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STRATEGIC PLANNING AND HUMAN RESOURCE

MANAGEMENT: AT RAINBOW'S END

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INTRODUCTION

Every period has its dominant concern. The recent wave of interest in productivity, quality circles, quality of work life, or Japanese management is a rekindling of old fires that stressed the importance of the human element in organizational performance. We have gone through other dominant concerns. It wasn't long ago that strategic planning had its moment of glory. Or that marketing sat at the right hand of the Chief Executive, himself a representative of sophisticated finance.

It is impossible to deny the fad-like nature of the current interest in management skills. The automobile industry is blamed for poor management. Government is said to be poorly managed. In fact, every sector of our economy is said to be lacking in one or the other of the people skills required to be effectively managed. Human resources management is therefore the keyword of the day, encouraged by foreign competition, a slow growth economy, and a cumbersome political system.

In fact, the recent popularity of human resources management is causing major problems for traditional personnel departments. For years they have been explaining their mediocre status by bemoaning their lack of support and attention from the CEO. Now they are getting it, but find themselves quite unprepared to respond.

Whether the human resources component survives as a valuable and essential contribution to effective management will largely depend on the degree to which it is integrated as a vital part of the planning system in organizations. In large part, the management of human

resources must become an indispensable consideration in both strategy formulation and strategy implementation.

In a recent survey of a sample drawn from the fortune 500 industrials, both senior planning and senior personnel executives were asked to rate the degree to which human resource activities are and should be used in formulating strategies. Only 20% responded that human resource considerations had a substantial impact on strategy formulation. However, 51% thought human resource issues should be instrumental in shaping strategic decisions.

Such results suggest two conclusions. First, we need to build a consensus among planners and human resources specialists about their role in the organization. Second, human resource issues must be brought in before strategic decisions are taken.

Specifically, the purpose of this article is to:

- ° Discuss the role of human resources in both the formulation and implementation of strategy.
- ° Develop frameworks for conceptualizing business level and corporate level human resource concerns.
- ° Examine some of the stumbling blocks to effective strategic human resources management.

Exhibit 1 summarizes some of the current environmental pressures on organizations. The trends suggest that competing in the 80's will require a sophisticated set of tools for dealing with the problems of a highly educated work force in a slack labor market, competing for fewer jobs in an increasingly service economy. Organizations will have to carefully consider the implications of alternative recruitment and

training strategies to ensure effective implementation of their plans. Indeed, the viability of these plans may largely depend on how well human resource needs and implications are understood and built-in to the planning process in the early stages of formulation.

