strategy formulation. There was consensus among the managers interviewed that the best way of accomplishing this was to make human resource strategy formulation an integral part of the line manager's job, upon which their performance appraisal and rewards were based. This ensures that the managers develop objectives and measurement criterion as they do for their other job responsibilities.

Major Human Resource Strategic Issues

A very interesting area of questioning concerned the managers' view of the most important human resource issues which must be dealt with strategically during the next decade.

Probably because Company A is nonunion, has traditionally planned for and had outstanding employee relations, and has long been conscious of their responsibilities to society, in terms of social issues, the most frequently mentioned issues in the literature were not cited as major strategic ones for the company.
Perhaps the most frequently mentioned issues can be summarized as ensuring that the function, business, and corporation have human resources (engineers, scientists, business professionals, and managers) with the proper skills, competencies, disciplines, experience, and vision to run the firm of the future in an excellent manner.

Major concerns in addressing this issue included:

-- Recruitment of top scientists and business professionals to implement strategies of the future.
-- Development of proper rewards systems to attract, hold, and develop top performing professionals and managers.
-- Proper identification of mix of scientists and business professionals, i.e., what disciplines are required for specific new technologies; are more business-trained professionals required to manage new and existing businesses and to enhance the contribution of functional organizations such as finance, etc.
-- Changing of company culture to allow greater flexibility in movement of people to develop managers and professionals with greater vision and expertise.

-- Extent of outside training to develop managers and professionals with "world or planet vision."

-- Current underutilized and underchallenged people.

-- Mix of male/female and ethnic groups in management to more fully utilize these resources.

-- Development of people who can assess "sociopolitical" trends and situations.

-- Close "generation gap". Get management working as team.

-- How to attract, hold, and motivate people in mature businesses which have been deglamorized, but yet provide major revenue streams to the corporation.

-- Develop more respected "risks and rewards" system.

-- Develop better process of matching managers to strategy.

An underlying issue, while formulating strategies to deal with all of the above concerns, is to develop implementation programs, which are flexible enough to adapt to changing strategies as technology and worldwide competitive situations evolve.
Profile

Company B is a multinational, highly diversified manufacturer and marketer of a very wide variety of both industrial and consumer products and services. It is a fully integrated company whose functions include research and development, manufacturing, distribution, marketing, finance, etc. The company has long been recognized for its innovation and its diversification.

Company B has worldwide sales of between $10 - $50 billion and employs several hundreds of thousands of people worldwide. Traditionally, Company B has been decentrally organized with numerous fairly autonomous business groups or divisions. Compared to most U.S. companies, very few activities are functionalized at the corporate level. Company B, which has traditionally been a strong human resource oriented company, has allowed and encouraged decentralization of the human resource function to the business groups, while retaining corporate control of a few key activities. Presently, business units and their human resource organizations are being urged by corporate to continue to assume responsibility for human resource management.
Twelve interviews in Company B were conducted with the following managers:

-- One (1) Human Resource Vice President at corporate level
-- Three (3) General Managers of Business Groups
-- Four (4) Human Resource Managers assigned to the Business Groups
-- One (1) General Manager of functional group manufacturing
-- Two (2) Human Resource Managers assigned to functional groups

In addition, a Vice Chairman of Company B responded to the questions via a questionnaire.

Extent Human Resource Strategic Planning Exists Within Firm

A broad view of the term "human resources" characterized the managers of Company B. Most managers, both line and human resource, envisioned human resources as being very encompassing, dealing with all aspects of the individual from recruitment to retirement.
"Informality" also characterized the perception of human resource planning within the firm. As a human resource manager stated, "No formal system exists. At one time it did and the actual system prevented its use by managers." Because of the informal nature of human resource strategic planning and the heavy decentralization of businesses, it is not surprising that interview results indicated widely differing perceptions and practices concerning the actual definition of and existence of human resource strategic planning. To some managers "manpower" planning constituted human resource planning, while to others the constant review of human resource practices and programs by all managers at all levels represented their view of the degree of integration of human resources with other business decisions. The degree of formality varied between business units.

Generally, most managers would speak of one-year operational plans, five-year projections, and 10-year visions, even though only the one-year operational plan was formalized. Most managers viewed the process of human resource strategy formulation to be more important than the plan (product) itself, however, one line manager indicated, that good processes can at times yield plans without substance, therefore both process and plan were equally important.
At the functional level, and to some extent the business level, managers were very focused on human resource strategy that dealt with union issues. There seemed to be an underlying strategy to significantly enhance the firm's cooperative efforts with the unions in terms of employee voice and work practices. As a line manager stated, "In the past we handled people as a commodity. Emphasis on the hourly worker was 'they are the unions' people, not mine.'" He went on to imply that this attitude is changing as emphasis is placed on human resources being, "---the business of business managers."

Key Elements Of The Human Resource Strategic Planning Process

As mentioned previously, Company B does not have a formal system for human resource strategic planning, therefore, there is no established methodology or procedure. Several programs of the human resource function are well defined and do have a formal methodology. For example, "manpower planning," done each year, is quite structured. Management succession planning, particularly for the top managers of the company, follows a definite formalized methodology.
Otherwise, managers state that human resource planning is intimately involved in business planning, with no separate process specifically for human resources. Inputs, as to the key elements, are generally at the discretion of local management.

Although no formal methodology exists, when questioned concerning the key elements utilized in the informal thought process of human resource strategic planning, managers, particularly those in the line, cited the following:

1. Identify vision, i.e., where do I want human resources to be in 3 - 5 years?
3. Local and national environmental assessment.
4. Identify resources available.
5. Assess "risk of plan" or adverse consequences.
7. Know competitive position.
8. Assess internal strengths.
10. Know union issues.
11. Examination of alternatives.
12. Use outside consultants to identify need.
13. Target areas for improvement.
14. Conceptualize what human resources can contribute.
15. Iterations with human resource professions and line managers to "hone" concepts.

Again, it cannot be overly emphasized the significant variability between business groups with regard to concepts of human resource planning. Therefore, it would be inaccurate to suggest that all managers viewed human resources as a major strategic issue. Corporate level perceptions leaned toward significantly greater uniformity of planning than the interviews would suggest actually occurs.

Where Human Resource Strategy Formulation Occurs

Line managers generally responded that the business level was the most important level for human resource strategy formulation to occur. One particular business group placed a great deal of emphasis at the group level, where several business units are collected. Most managers agreed that all three levels -- function, business, and corporate -- played a role, but that functional organizations were too limited in scope, while the corporate level was too far removed from the business to have major formulation input. Also, the term "ownership" was frequently used by managers
to indicate that line management must be responsible for human resource strategic planning.

One human resource manager's perspective was that 80 percent of strategic planning effort was at the business level, 20 percent at the corporate level, and zero at the functional level. He contends that functional level planning is too short term to be considered strategic.

Among human resource managers, there was a tendency to feel that human resource strategy formulation should be delegated by the line managers to the human resource managers. Line managers and human resource corporate management definitely viewed human resource managers as major players on the business team.

**Role Of Each Level In Strategy Formulation Process**

Again, the role of each level as perceived by the managers interviewed varied considerably between levels, organizations, and line or staff. The following roles were cited:
Corporate

- Review and look across businesses to make sure what is good for the business is also good for the firm.
- Provide additional career paths for human resource professionals.
- Maintain firm's culture through centralized management training.
- "Not much of a role" and "Not much from corporate."
- Responsibility for union contractual issues.
- Responsibility for top level management succession planning.
- "Damage control role."
- "Containment role."
- Provide uniformity.
- Act as consultants.
- Provide "clearing house" function.
- Communicate important objectives of CEO.
Business

- Provides major thrusts to businesses and functions.
- Acts as focal point for human resource planning.
- Articulates culture and principles of particular businesses.
- Becoming more involved in rewards systems.
- Localizes union contracts.
- Addresses union issues.
- Provides succession planning for mid and low levels of management.

Functions

- Provides input to strategic planning in terms of conceptual input, strategic, and visionary thinking.
- Focal point for short term tactical planning.

In general, Company B managers, at all levels, key heavily on the business unit as the focal point for human resource strategy.
formulation. While some businesses performed this function better than the others, there was little doubt among managers as to the strategic role of the business unit.

A further note concerning company culture is worth mention. Company B operates diversified businesses, in many varied markets, in a very decentralized manner; hence managers at the business and functional levels indicate that little, if any, company culture prevails throughout the firm. Rather, each business and, many times, each geographic location, exhibits a distinct culture which influences human resource strategy to a greater degree than corporate institutional norms.

Human Resource Strategy Formulation - An Integral Part Of The Strategic Management Process

When asked to describe the extent to which human resource strategy formulation is an integral part of the overall strategic management process, most managers, both line and human resource, responded with parallel process and integrated process, as compared to separate process. The degree of integration was generally perceived to be a function of the emphasis the business general manager gave human resource issues. In one business unit, the
majority of the managers interviewed credited the equating of the human resource function with those of marketing, manufacturing, research and development, to one particular general manager. In the more functional organizations, line managers still perceived that human resources were below marketing and engineering in the "strategic pecking order." Thus, in certain functional areas, human resource planning was viewed as a by-product of product and marketing planning.

Some human resource managers attributed the integrated mode of human resource planning to the decentralized nature of the organization, which allowed local bottom-up planning as opposed to top-down corporate planning.

Another interesting distinction by a line manager was that the more informal the human resource strategic planning process, the greater the degree of integration. The opposite had been observed earlier when a more formal system resulted in a separate human resource planning process. A general manager of a large business group expressed his desire to see a formalized methodology "more integrated in the minds of managers."

A human resource manager viewed the degree of integration in yet another dimension, by stating:
"Human resource planning for professionals is integrated into our business thinking, however, human resource planning for hourly workers remains a separate conscious process."

In order to move human resource strategic planning toward a more integrated process, managers suggested the following.

- Top down emphasis by CEO.
- Key is business general manager emphasis.
- Make line managers feel "ownership" of human resource planning.
- Human resource staff must transfer "ownership" to line management.
- Human resource staff must demonstrate "value added" to process.

Linkages Of Human Resource Strategy

Because most human resource strategy is formulated at the business level in Company B, and corporate provides limited input, linkages are provided mostly by actual participation in the strategy formulation process. Since business managers have local responsibility for all functions and there are "solid line" responsibility relationships between human resource managers and line managers, linkages are naturally forced at the business level. Because this joint responsibility occurs at lower levels, there is little
noncongruency of human resource and other functional strategies as they move up the organization.

A human resource manager, speaking of his General Business Manager, states: "He provides linkages by making sure that everyone is involved."

The review process is the most prevalent linkage at the group and corporate levels where entire business plans, including human resource plans, are reviewed for congruency with each other and with the goals of the firm.

Responsibility For Human Resource Strategic Planning

This question was answered by most managers using the buzz word, "ownership," implying that line management "owns" the human resource responsibility. This emanates from the CEO who views human resource management as his responsibility. Only three exceptions were voiced, indicating that human resource strategic planning is jointly shared between line and staff. Two were from human resource managers, the other from a line manager. All other managers viewed human resource planning as primarily a line manager's responsibility.
Major Human Resource Strategic Issues

Human resource issues, considered critical by the different managers, varied considerably, depending on their particular business, the local environment, competitive pressures, technology advances, etc.

Line managers, both business and functional, seemed to rate the following issues as critical for their organizations.

1. Improving the productivity of hourly employees through
   - increased employee voice
   - improved cooperation with unions
   - increased employee "feeling of worth"
   - commitment to job security
   - rewards sharing

2. Matching employees with technology advances
   - computers
   - robotics
   - less hourly and more salaried employees

3. Recruiting top technical and managerial talent
Human resource managers listed the following as critical issues their organizations will face in the next decade.

1. Job security
2. Increase productivity
3. More discriminating rewards systems
4. Retraining employees to adapt to technological revolution
5. Employee voice
6. Keeping human resources lean and flexible
7. Expand "work together" areas with unions
8. Application of human resource principles

In summary, it appears that most managers are concerned primarily with two overriding issues. The issue of significantly increased productivity of employees in order to maintain competitiveness in a global market and the issue of maintaining human resource skills at a level capable of fully utilizing technological innovations necessary to remain a world class company.
Company C

Profile

Company C is a large multinational manufacturer and marketer of products, primarily for industrial, commercial, and governmental customers; however, some products are designed specifically for consumer markets. Company C differs from Companies A and B in that its product line, while very large in volume, is limited in diversification. Consequently, the company is significantly more centrally organized than Company B, but only somewhat more than Company A.

Company C has a reputation as a leader in product innovation, marketing expertise, and service quality. Company C also is well known for its attention to human resource issues, giving it a reputation as an employer "second to none."

Like Companies A and B, Company C is a truly international company, manufacturing and marketing products in most major countries around the globe. Its organizational philosophy is one of centralization of control and decentralization of operations. Planning is the main mechanism to link and integrate the corporate with the various operating units. Planning in Company C has two
time dimensions. First is a five-year plan utilized to establish strategic directions and second, is a two-year plan used to allocate financial, physical, and human resources. Although operating units exercise a fair degree of autonomy in their day-to-day operations, there is strong centralized control via the strategic plan and the strategic planning process. Company C was at one time organized primarily along business lines associated with products, but now exhibits an organization which is strongly functional in many of its large businesses, yet retaining business unit segmentation in its smaller/growing businesses.

Four interviews were conducted with managers of Company C. These interviews were with three different functional managers (service, marketing, engineering) and one human resource manager at the corporate level. Fortunately, two of the three functional managers were foreign managers in their native country.