Insert Exhibit 1 About Here

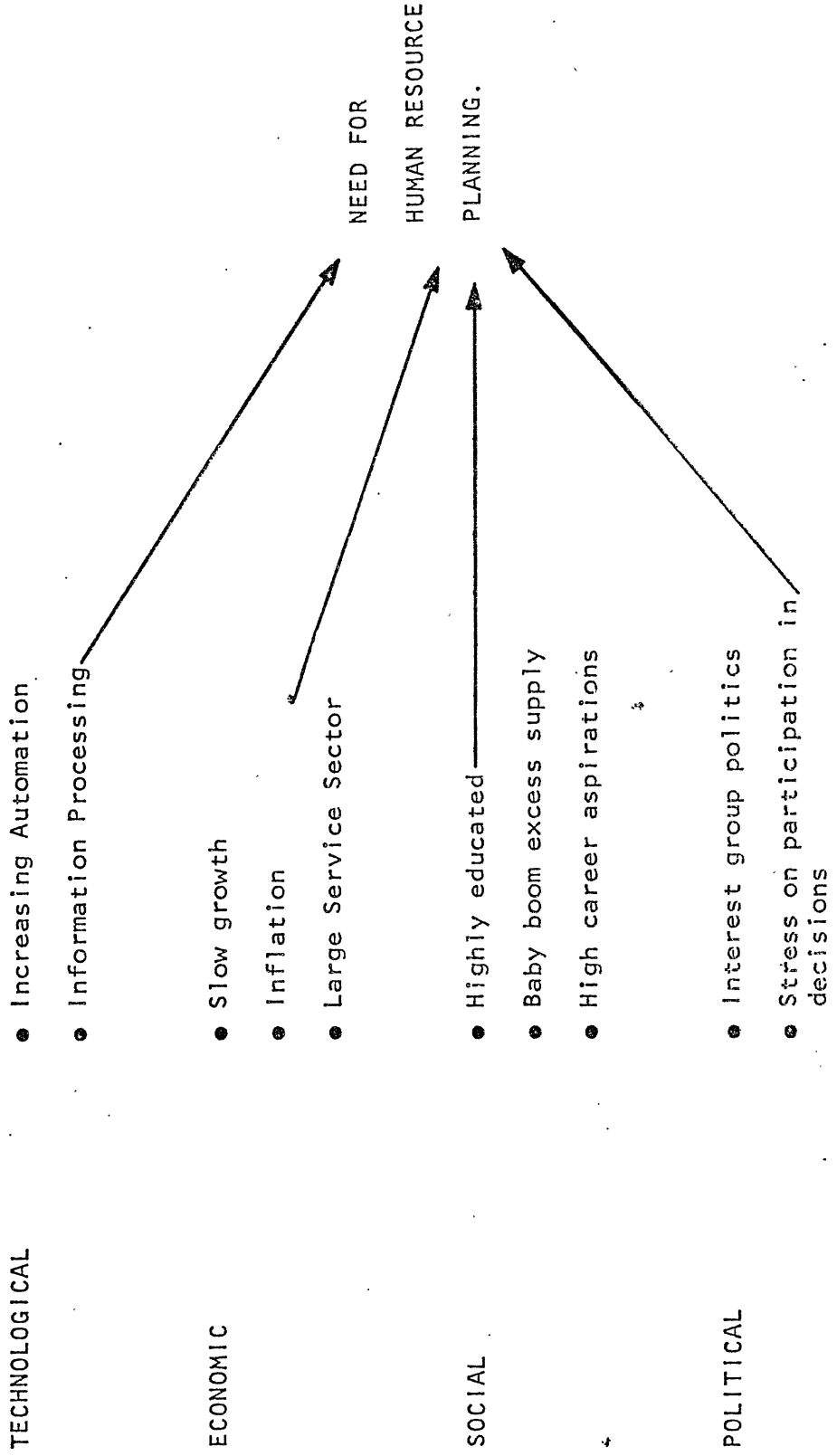
Clearly strategic involvement will considerably empower the human resource function. That this power is becoming increasingly conferred upon the traditional personnel function is manifest in the small but significant number of highly paid human resource executives reporting directly to the CEO in such large organizations as IBM, Chase Manhattan Bank, Exxon Corporation and General Electric.

For years, human resource personnel have been content with an essentially operational role, a preoccupation with service delivery on a mundane level. The call for strategic involvement that came from the cutting edge largely terrified most human resource functions in the 70's. The threat of the 80's is not that the human resource function won't be asked into the executive suite. Instead, it's a fear that the door will be opened only too quickly.

For a human resource management department to successfully play a strategic role in the company, it will have to carefully prepare, "tune up" as it were, for service delivery in a highly uncertain, long run, and poorly structured decision making context.

Exhibit 1

Environmental Pressures



HUMAN RESOURCES MANAGEMENT: BEYOND OPERATIONAL SERVICING

Effective human resources management means designing organizational systems that address the human resource dimension of the firm's strategic, managerial, and operational tasks. Most personnel functions in American industry provide highly sophisticated human resource support for operational tasks. However, managerial and strategic tasks are largely driven by unsystematic, idiosyncratic, and frequently conflicting systems.

Insert Exhibit 2 About Here

While this is partially due to the nature of human resource information, it is reinforced by a perspective that views human resources management as a staff function rather than an integral part of line management. From our perspective, effective human resources management means building responsibility for human resource tasks into the management process itself.

Exhibit 2 diagrams the relationship between the business functions that have to be performed and the corresponding human resource tasks.

Two critical questions must be addressed:

(1) What are the specific human resource activities that are required to support the business at each level?