Interviews were limited because many of the managers had just recently been interviewed concerning human resource strategic planning as part of a study by the Human Resource Planning Society. This field study report was utilized extensively by this author to understand the basic human resource strategy formulation process and was supplemented by interviews.
In addition, the 15-part questionnaire (Appendix B) was submitted to 12 managers representing the following organizations and/or positions.

CORPORATE LEVEL

One (1) Corporate Line Manager, such as Chairman, CEO, or President

One (1) Corporate Human Resource Manager, such as Vice President Human Resources

BUSINESS LEVEL

Three (3) Business unit (or comparable) General Managers with line responsibility

Three (3) Corresponding Human Resource Managers assigned to the business units

FUNCTIONAL LEVEL

Two (2) Line Managers of functional organizations such as manufacturing, marketing, etc.

Two (2) Corresponding Human Resource Managers assigned to functional organizations
These data provided additional insight to the field study and interviews in assessing the state of human resource strategic planning at Company C.

**Extent Human Resource Strategic Planning Exists Within Firm**

Company C human resource planning is clearly driven by its strategic business goals. Broad strategic business goals are established by corporate management, which are supported by formulation of appropriate human resource strategy.

As previously mentioned, the company is functionally organized with responsibility for entire businesses (including manufacturing, marketing, etc.) residing relatively high in the organizational structure. Because of this, human resource strategy, which is formulated primarily at the corporate level and implemented primarily at the functional level, tends to bypass the business level except for review and concurrence. Heavy emphasis is placed on human resource planning at the corporate level, with a large corporate staff reporting to a Senior Vice President. While human resource functions are located at the business and functional levels, they have very strong linkages to the corporate human resource staff. Most of these relationships to corporate are shown
as "dotted line," however, most managers interviewed felt that the relations were stronger to corporate than they were to the business or function.

Within this framework, human resource planning is divided into two parts. First is the human resource planning, which takes place as an integral part of the formal business planning process and that which is external to this process. The first part is done primarily by line managers, first at the corporate level, and then within the various divisions. As strategies for development, manufacturing, marketing, and service are established, there are naturally a number of human resource issues which are raised. Human resource opportunities and exposures are identified. The human resource professional, at both the corporate and division level, serve a role of inputting and reviewing the interim human resource plans.

In discussions with functional managers, this author perceived this process by the line managers to consist primarily of input concerning human resource issues, with the final formulation of strategy the responsibility of the human resource professionals primarily at the corporate level.
The second part of human resource strategic planning occurs outside the formal business planning process and is divided into two types: corporate strategic human resource planning and functional strategic human resource planning. These plans exist because all human resource strategy is not business-plan driven. Other factors, such as the values, philosophies, and concerns of top management and the nature of the internal and external environment facing the corporation, affect human resource strategy. Both of these types of human resource planning are done by corporate management and/or corporate human resource staff. The first involves overall planning to deal with thrusts and policies regarding the management of human resources. The functional planning is an ongoing process designed to monitor internal and external environments for possible effects on the management of human resources, and to develop strategies and guidelines intended to direct the planning and operating decisions of both corporate and divisional human resource staff.

In summary, human resource strategic planning does exist in a fairly formal, structured manner within Company C. It is heavily concentrated and controlled by corporate.

Even though human resource strategic planning is concentrated at the top, line managers who were interviewed, firmly believe in the
importance of people and spend a great deal (40 - 50 percent) of their time on operational and semi-strategic human resource issues. Also, line managers generally tend to have a broad view of human resources, encompassing much more than "numbers" planning and succession planning. The further down the organization, the narrower the manager's view of human resources.

As in other companies, managers of Company C view the "process" as more important than the "plan" in human resource planning.

Key Elements Of The Human Resource Strategic Planning Process

Company C divided human resource strategic planning into two dimensions. First is a plan to address the ongoing programs of the firm, as driven by culture, tradition, and existing needs. Secondly is the part of human resource strategy that is "strictly business driven." The former is primarily the responsibility of corporate, while the latter must be identified by the functions and businesses.

While each program at Company C has a very formalized methodology for formulating and implementing strategy, generally the methodology is driven by the human resource organization, which
primarily gets direction from corporate. Managers generally listed the following as part of their methodology.

1. Assessing the business plans.
2. Determining the mix of skills required.
3. Environmental scans by corporate.
4. Assessing social and governmental issues.
5. Development planning for managers.
6. Assessment of business plans for possible exposure in critical personnel areas.
7. Internal environmental scanning.
8. Special studies.
9. Attitude surveys.
10. Identifying specific thrusts and policies.

The strategic planning process for Company C is very structured and formalized. One manager states:

"In our company, there is not a strong autonomy in terms of human resources. Flexibility of units other than corporate is very low. Corporate sets policy and methodology for all units. This makes the sharing of values and principles of non-corporate managers very important."

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Where Human Resource Strategy Formulation Occurs

While each level (corporate, business, and functional) provides some human resource strategy, essentially all managers interviewed agree that corporate retains primary responsibility for human resource strategic planning. Generally, human resource management, at the corporate level, viewed their role as developing broad thrusts and transferring them to business and functional areas. Line managers viewed the corporate level as the source of human resource strategy formulation.

Most managers tend to agree that this is the proper level, because consistency is of major importance, primarily in the areas of rewards, benefits, treatment of employees, etc. The managers had so thoroughly "bought-in" to this policy, that essentially none wished to change the concentration of authority at the corporate level.

Human resource managers "down the line" in business and functional organizations do report to line general managers, however, their strongest ties are perceived to be with the corporate human resource staff. In emphasizing this relationship, a functional manager states: "The Human Resources and Finance functions are the only two functions that can disagree with the corporate
level." While most managers saw their human resource managers as active members of the team, others perceived them as "corporate employees," assigned to ensure compliance with overall corporate human resource strategy. One view was expressed as follows:

"If human resource strategy formulation is being done 'right,' it is the line executive's function. If it is being done 'wrong,' it becomes the human resource staff's function."

Role Of Each Level In Strategy Formulation Process

All managers, regardless of level, and line/staff agree that the role of corporate is dominate in human resource strategy formulation. The role of corporate is to formulate all human resource strategy which is not directly driven by the business plan. In other areas, corporate's role is to provide coordination, guidelines, reviews, consultation, consistency, and synergy.

The functional level's role was that of providing input to corporate and group levels and ensuring a fit of human resource strategy at the local or functional level. Some tailoring of corporate strategies is done by the functional units with concurrence from corporate. It is important that the business and
functional levels buy-in to the overall human resource strategy to provide consistency within the firm. Human resource professionals, at the functional and corporate levels "work out" exceptions to the corporate strategies.

**Human Resource Strategy Formulation - An Integral Part Of The Strategic Management Process**

When questioned concerning the degree of integration of human resource strategy formulation in the overall strategic management process, most managers responded that it was generally a well integrated process, as compared to a parallel or separate process. One reason for this is the continuous emphasis given day-to-day and month-to-month operational human resource issues. A second reason is the well understood, structured process that occurs, through human resource professionals working in the various divisions.

Human resource managers generally feel that human resource issues are on a par with marketing, manufacturing, and finance issues, but admit that this probably varies somewhat depending on the relationship of the business or functional general manager and the division human resource professional. Interestingly, most line managers, who were interviewed feel human resource issues demand at
least equal status with other business issues, and at times, (particularly at the corporate level) receive more recognition than other functions, such as marketing, manufacturing, etc. This, again, is probably due to the strong role of the corporate human resource staff in promoting human resources throughout the firm. One manager viewed the process by stating:

"Business and functional managers will integrate human resource issues into their strategic plans within the Company C environment, because they know their plans will be questioned in the review process if human resource issues are not addressed."

Line managers felt that the involvement of general managers was the "key" to the integration process. They agreed that the company culture was inducive to integration, occurring because of the top-down interest, everyone believing that integration is logical, and the training for managers that emphasized integration.
Linkages Of Human Resources

Because of the active involvement of corporate in formulating human resource strategy, use of the review process is very extensive between levels in the organization. The process may involve human resource strategy emanating from corporate, to be transmitted to business and functional levels, where the strategy is reviewed and questioned in light of specific business strategies and examined for fit with local human resource issues. The modified plans then begin the review process as they move back up the organization to the corporate level. Normally, fit is very good because of the close association of human resource managers throughout the entire firm.

Within organizations, linkages of human resource strategy with business and/or functional strategies is accomplished primarily through the actual participation of all the players in the overall strategic planning process. As one line manager states: "Linkages are automatic because of the continuous ongoing process of integration of all issues into the planning process."
Responsibility For Human Resource Strategic Planning

When questioned concerning who in the organization really has the primary responsibility for human resource strategic planning, answers varied between line and human resource managers. There was a sense that most managers felt that the line organization must be responsible because of the concept of ownership, but actually perceived that top management placed responsibility with the corporate human resource staff. Managers, who felt that line management was responsible, indicated that this responsibility was most always delegated to human resource professionals.

Human resource professionals, while agreeing that top corporate management holds the top management of the human resource staff responsible, are careful to promote the ownership of human resources as a line responsibility. As one human resource manager states: "Human Resources staff manages nothing; we play a supportive role. Line managers should not think we (human resource staff) run it."

Again, there seems to be some variability between organizations. A manager in a foreign location indicated he had observed a particular general manager who really assumed a major role in human resource strategy formulation.
Major Human Resource Strategic Issues

Most managers who were interviewed had ready responses concerning their opinions on the most important human resource issues facing their organizations within the next decade.

The responses included the following:

- Rewards Systems
  - Compression of salaries for professionals
- Maintaining Optimum Skills Mix
  - Manufacturing becoming relatively more important as costs and quality become key competitive issues.
- Certain functional areas shrinking
- Adapting to new technology
- Employee voice
- Work ethic, i.e., attitude of people to "assume responsibility personally"
- Mobility of people (particularly professionals)
- Full employment/job security
- Changing nature of structure of work
- Societal issues
  - Women in industry
In addition to the field interviews with the various managers, each manager was requested to complete a 15-part questionnaire (see Appendix B), in order to assign quantitative values to their opinions and perceptions. In some instances, for example Company C, where certain managers could not be interviewed, the questionnaire was used to supplement written documents from the company describing their human resource strategic planning processes.

Numerical results from the questionnaires are analyzed in several ways to determine if significant differences exist between Companies A, B, and C, between line and human resource managers, and between corporate, business, and functional managers. By comparing companies, inferences are made concerning the effect of diversification and decentralization on the extent of strategy integration with the overall strategic goals of the firm.

By comparing line versus human resource managers' responses, inferences are made concerning the divergence of views between line and staff about the various aspects of human resource management. The degree of difference signals the gap which must be bridged in order for human resource strategy to become fully integrated into the overall formulation process.
By comparing the responses of the functional, business, and corporate levels, inferences are made concerning the perceived role of each level in the human resource strategic planning process and the degree of overlap and/or conflict between the levels.
Chapter VI

Conclusions And Recommendations

Overview

This chapter begins with an analysis of the quantitative responses to the questionnaire received from the managers. This data has been subjected to statistical significance testing, therefore, inferences will primarily be confined to those areas where real differences are likely to exist. Where trends are indicated, even though statistically weak, they will also be discussed.

Next, the qualitative responses to the questionnaire concerning the following issues will be summarized.

1. Level within organization where most human resource strategy is formulated, i.e., corporate, business, functional.

2. The type process used primarily by organizations to insure linkages of human resource and business strategy, i.e, Parallel, Inclusion, Participation, and Review.

- 173 -
3. The three (3) top human resource issues of the next decade.

Utilizing both interview and questionnaire responses, conclusions will be drawn concerning:

1. The state of human resource planning in large U.S. industries.
2. The importance and role of each organizational level in the human resource planning process.
3. The role of line management versus human resource (staff) management in human resource planning.
4. The effect of diversification and/or decentralization on the human resource planning activities of the firm.

Finally, I will make recommendations targeted at:

1. Improving the methodology of human resource planning.
2. Further integrating human resource strategy into the overall business and corporate strategic plan.
Questionnaire Analysis

Company A - The following inferences are made concerning Company A: (See Figure 12).

First, there is a wide difference of opinion between line managers and human resource managers as to who, within the company, has primary responsibility for human resource strategic planning. Both line and human resource managers, feel they have primary responsibility. This probably exists in Company A because of the feeling of "ownership" of human resources by the line, contrasting with human resource managers who have always felt "ownership" of the human resource programs and activities. This derives from the traditional functional organization of the company.

Secondly, it is understandable that human resource managers indicate they spend 90 percent of their time on "people issues," as compared to line managers' 30 percent.

Third, there is a tendency for line managers to feel there are few linkages of human resource strategy between levels, while human resource managers feel that human resource strategies are well integrated at the various levels. A possible explanation of this
### FIGURE 12

#### COMPANY A

#### QUESTIONNAIRE SUMMARY

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*90% Significance Level

Responses: Questions 1–3, 5–12 — Rating on 0–5 scale
Questions 4, 13, 14 — Number of times response was selected
difference is the human resource manager's role in the human resource hierarchy which is linked to each level.

Weaker trends are indicated, in Company A, which suggest:

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<th>Line Managers Feel</th>
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<td>-- strategy dictates</td>
<td>-- organization structure</td>
</tr>
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</tr>
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<td>-- human resource strategy</td>
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<tr>
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<td>formulated by well defined process</td>
</tr>
<tr>
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<td>-- a good manager can manage</td>
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<td>regardless of particular strategy</td>
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<td>with strategy</td>
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Inferences concerning the view of corporate, business, and functional level managers are as follows:
-- View human resource strategic planning as fairly integrated process with human resources playing a significant role in overall strategy of the firm.