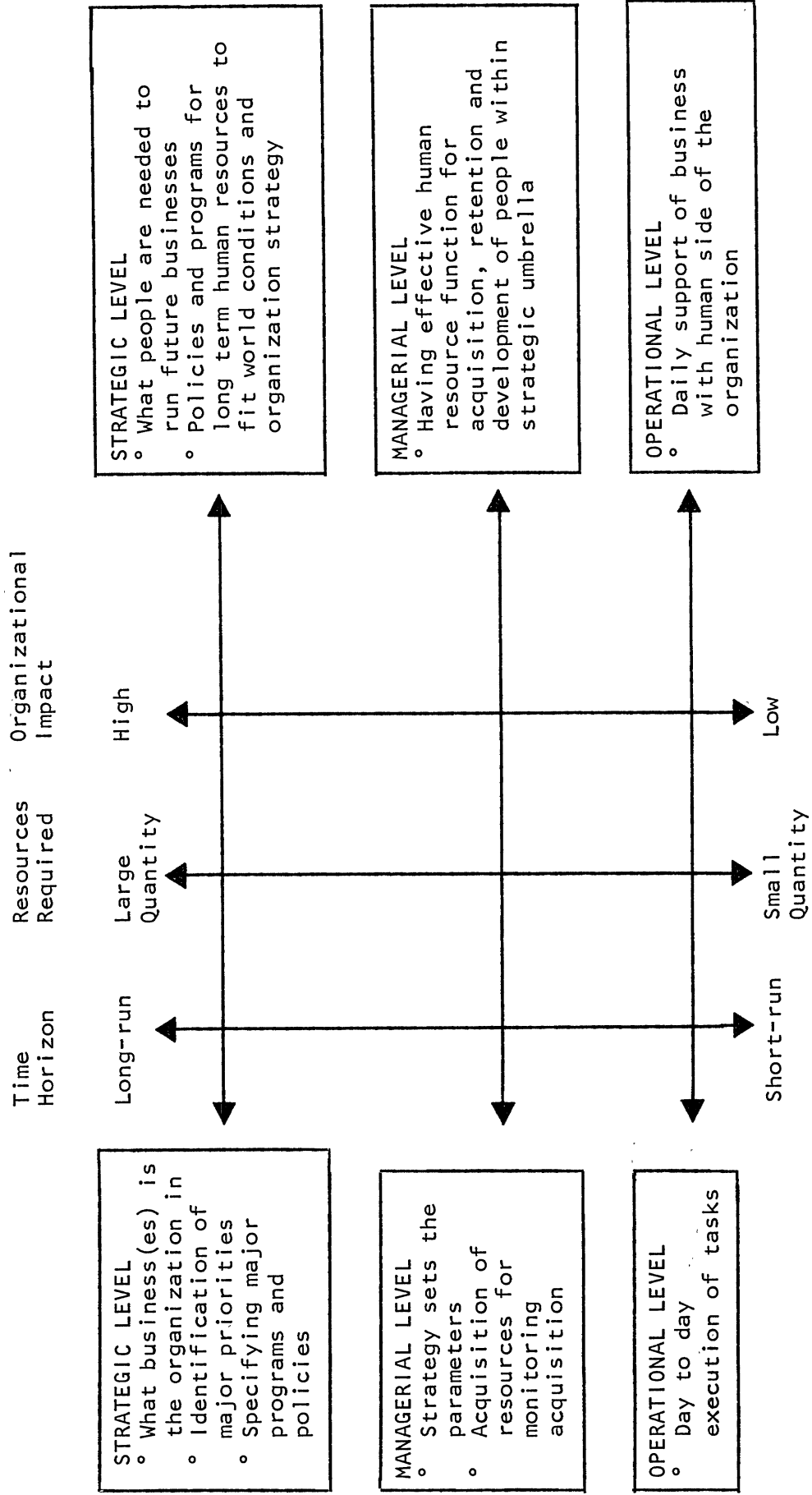
(2) What is required to forge a link between the business functions and the human resource functions at each level?

At the operational level the business side is concerned with the execution of day to day tasks, the ongoing production process. On the

EXHIBIT 2

HUMAN RESOURCE FUNCTIONS

BUSINESS FUNCTIONS



human resource side the concern is ensuring that employees come to work, perform, are evaluated, rewarded, and have the job skills they need to do their work. The operational link is the interface between the day to day activities of the business and the human resources system designed to facilitate this process. In order for this link to be effective it is necessary that:

(1) the line have good technical human resource systems.

(2) middle and first line supervisors know how to make effective use of the human resource systems at their disposal (selection/staffing, compensation and benefits, appraisal and development).

(3) competent human resource generalists be developed who can monitor the overall use of the human resource systems by the client managers.

(4) an organizational culture exists which recognizes the importance of human resource tools for enhancing overall organizational performance.

At the managerial level, the business side is under the umbrella of the strategic thrust of the business. The major focus is on the acquisition of resources for carrying out the strategic plan and the development of procedures for measuring and monitoring performance. On the human resource side the concern is with developing an effective and efficient human resource system for acquiring, appraising, rewarding and developing human resources to achieve the strategic goals.