-- Feel that linkages of human resource strategy to business strategy are functioning well.

-- Feel strongly that "strategy dictates organization."

-- Feel very strongly that managers must be matched with strategy.

-- View existence of human resource strategic planning as "low," and that human resources are not a major issue in the overall strategy of the firm.

-- Feel that linkages are somewhat weak between business strategy and human resource strategy.

-- Feel that in actual practice the organization, at times, dictates strategy.

-- Feel that "a good manager can manage a business, regardless of the strategy.
Company A managers felt that human resource strategy is formulated by all three organizational levels, with heavier emphasis on the functional and business levels.

Concerning the three most important human resource issues which Company A must address during the next decade, the following were listed:

1. Management Development  
2. Rewards Systems  
3. Proper mix of technical, professional, and managerial skills

Based on the overall company response, it appears that the managers interviewed do not feel really positive concerning the extent of human resource strategic planning, its role in overall company strategy, the extent linkages are provided between levels, and the manner (formal or ad hoc) in which human resource strategy is formulated. The managers do feel, however, that human resource management represents one of the more important functions critical to the success of the firm.

A final interesting result was the absence of participation as a linkage between human resource and business strategy. This supports
interview results indicating few, if any, managers who felt human resource strategy formulation was an integral part of the overall strategy formulation process. Most managers responded that linkages were provided by the review process.

**Company B** - The following inferences are made concerning Company B: (See Figure 13).

Line managers differ significantly from human resource managers in their opinions concerning the necessity of matching managers with strategy versus the philosophy that good managers can manage a business or a function regardless of the particular strategy required. Again, this difference is probably due to the philosophy espoused by several human resource managers that the key element of management is "managing people," therefore, a good people manager can manage well regardless of the strategy.

Line managers in Company B also felt that human resource strategic planning was more integrated and that human resource issues influenced overall business strategy more than their corresponding human resource managers. There was also a tendency for each group of managers (line and human resource) to feel they had primary responsibility for incorporating human resource strategy into the overall organizational strategy.
### FIGURE 13

#### COMPANY B

**QUESTIONNAIRE SUMMARY**

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*90% Significance Level

Responses: Questions 1–3, 5–12 — Rating on 0–5 scale
Questions 4, 13, 14 — Number of times response was selected
Clearly the managers at the business level in Company B felt that human resource strategic planning was a more integrated process than functional managers. This is reasonable, since interviews revealed that most human resource planning occurs at the business level in Company B.

The extent to which human resources are considered in formulating overall corporate and business strategic plans decreased from the corporate level, to the business level, to the functional level. This implies the further from the top of the organization, the less managers feel that human resources are an integral part of the strategic plan.

It is interesting to note that managers at the business level, where most human resource planning occurs in Company B, view human resource professionals as having more responsibility for strategic planning than the corporate level perceived.

In Company B, corporate managers perceive that human resource strategy formulation and linkages of this strategy with business strategy, occurs in a very integrated manner, whereas business managers, where strategy formulation takes place, feel less confident about the actual integration and linkage. This may be due
to the decentralized nature of Company B, with corporate visualizing a more "ideal" process than what actually occurs.

Managers, at the corporate and business levels, feel significantly more strongly than functional managers, that "strategy dictates organization structure," as opposed to "the organization dictates strategy."

Six of the 12 managers stated that most human resource strategy was formulated at the business level, with four additional managers specifying all three organizational levels. None suggest it was formulated at the corporate level and only two (both functional managers) replied with functional level.

The majority of managers (seven of 10) view human resource strategic planning as a participative process, where human resource issues are included in the business strategy at the time of formulation.

The most frequently mentioned human resource issues, which will impact Company B during the next decade were:

1. Acquiring and maintaining optimum mix of technical, professional, and managerial skills.
2. Employee voice/participation

3. Employee productivity

**Company C** - The following inferences are made concerning Company C (see Figure 14).

In general, the responses from managers of Company C were significantly more uniform than those of companies A and B. This may have resulted from the major role played by corporate human resource staff in the overall management of human resources in Company C.

Two trends were observed between line and human resource managers. Generally line managers considered human resources as receiving major emphasis as a critical success factor of the organization. Also, line managers tend to feel that human resource strategy is formulated in a well defined formal process.

Again, there was a significant difference of opinion between line and human resource managers in their belief that "managers must be matched with strategy" with line managers feeling quite strongly that a match was necessary, while human resource managers felt that good managers can manage any strategy. Again, this is probably due
FIGURE 14

COMPANY C

QUESTIONNAIRE SUMMARY

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*90% Significance Level

Responses: Questions 1–3, 5–12 — Rating on 0–5 scale
Questions 4, 13, 14 — Number of times response was selected
to the heavy emphasis human resource managers put on the "people management" aspects of overall managerial success.

Unfortunately, no quantitative responses were received from the corporate level of Company C, however, several inferences can be made concerning managers at the business and functional levels.

Managers at the business level felt strongly that line managers had primary responsibility for formulating human resource strategy, while functional managers perceived human resource staff personnel as having this responsibility.

Managers at the business level also felt that there were sufficient linkages in place to insure congruency of human resource strategy and business strategy and to insure uniformity between the corporate, business, and functional levels of the firm. These trends possibly derive from the fact that business managers are in a better position in Company C to perceive the overall strategic structure than are functional managers.

Most managers in Company C perceive that all three levels, corporate, business, and functional, participate in human resource strategy formulation. Also, most managers view the overall human resource strategic process as being a parallel and inclusive part of
the overall strategic plan of the firm. It is interesting that no managers saw the review process as a major linkage in Company C.

Similar to Companies A and B, managers of Company C felt that acquiring and maintaining the proper technical and managerial skills mix was the major human resource issue which must be addressed strategically during the next decade.

Overall Comparisons

Combining all three companies, the following inferences can be made. (See Figure 15.)

Line managers generally feel that human resource strategy formulation is heavily a line responsibility, whereas human resource managers feel it is a shared responsibility. This response is reasonable since each group tends to feel ownership of human resources.

Naturally, human resource managers indicated they spent 88 percent of their time on "people issues," while line managers, on average, spent 38 percent of their time on "people issues." Line managers, in general, perceive that human resources receive equal
FIGURE 15

OVERALL RESULTS
QUESTIONNAIRE SUMMARY

<table>
<thead>
<tr>
<th>Question No.</th>
<th>Line Managers</th>
<th>Human Resource Managers</th>
<th>Corporate Level</th>
<th>Business Level</th>
<th>Functional Level</th>
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</table>

*90% Significance Level
weight as a critical success factor along with marketing, finance, manufacturing, etc., whereas human resource managers, probably because of their role as advocate and consultant, do not perceive that human resources receive equal attention during strategy formulation.

Finally, the largest difference between human resource and line managers is their belief concerning the necessity of matching managerial skills with a particular strategy. As has been suggested, this probably derives from two reasons. First, the importance human resource managers place on "people management" as the overriding criterion for management success, and secondly, the actual experience of line managers in attempting to manage different business strategies with a common set of managerial skills and talents.