Building a managerial link requires dialogue around such issues as: Do we hire or go outside to develop the human resources needed in the medium term? How do we meet the needs of the internal markets for human resource services? What are the strategies for each of the

sub-functions of human resources, such as staffing, compensation, appraisal, development?

For an effective managerial link to emerge the following conditions must be met.

(1) senior human resource staff must take on a strong staff role with the full cooperation of line executives

(2) internal marketing data are needed regarding the specific human resource services required to support managerial activities

(3) accurate data bases must be available on the internal labor pool, its current capabilities, and its potential.

At the strategic level the business side is concerned with determining the business or businesses the organization is and should be in; choosing objectives and reviewing them; identifying major priorities; specifying major programs and developing policies to achieve them. On the human resource side the key issue is to determine the kinds of people needed to run the business in the long term; the specific policies and programs for the long term development of human resources for the future business and the appropriate social and cultural context within which the objectives are likely to succeed.

The strategic link calls for dialogue between the business concerns and the human resource concerns. This dialogue gets reflected in the establishment of boundaries around the human resource context for strategic planning. That is, what the human resource pool will consist of in the long term for this particular organization. In addition, the strategic link discusses the tradeoff between human, financial, informational, space and other scarce resources and the implications of

alternative commitments of the organization.

For the strategic link to emerge the following conditions are important:

(1) senior line management must give these concerns their attention. There must be a strong commitment to treating human resources issues with the same level of attention as other major factors such as finance, marketing, and production

(2) there must be effective environmental scanning on the part of the human resource staff to anticipate changes and provide good labor market and relevant social trend data to senior management

(3) a comprehensive and valid internal and external labor market data base must be on hand to provide data that is readily translatable into quantifiable reports for use by senior management in strategic decision making.

 Insert Exhibit 3 About Here

Exhibit 3 presents a framework which illustrates the range of human resource activities associated with each of the four generic human resource functions - staffing, appraisal, rewards and development at the strategic managerial and operational levels.

Each of the human resource activities must be tightly linked to the business activities at each level. In addition, the four generic activities must be designed as an integrated system that drives performance at each level.

Few organizations have fully integrated systems that drive strategic and managerial as well as operational performance. Some

Exhibit 3

Linking Corporate / Business Plans With
Human Resource Activities

Human Resource
Activity

CORPORATE/BUSINESS
PLAN

	Selection	Appraisal	Rewards	Development
Strategic	<ul style="list-style-type: none"> • Kinds of people need to recruit to manage long-run business 	<ul style="list-style-type: none"> • Criteria needed to measure performance in the long-run 	<ul style="list-style-type: none"> • Values of the Work force in the long-run 	<ul style="list-style-type: none"> • Skills, experiences, and attitudes the current stock of HR needs in the long-run
Managerial	<ul style="list-style-type: none"> • Recruitment/Market Plan • Validate recruitment criteria 	<ul style="list-style-type: none"> • Identification of Potential • Assessment Center for development 	<ul style="list-style-type: none"> • Five year compensation program • Cafeteria fringe benefits 	<ul style="list-style-type: none"> • Identify career paths • Management Development Programs
Operational	<ul style="list-style-type: none"> • Staffing plans • Day to day monitoring systems 	<ul style="list-style-type: none"> • Annual appraisal • Training for performance appraisal 	<ul style="list-style-type: none"> • Wage and salary administration • Benefits package 	<ul style="list-style-type: none"> • Fit individual to job • Next career move • Job training

strategic issues are discussed below. As we point out these strategic activities must be integrated through an "organizational culture" for effective human resources management to ensue.

Strategic selection is often a vital determinant of success in diversification strategies. This requires matching executive characteristics with the suitable strategic jobs to be done. For instance, General Electric, Texas Instruments, Chase Manhattan Bank and Corning Glass parallel their portfolio analysis of businesses with a categorization of managers as "growers" "caretakers" and "undertakers" reflecting their suitability for performance in businesses at different stages of the product life cycle.

Strategic selection also means identifying the characteristics of managers needed for implementing strategic plans, and formulating staffing plans that will ensure an adequate supply of human resources for implementation. Thus, companies with long term diversification plans such as many in the oil industry should be strategically identifying the characteristics of the managers most likely to be able to support such a strategic shift.

Strategic appraisal requires more than gauging current performance. It requires appraisal in terms of both current performance and future potential. Most appraisal systems are homogeneous throughout the organization. Strategic appraisal means understanding the need for a set of criteria to evaluate performance that may vary across strategic activities. For instance, in terms of the Boston Consulting Group portfolio of businesses, different performance criteria must be used to evaluate cash cow, star and dog businesses. Profit does not adequately

estimate the success of a manager in minimizing the losses of a "dog" business. Nor is it adequate for gauging the effective management of a "wildcat business".

Another strategic appraisal issue is to develop processes which can be used to identify people who will be able to fit with the long term strategic plans of the company. General Electric has a special staff at the corporate level, reporting to the chairman, responsible for conducting strategic appraisals of the company's top level executives. A vital contribution of the appraisal process is to focus attention on the match between these individuals and the strategic plans of the company.

Strategic reward systems must encourage performance in line with the long run objectives of the firm. Compensation and benefits packages are often indomitably static and uniform, incapable of recognizing individual performance and rarely directly tied to the strategic plan of the organization. Recent improvements include developments at such companies as Texas Instruments, Crown Zellerbach, Santa Fe Industries and Twentieth Century Fox who have instituted large bonus plans for their senior executives that are tied to three to five year and sometimes longer term performance of the firm. For years, Texas Instruments has split the bonus of senior executives, with one portion tied to operational objectives and the other portion tied to strategic and managerial objectives. Such a bonus system might have done wonders for the auto industry which was instead driven by a bonus system tied solely to short term performance.

Strategic development programs are targeted to the future.

Strategic development involves conducting programs and planning executive experiences that build the skills needed for effective performance in jobs five, ten or even twenty years hence. It means designing the future stock of human resources that will be needed to implement the strategic plans of the company. Exxon's COED system (a set of management committees which deal with executive development and compensation) is a formalized process of career pathing and job rotation that is specifically targeted to succession management at the executive level. The COED system is spearheaded by the executive committee of the board of directors, headed by chairman C. Garvin who meets with the group on most Mondays of the year to review the top 250 executives at Exxon. There are similar groups headed by the President of each of Exxon's subsidiaries who look at their top people for developmental purposes to the same extent. Thus, about 2500 Exxon executives are reviewed in the COED system. General Electric pays similar attention to strategic executive development.

Corporate philosophy

While each of the generic activities must drive strategic as well as operational performance, the critical issue in designing a human resource system is to ensure consistency across the human resource functions. Staffing, appraisal, reward and development activities must be mutually reinforcing. This requires a management philosophy which is driven from the top of the company. The kinds of individuals that are recruited, the basic stance the organization takes to the retention, use and development of its human resources, all stem from a basic philosophy that in most organizations remains implicit. Whether implicit or explicit, it is this management philosophy that provides the cohesion

between the four generic human resource activities. For example, when Thomas Watson said that "IBM means service" he articulated a philosophy that came to permeate the selection, appraisal, reward and development systems.

Perhaps one of the most striking examples of the integration of management philosophy with both business objectives and with human resource activities is that of Hewlett Packard. Woven together are seven objectives for profit, customers, fields of interest, growth, people, management and citizenship. Associated with each objective are clearly articulated policies which reflect what is known as the "HP Way". For example, when it comes to customers the "HP Way" stresses cooperation among different sales teams dealing with the same customer. This is not a mere platitude but a deeply held value in the HP culture. Growth is considered vital at Hewlett Packard because of a belief that growth is vital to attract and retain high caliber people.

The most interesting objective from a strategic human resource point of view is their people objective which is: "To help HP people share in the company's success, which they make possible; to provide job security based on performance; to recognize individual achievements; and to help gain a sense of satisfaction and accomplishment for their work." This translates into such practices as a single worldwide profit sharing program for all employees which is 12% of profits divided according to base pay. There are no special management incentives, and few perks. Clearly, Hewlett Packard is a company in which the corporate philosophy is the strategic glue that ties together the business and human resource systems.

At this point, we have stressed the need for:

1. Careful consideration of the four generic human resource activities (selection, appraisal, reward, development) at each of the three levels of the organization (strategic, managerial, operational);
2. Actively forging the link between each human resource activity as a support to its corresponding business function;
3. Designing a management philosophy that integrates the human resource system around a set of core objectives or values, and drives the organization's three levels of activity in a common direction.

These substantive considerations raise important process questions which we address in the next section.