Combining all three companies and analyzing differences between the corporate, business, and functional levels yields the following inferences. (See Figure 15.)

First, corporate managers perceive that human resource strategies are more fully integrated between the various levels than either business or functional managers. This may be because of the more perceptive view from the top, or may be an idealistic view
because of the separation of corporate and business/functional levels. As mentioned earlier, this difference was more prevalent in diversified firms.

Secondly, corporate managers believe that the firm's strategy dictates organizational structure, where business and functional managers tend to believe that the organization, at times, dictates strategy. These data support the fact that Graham T. Allison's Model II, as set forth in his book on the Cuban Missile Crisis, does prevail among many managers in industry.

Overall comparisons of Companies A, B, and C reveal the following (See Figure 16).

There were significant differences between the companies with regard to the "extent" human resource strategic planning exists within the firm. Company C, with a strong centralized corporate human resource tradition, has a fully integrated human resource planning process. It was, by far, the firm with the most formal methodology. This suggests that a strong formal methodology, while being viewed as overly structured by some managers, does provide an overall perception that human resource strategic planning firmly exist within the firm. Next was Company B, a very decentralized company, with a strong tradition of strategic planning at the
FIGURE 16

OVERALL RESULTS
QUESTIONNAIRE SUMMARY

<table>
<thead>
<tr>
<th>Question No.</th>
<th>Company</th>
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*90% Significance Level
business unit level. There was a great deal of diversity in Company B, but overall managers felt that human resource strategy formulation did exist within the firm. Company A, recently reorganized into business units, felt less sure concerning the existence of human resource strategic planning within the company.

The extent to which human resources were considered in formulating corporate, business, and functional strategies also followed the same path, with Company C giving it the most consideration and Company A the least.

The same pattern existed with regard to the degree linkages are provided to integrate human resource strategy throughout the organization. Companies B and C indicated the existence of a well defined formal process for human resource strategy formulation, with established linkages functioning well to integrate human resources with the overall strategy of the firm.

In summary, one could infer that Companies B and C, who had traditionally practiced strategic planning in their business and functional areas, were also much further advanced in human resource strategy formulation.
It is clear that the level in the organization where most human resource strategy is formulated varies depending on the organizational structure of the firm, which in turn varies depending on the degree of diversification. This study does not suggest that there is a "best level" but merely supports the thesis that successful human resource strategy can be developed, at any or all levels, as long as linkages are provided to properly integrate it into the overall strategy of the firm. There seems to be support for at least some formalized methodology to insure that human resource issues are subjected to the strategic thought process.

There is evidence to support that the issues discussed in Chapter II are important to the firms. Because technologies, organizational structures, business strategies, and the expectations of employees are changing so rapidly today, all firms interviewed expressed as a major concern, their ability to provide their businesses with the proper mix of skilled individuals necessary to implement the required strategies. These skill mixes covered plant worker skills, professional and technical skills, and managerial skills. Most managers viewed this as a major challenge, which would require strategic planning in the areas of recruitment, training, selecting, placement, and development during the next decade.
Human resource strategic planning in large U.S. corporations, is alive and well today, even though significant variations exist as to the methodology utilized, the formality of the process, the degree of integration with business strategy and the involvement of all managers in the formulation process. Essentially, all managers in major firms appreciate the importance of human resources to the firm. This author sensed a keener awareness among managers that human resource management, and thus planning, plays an ever increasing role in the success of their firms (and U.S. industry). In both union and nonunion firms there is a greater sense of the necessity to utilize all human talent regardless of where it is located within the firm. All large firms have embarked on extensive programs to enhance the quality of their products and services and to improve the productivity of their human resources. These programs, which have support at various management levels within the firm, have caused a renewed focus on "human resources" and their potential value to the firm. Therefore, regardless of the particular philosophy of the firm and the specific methodology employed to enhance human resource contributions to the firms, the environment has never been better for management to make real progress in the field of human resource planning and management.
A second general conclusion concerns the apparent "gap" which exists between "line managers" and "human resource managers." While it is apparent that all managers within the firm are convinced that human resource management and planning are vital to the success of the firm, there is still a significant "gap" between the view or perception of these traditional managers. Much of this gap seems to exist because of the rather formal separation of "human resource staff managers" and the traditional "line manager." Because of the division of responsibilities inherent in firms with traditionally strong human resource, industrial relations, or personnel functions, line managers, while voicing agreement as to the importance of human resources, have essentially confined themselves to the operational role (at most the managerial role for some) of human resource management, leaving the strategic role within the purview of the human resource professionals. Another way of expressing the state of human resource management as concluded from this study, is that line managers recognize their important role of managing people, but generally (there are exceptions) do not accept responsibility for formulating human resource strategy. A notable exception to this is in the area of management succession planning at higher levels in the organization. This single narrow area seems to be one in which line managers have generally recognized responsibility.
Human resource managers carry the major responsibility for human resource strategy formulation. In my opinion, this is due to several factors. First, as discussed, line managers have not assumed the responsibility. Secondly, some line managers, not interested in human resource planning, have delegated the entire responsibility to human resource managers. Thirdly, many firms, which have traditionally had a strong vertical human resource organization linked to the CEO at the corporate level, have developed human resource managers with a sense of "ownership" of the programs, policies, and procedures of human resource planning. While some of these human resource managers pay "lip service" to the theme of line management's ownership of human resources, they act so as to retain their control over the process. In defense of human resource managers, I observed few if any line managers anxious to assume this responsibility if vacated by human resource professionals.

A third conclusion is that most managers (especially line managers) view human resource strategy formulation quite narrowly. They define human resources broadly, but have a narrow view of the strategic aspects of human resource planning. This was particularly evident among line managers at lower levels. The "manpower planning" procedure, normally due annually, with a maximum two-year vision, constitutes many managers concept of human resources
strategic planning. Firms where human resource planning is a more integral part of the business strategy tend to have broader views of the scope of human resource strategy formulation.

Fourth, the more formal and structured the human resource strategic planning process, the more likely it is to become a "forced routine," spearheaded primarily by human resource managers. Some firms have found this is not all bad, since it insures that someone will at least address human resource issues on a routine basis. The disadvantage of this extremely formal, structured system is its propensity to separate human resource issues from business issues, thereby further segregating the human resource strategic planning process from the overall strategy of the firm.

On the other hand, observations in one company indicated that the absence of a structured system, which was somewhat mandatory in nature, can lead to sporadic use of any type human resource strategic planning. In these situations, the existence of human resource planning depended upon the particular managers involved.