STRATEGIC HUMAN RESOURCE MANAGEMENT

Three elements are vital for mobilizing around and implementing a strategically oriented human resource system.

1. Systematic human resource data must be collected;
2. Line managers and human resources staff must conceptualize the management process differently;
3. The corporate human resource strategy must be carefully balanced between differentiation and integration.

Human Resource Information

Two kinds of data are particularly relevant to corporate decisions. Regardless of the role Personnel takes on, storing and retrieving these data are critical to effective human resource management. They are:

(1) Internal Human Resource Stock

(2) External Labor Market Data

Internal data must describe the company in terms of both past experience and future potential. As such it must be stored in a flexible format that is retrievable and interpretable in different ways. For instance, appraisal information, while useful to describe the current performance of an employee, should also capture the developmental needs of the employee. When aggregated across employees, it describes the human resource strengths and weaknesses of the company. Measures of entrepreneurship, ambition, leadership, as well as attitudes toward transfers, expatriation, and promotion, could prove invaluable in formulating strategic investment decisions where successful implementation requires specific human resource skills and abilities.

General Electric collects in depth data on its top 600 executives. A portion of that data base is carefully prepared by upper level human resource staff who take two weeks to review a single manager. These reviews involve interviewing a manager's superiors, subordinates, peers and customers, as well as the individual under review. A report is generated which identifies past accomplishments, strengths and weaknesses as well as the individual's future potential. The focus is always on providing data useful for making strategic selection decisions. The basic data collection tool and analysis is based on the qualitative skills of the very high level human resource staff who have to make clinical judgements about people.

Another company working to develop strategic data is Corning Glass. They are collecting information on the current and future managerial potential of their cadre of 4000 managers just below the

top 100. What differentiates GE and Corning from the hundreds of companies which have succession planning systems is that they are not mere paper exercises but are integrally tied into the management process so that they do in fact provide decision support.

In addition to data focused on individuals, it is also useful to describe populations within the workforce. Thus, the use of ongoing attitudinal surveys provides a mechanism for describing the company's overall workforce characteristics as well as subgroups within the workforce in terms of motivation, attitudes toward leadership, lifestyle changes, mobility, pay, workgroup, etc. Much more sophistication is required in order to get the strategic benefit of attitude surveys. Typically, they are used to discover problems rather than to help in planning for the future. Thus, companies such as Exxon, Citibank, Chase Manhattan Bank, Westinghouse, and IBM which have regular ongoing survey programs do not make strategic use of survey methodology. They are basically using it as an operational or perhaps at times a managerial level support for the business. Strategic use would involve linking survey results about subpopulations with other human resource data and discussing its implications for strategic decisions.

Strategic decisions, however, require information about the availability of external manpower as well. The nature of the labor market in terms of wage structure, geographical location, supply in terms of job categories, and demand in terms of competitive pressure from other employers are necessary statistics for strategic decisions. Again, the human resource function must systematically store these in an easily retrievable fashion. The increasing sophistication of computerized decision support systems makes it possible to store vast

data banks and reduce them to manageable proportions using statistical models that can be developed on line by managers and decision-makers themselves.

A few companies have combined external data on social trends with internal survey data to help in formulating human resource strategies. Both IBM and Honeywell had special task forces set up to examine human resource issues in the 1980's. In both cases the result was a senior management decision that the management of human resources in the 1980's was of strategic importance and would require a great deal of managerial work. At IBM it led to the launching of a productivity program. At Honeywell it has provoked a great deal of quality of work life activity.

While both internal and external data are vital, neither are they sufficient. For they only describe the organization and its context in the present. The true task of strategic planning is projection and scenario forecasting. Thus, a strategic role for the human resource function must involve the forecast of internal potential, as well as labor market trends.

Thinking Strategically about Human Resources

Data may be important to have, but it certainly does not lead to strategic human resource management. The most fundamental switch involves attitudinal change on the part of both line management and the human resource staff. Line management must stop thinking about personnel as "green eyeshades" or "bean counters" and begin to look at them as valued members of the management team instead of second class citizens. At the same time, the human resource staff has to stop thinking reactively. The human resource executive must become a general manager. He/she must

think of running a service organization with a definite marketplace, namely its various managers and employees. This raises questions about the types of services to deliver to the marketplace; the distribution mechanisms to use; how to organize to deliver these services, and how to staff the function for effective delivery. Because most human resource staff grew up on the staff side of the organization, it is unusual for them to think like general managers and act in an entrepreneurial mode.