A fifth conclusion derives from observations that human resource strategic planning, where it exists, is quite fragmented. There does not appear to be, at least in the minds of most managers, a comprehensive, unifying process that brings together all aspects of
human resources. Line managers may annually participate in succession planning or "head count" projections, while human resource professionals may independently plan evaluation and rewards systems, benefit packages, and development or training programs. There seems to be some apparent consolidation in companies which are highly centralized and where corporate dictates most human resource policies and plans. In these environments the strong human resource organizational network operates to insure comprehensiveness and consolidation. Generally, what is missing in this case is the participative formulation process involving managers throughout the organization. There is reason to believe that it is impossible to have the best of both worlds, i.e., a unified comprehensive human resource planning system and one completely integrated with business plans and involving managers from all parts of the organization.

Sixth, in most organizations of most companies, human resource professionals are not well integrated into the business activities and plans of the firm. There are significant exceptions to this conclusion, in some organizations. In particular certain strategic business units in a very decentralized company operate in such a manner that human resource managers and professionals are an integral part of the management team, sharing in all business decisions, as well as human resource decisions. This, however, was the exception rather than the rule. In companies where human resource
professionals were highly structured and linked organizationally to
corporate, this degree of integration was extremely rare. In my
opinion, the primary reasons for this lack of integration are
twofold. First, and most important, human resource managers and
professionals are not sufficiently knowledgeable about the busi-
nesses they serve. This lack of knowledge stems from both the line
manager's disinterest in involving the human resource manager, and
the lack of initiative on the part of the human resource manager to
acquire this knowledge. Secondly, in highly centralized, corporate
dominated human resource companies, human resource managers (and
their corresponding business managers) feel a greater loyalty to and
identification with the human resource organization than with the
business organization. This promotes the role of "outside player"
thus decreasing the human resource and business manager's initiative
to make the human resource manager a knowledgeable member of the
business team.

A seventh, but very important conclusion, is that the key
individual in the organization, who can make human resource
integration happen, is the line general manager of the strategic
business unit or the particular function. Managers were almost
unanimous in their opinion, that the line manager of the business or
functional unit, rather than the CEO or human resource vice presi-
dent, was the key individual in making human resource strategy an
integral part of the business strategy. In organizations where the
general managers were perceptive of their human resource planning
responsibilities, integration occurred. When the general manager
perceived that human resource strategy formulation belonged to the
Human Resource organization, integration did not occur. Firms
wishing to increase integration should recognize the importance of
this key individual.

Finally, I conclude that a human resource strategic planning
methodology, such as the one developed in Chapter IV, does not
exist, in its entirety in most organizations of major firms. While
many parts or segments were suggested by managers interviewed,
managers generally did not visualize a framework consisting of the
elements of Figure 7. While a formal written procedure, which would
become ritualistic, is not suggested, it seems that a more thorough
understanding by all managers, of a conceptual framework, such as
presented in Chapter IV, would be desirable. It is my opinion that
most managers lacked a clear understanding of "strategic frameworks"
which might be common to any strategic analysis.
Recommendations

While recommendations can be suggested for the many specific situations encountered during the course of research for this project, I will confine my recommendations to those of a general nature which will be applicable to any firm wishing to more fully integrate human resource strategic planning with the overall strategic plans of the business and firm.

First, all managers and professionals should be given formal training in general strategic management. This training should include both the broad concepts of strategic thinking and specific methodologies useful in formulating strategy for any organization, whether a functional unit, business unit, or corporation. This training should not be designed to formalize or structure a specific methodology, but should have as a goal the ability of all managers to visualize and conceptualize all areas of their responsibility in a "strategic sense." To fully utilize the resources of its people, firms must rely on everyone's participation in formulating strategy for the organization. This is particularly true in the area of human resource strategy formulation, if full integration is to occur.
A second recommendation, closely allied to the first, is to make human resource strategic planning as informal and unstructured as possible, while still retaining a high degree of application of strategic thinking by all managers. This is easier said than done and constitutes somewhat of a "balancing act." The key, however, depends on the extent that the first recommendation, concerning training of managers in strategic concepts, is accomplished. Once managers are able to think strategically, it seems natural that all phases of their responsibility, including human resources, will receive adequate strategy formulation emphasis.

Thirdly, it is recommended that, organizationally, human resource managers and professionals, be an integral part of the organization to which they are providing service and leadership. If this is a business unit or functional unit, the human resource manager must develop a keen sense of loyalty to the organization. Ways of accomplishing this are to have human resource managers with direct line responsibility to the business or functional general manager, rotate human resource managers to other positions within the organization for broadening and familiarization, make the human resource manager an equal partner with other functional managers such as marketing, R and D, finance, etc. in making and formulating business/functional decisions and plans, and insure that the human
resource manager is thoroughly familiar with the business or function of the organization.

This does not imply that the human resource manager cannot and should not be utilized by corporate, to provide linkage and uniformity of human resource policies and serve an employee advocacy role. These functions, as well as additional career paths for human resource managers, can be well served by having a "dotted line" vertical human resource organization overlay the basic business/functional organization. Care should be taken, however, to make sure the "overlay" does not become the dominate organization. If this happens, it will foster the separation of human resource and business strategy formulation.

Fourth, it is recommended that corporations recognize the key role of the business/function general manager in providing the initiative for integrating human resource strategy with business/functional strategy. Regardless of the organizational structure (dotted or solid), the training which managers have had in strategic management, and the edicts of corporate and the CEO, human resources will not become an integral part of the business plans unless the line general manager is convinced that human resources are equally (or more) deserving of strategic thinking and planning as material and financial resources. A firm who desires integration, must make
this commitment by management a cultural conditioner, and must carefully consider this characteristic when selecting and promoting managers into key positions.

Fifth, the methodology suggested in Chapter IV is recommended as a basic framework for all managers to develop concepts and thinking patterns concerning human resource issues. It may be helpful at the beginning to actually utilize this methodology in a rather formal, structured manner to condition managers to consider the impact of the mission of the human resource function, corporate strategic thrusts and planning challenges, internal and external environmental factors, and to recognize the importance of translating human resource strategy into specific action programs for implementation. Each organization may desire to tailor the framework for their specific situation. The ultimate goal is to have all managers intuitively consider human resource issues as a normal part of their business plans, and to conceptualize a framework which focuses strategically on these issues.

Finally, it is recommended that all managers, at the corporate, business, and functional organization levels recognize that the key to successful integration of human resources into the mainstream of business and corporate strategic planning is neither reactive nor proactive, but interactive. While I may argue that human resource
managers need to be more proactive in demonstrating "value added" to the overall strategic process, and line business managers and corporate managers need to be more reactive to human resource concerns, it is only through a completely interactive process that full integration is achieved. Human resource issues must interact with all other business issues on an equal basis and in the same time perspective to insure that human resources receive the strategic analysis they most urgently need. Managers must expand human resources from their traditional operational and managerial roles to the strategic role. This comes only through an interactive management process.
APPENDIX A

INTERVIEW FORM
1. DOES "HUMAN RESOURCE STRATEGIC PLANNING" EXIST WITHIN THE FIRM?

- AS A SEPARATE PROCESS?