There are several ways to stimulate this reorientation. For line management it must usually come through the leadership of the CEO. Warren Anderson, Chairman of Union Carbide, recently said to his division presidents:

. . . Unfortunately the whole area of human resource management has for years been buried under layers of platitudes; it seemed during the sixties and seventies that every company had to be a 'people company doing things for people.' These kinds of pious sentiments were a real distraction until quite recently--when we looked around and saw a lot of short Oriental gentlemen in dark grey suits emerging as a powerful--sometimes dominant--force in the marketplace. . . . The whole area of human resource management is going to be a key issue in business in the eighties.

Other examples of senior line executive taking the leadership on human resource issues are emerging more frequently. At IBM the productivity program is being managed by the management committee. At Honeywell, Control System president Jim Renier is taking the lead in trying to change the thinking of line managers about human resource issues.

For the human resource staff, change comes from a combination of development and selection. Moving some key executives with line experience into the human resource staff promotes change and has been an increasing trend for a number of companies including Citibank,

Aetna and Hewlett Packard. This stands in stark contrast to the days when it was often used as a dumping ground for a line manager who could not make it anywhere else. Now, high potentials are being rotated into the function.

Another way to alter the function over the long term is on the input side. Several companies such as Pepsico, Citibank, and Exxon are now hiring MBAs from the better business schools to staff their employee relations or personnel function. This will fill the pipeline with a more managerially focused group of professionals.

Developmentally, a number of activities can be undertaken. The first involves the training of human resource managers. Many have not been taught much about strategic planning and are weak in their understanding of the financial, marketing and production dimensions of the business. They also need concepts and tools for looking at their own function. General Electric began an aggressive training effort for its personnel managers several years ago to give them a more strategic outlook on the business and their role. The point is to help the employee relations staff think entrepreneurially about their business.

Designing the Corporate Human Resource Strategy

One of the thorniest of issues is to design the human resource strategy for a large multi-business or multi-divisional corporation. The basic dilemma is the traditional organization problem of how to differentiate and how to integrate. Differentiation of human resource services is necessary to make them fit the distinct needs of the different subsystems and businesses of the corporation. However, the more differentiated the human resource services the more difficult it is to integrate the organization from a cultural standpoint. The

extreme case is the holding company where no attempt is made to have common pay, appraisal, development and selection systems and there is very little personnel mobility across businesses. On the other hand most companies are not holding companies. In fact most organizations tilt the scale too far the other way and over-integrate by having common human resource services for the total organization with no differentiation whatsoever. While such a system makes it easy to move people around the corporation, it is incapable of fully supporting the businesses' linkage of their business and human resource concerns.

Insert Exhibit 4 About Here

Exhibit 4 illustrates how the human resource needs and tasks vary across different businesses in a portfolio as a function of the product/market life cycle of each business. The critical corporate task is to design a corporate human resource strategy that will line up with the corporate strategy for the range of businesses. Thus, in companies with a portfolio of businesses at different stages of growth and/or decline, there should be a clearly articulated human resource strategy, one that describes the differentiated view of what each business needs in the way of human resource services. This results in different systems for the delivery of those services.

Managing the marginals: Once the human resource needs are identified for different types of businesses, then the corporate job is twofold. First, an appropriate human resource function must be designed for each distinct set of needs. This is the task identified in the marginal at the base of the matrix. It entails ensuring that each

Exhibit 4

Corporate Human Resource Strategy

BUSINESS LIFE CYCLE

HUMAN RESOURCE FUNCTIONS	Start-up Businesses	Growth Businesses	Mature Businesses	Declining Businesses
Selection/Placement	<ul style="list-style-type: none"> - Recruitment for new activities - Recruit Entrepreneurial Style 	<ul style="list-style-type: none"> - Recruit for future business 	<ul style="list-style-type: none"> - Lateral moves and advancement for enhancing efficiency 	<ul style="list-style-type: none"> - Transfers to different businesses - Outplacement - Early retirement
Appraisal	<ul style="list-style-type: none"> - Appraise milestones linked to plans for the business, flexible 	<ul style="list-style-type: none"> - Linked to growth criteria, e.g., market share, volume unit cost reduction 	<ul style="list-style-type: none"> - Evaluate efficiency and profit margin performance 	<ul style="list-style-type: none"> - Evaluate cost savings
Rewards	<ul style="list-style-type: none"> - Salary plus large equity position 	<ul style="list-style-type: none"> - Salary plus bonus for growth targets, plus equity for key people 	<ul style="list-style-type: none"> - Incentive plan linked to efficiency and high profit margins 	<ul style="list-style-type: none"> - Incentive plan linked to cost savings
Development	<ul style="list-style-type: none"> - Minimum until a critical mass of people in business - then job related 	<ul style="list-style-type: none"> - Good orientation program for fast start-ups - Job skills development - Middle management development 	<ul style="list-style-type: none"> - Emphasis on job training - Good supervisory and management development programs 	<ul style="list-style-type: none"> - Career planning and support services for transferring people

Organization and design of the human resource functions within businesses.

Corporate Human Resource Staff, Policies Designed to Integrate Human Resource Functions Across Businesses

business has an appropriately designed and staffed human resource function. For instance, the function in startup businesses which should be strongest is recruiting, whereas in a mature business it should be development and training.

Second, the corporate human resource strategy must be responsible for integrating the human resource functions across lines of business. The more one differentiates the functions in order to match the distinct needs of businesses, the more difficult it is to achieve consistency across businesses. Thus, selection policies may be diametrically opposed in two businesses. Or, more likely, the reward systems may not mesh. This can pose problems for the transfer of employees across businesses. The corporate stance should be to keep differentiation across businesses where necessary and carefully look for ways of integrating. A comprehensive corporate philosophy such as Hewlett Packard's, is one way to cement the building blocks of a human resource strategy across businesses. Some key human resource policies should cut across businesses. No matter how it is done, the corporate human resource strategic role entails not only maintaining a suitable level of differentiation in human resource delivery as indicated by the lower matrix marginal, but also developing integration through management of the right hand marginal of the matrix.

CONCLUSION: GETTING STARTED

If the human resource management function is to move out of the doldrums of operational servicing, if it is to survive in the strategic arena and actually deliver when challenged to perform, senior executives

must begin to recognize and understand the managerial nature of its activities and their importance to organizational effectiveness. Some suggested steps in getting started are:

- (1) DESIGN A CORPORATE PHILOSOPHY - Decide what the critical thrust of the strategic plan will be, and what kind of organization should follow. Whether the critical values the organization will adhere to involve product quality, growth, customer service, or employee satisfaction, they should be specific enough to represent an organizing principle for the company.
- (2) DESIGN HUMAN RESOURCE SYSTEMS THAT REFLECT CORPORATE PHILOSOPHY - If the corporate philosophy involves treating its employees like members of a family, then job security should be a key reward for performance. Such a value should be reflected in all the human resource systems; it should be stressed as a recruitment criterion; tied to compensation; and built in as an assumption of development programs.
- (3) MAKE MANAGEMENT PROCESS THE TARGET - The objective of injecting human resource management into the strategic arena is not to enhance the status of traditional personnel resource staff. Rather, it is to alter the way managers set priorities and make decisions. Thus, the major change must be in the behavior of line management, getting them to consider human resource issues both as they think about future strategies and as they attempt to implement them. The first step in developing a strategic human resource function therefore calls for a careful analysis of the management process of the company

to understand the interplay between marketing, financial, technical and human resource inputs.

- (4) IDENTIFY PORTFOLIO OF HUMAN RESOURCE ACTIVITIES - Determine the appropriate operational, managerial and strategic level human resource activities for each of the human resource areas, staffing, development, appraisal and rewards. These tasks are determined by an analysis with line managers of the business needs at each of these levels and how they can be facilitated by different human resource services.
- (5) DESIGN TARGETED INFORMATION SYSTEMS - A sure way to remain irrelevant is to develop sophisticated computerized systems without the involvement of the line. Management must begin by identifying in cooperation with human resource staff the type and format of the human resource data they need for strategic decision making. The human resource function should be prepared with some basic data and analyses that are not excessively complex, but simple and pragmatic.
- (6) GROW SYSTEMS OVER TIME - The organization should only start with some rudimentary human resource systems. These should only be expanded and made more complex as pressure builds up externally from the marketplace, and internally from management. The systems should evolve as they clearly demonstrate utility in the strategic arena.
- (7) DESIGN THE CORPORATE HUMAN RESOURCE STRATEGY - The final part of the process is to figure out the organization design for the overall human resource function. The proper balance of

differentiated human resource services and corporate integration of human resources will have to be struck.

Following these seven simple, but fundamental steps, should create the context for effective integration of human resource issues in the strategic management of the firm.