- AS AN INTEGRAL PART OF PLANNING PROCESS?

- WHAT DOES THE TERM "HUMAN RESOURCES" MEAN TO YOU?

- HOW DO YOU DISTINGUISH "STRATEGIC" PLANNING FROM OTHER TYPES OF MANAGEMENT OR BUSINESS PLANNING?

  - TIME FRAME

  - NUMBER OF ISSUES

  - TYPE ISSUES

  - PROCESS VS. PRODUCT
2. WHAT ARE THE MAJOR OR KEY ELEMENTS OF THE HUMAN RESOURCE STRATEGIC PLANNING PROCESS OR METHODOLOGY?

- DEFINING MISSION OF HUMAN RESOURCES

- IDENTIFYING CORPORATE THRUSTS OR KEY ISSUES

- INTERNAL ASSESSMENT OF RESOURCES

- INTERNAL ASSESSMENT (FORECASTING) OF NEEDS

- IDENTIFYING EXTERNAL ENVIRONMENTAL FACTORS
  - SOCIAL
  - GOVERNMENT
  - POLITICAL
  - ECONOMIC

- SETTING BROAD GOALS AND OBJECTIVES

- DEFINING SPECIFIC ACTION PROGRAMS

- WHAT MAJOR ISSUES TO BE ADDRESSED?
3. AT WHAT LEVELS IN THE FIRM DOES HUMAN RESOURCE STRATEGY
FORMULATION ACTUALLY OCCUR? CORP, BUS, FUNCTIONAL

- WHY

- SHOULD ANY ONE LEVEL BE MORE RESPONSIBLE THAN ANOTHER?

- IS HUMAN RESOURCE STRATEGY FORMULATION A "HUMAN RESOURCE"
  OR PERSONNEL FUNCTION?
4. WHAT IS THE ROLE OF EACH LEVEL (CORP., BUSS., FUNC.) IN THE STRATEGY FORMULATION PROCESS?

CORPORATE

- THRUSTS
- GUIDANCE
- CULTURE
- CONSOLIDATING

BUSINESS

- FORECASTING
- IDENTIFYING NEEDS
- DEVELOPING

FUNCTIONAL

- FORECASTING
- IDENTIFYING NEEDS
- DEVELOPING
5. TO WHAT EXTENT IS HUMAN RESOURCE STRATEGY FORMULATION AN INTEGRAL PART OF THE OVERALL STRATEGIC MANAGEMENT PROCESS?

• IS HUMAN RESOURCES ON PAR WITH MARKETING, MANUFACTURING, R & D, etc.?

• HOW DO YOU INTEGRATE?

• WOULD YOU SAY
  INTEGRAL PART?
  PARALLEL PART?
  SEPARATE PART?

• WHAT'S NEEDED TO ENSURE THAT HUMAN RESOURCES BECOMES AN INTEGRAL PART OF PLANNING PROCESS?

CEO?
H. R. STAFF?
COMPANY CULTURE?
6. WHAT MECHANISMS (IF ANY) ARE USED TO PROVIDE LINKAGES OF HUMAN RESOURCE STRATEGIES AT THE FUNCTIONAL, BUSINESS, AND CORPORATE LEVEL?

- REVIEWS

- ACTUAL PARTICIPATION IN PROCESS

- WHO MAKES SURE STRATEGIES ARE CONGRUENT?
7. WHO IN THE ORGANIZATION IS RESPONSIBLE FOR HUMAN RESOURCE STRATEGIC PLANNING?

LINE MANAGERS OR H. R. STAFF

WHY?
8. WHAT ARE MAJOR CRITICAL HUMAN RESOURCE ISSUES FACING YOUR ORGANIZATION OVER THE NEXT DECADE?

HOW ARE THEY ADDRESSED IN YOUR STRATEGY?

1. GOVERNMENT REGULATION?
   • EEO

2. LABOR (UNION) ISSUES?
   • JOB SECURITY (LIFETIME EMPLOYMENT)

3. WORLD ECONOMIC ISSUES?

4. SOCIAL ISSUES?

5. CULTURAL CHANGE

6. EMPLOYEE VOICE

7. REWARDS SYSTEMS
APPENDIX B

QUESTIONNAIRE
Questionnaire
Human Resource Strategic Planning

Company: ____________________________
Unit Name: ____________________________
Your Title ____________________________

Please circle/check the answer which seems closest to reality as you perceive it. Feel free to make any additional explanatory or qualifying statements.

1. To what extent does "human resource strategic planning" exist within your organization?

None 1 2 3 4 5 Fully integrated human resource planning process

2. To what extent are "human resources" considered when formulating a corporate, business, or functional strategic plan?

Very 1 2 3 4 5 Considered as a major issue in formulating overall all strategic plans.

Little

3. Who within the organization has primary responsibility for incorporating "human resource" issues into strategy formulation?

Mostly
Line 1 2 3 4 5 Mostly Human Resource Managers staff personnel

4. At what level in the organization is most human resource strategy formulated?

Corporate Business Unit Functional Unit All Three (3)

5. How much time do you spend on "people issues?"

0% 20% 40% 60% 80% 100%

6. How much time do you spend formulating human resource strategy?

0% 20% 40% 60% 80% 100%
7. Relative to other functions such as marketing, R & D, manufacturing, finance, etc., how do you rank "human resources" as a critical success factor for your organization?

Least Important 1 2 3 4 5 Most Important Function

8. To what extent are "linkages" between human resource strategies and overall corporate or business strategies present?

Very Few 1 2 3 4 5 Linkages in place and functioning well

9. To what extent are "linkages" between corporate, business, and functional human resource strategies present?

None or Few 1 2 3 4 5 Human Resource Strategies at various levels are fully integrated

10. How are human resource strategies formulated in your organization?

Ad hoc Manner 1 2 3 4 5 Well-defined formal process

11. What is the relationship between strategy and organizational structure in your organization?

Organization Dictates Strategy 1 2 3 4 5 Strategy dictates Organization

12. How important do you feel it is to match managers with a particular strategy?

Managers must be matched with 1 2 3 4 5 Good managers can manage a business or a function regardless of the particular strategy
13. What term(s) best describe the type linkages your organization utilizes to link human resource strategy with business or corporate strategy?

___Parallel (or sequential) preparation of human resource strategies with business strategies.

___Inclusion (human resource issues built into business strategic planning process at time of formulation)

___Participation (human resource managers participate in discussion of strategic alternatives)

___Review (review by human resource managers after business strategy is formulated to examine concerning human resource issues)

14. What are the top three (3) human resource issues of the next decade that will have the most impact on the success of your organization?

1. _______________________

2. _______________________

3. _______________________

15. Please rank the following human resource management functions as to their relative strategic importance to your organization.

___Selection/promotion/placement process

___Reward process

___Development process

___Appraisal process

Thank you for your cooperation. Please return in the attached self-addressed envelope.
SELECTED BIBLIOGRAPHY


