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STRATEGIC PLANNING

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Noel M. Tichy
Mary Anne Devanna
Charles Fombrun
E. Kirby Warren

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by

Noel M. Tichy
University of Michigan

Mary Anne Devanna
Columbia University

Charles Fombrun
University of Pennsylvania

E. Kirby Warren
Columbia University

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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 the survey reported in this article, 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 and in implementing strategies. Only 20% responded that human resource considerations have a great impact on either strategy formulation or implementation. However, 51% indicated that human resources should be instrumental in shaping strategic decisions and 64% that human resources should be used as strategy implementation tools.

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

strategy implementation process.

The purpose of this article is to:

- o Present the results of a recent survey of senior planning and human resource executives.
- o Develop a framework and set of guidelines for helping human resource management become more strategic.

OVERVIEW OF STUDY

A questionnaire was sent to the chief human resource executives and strategic planners in 224 Fortune companies. Responses were received from 252 executives representing 168 companies. The survey was conducted to ascertain how the heads of strategic planning and human resource management viewed the role of human resource management in strategy formulation and implementation in their firms.

An interesting result of the study was that there was no statistically significant difference between the responses of the strategic planners and the human resource managers. This indicates that both groups' perceptions with regard to these issues are congruent. Therefore, in reporting the results, the responses of both groups have been combined.

The sample consisted not only of a large number of top firms, but also covered a cross section of industries. The survey was sent to aerospace, chemical, automotive, banking, life insurance, food and beverage and leisure time industries to name a few. Table 1 details the respondents in the survey.

Prevalence of Strategy Planning Activities and Their Overall Effectiveness

Fifty three percent of the respondents reported that formal strategic planning activities were used to a great extent in their company. Thirty nine percent saw a moderate amount of strategic planning in use at their company. Clearly, the majority of the companies responding have a good deal of formal strategic planning going on. Although strategic planning processes seem very much a part of corporate activities today, results showed that fifty two percent of the executives had seen these used at their companies for less than six years. Strategic planning can then be viewed as a somewhat recent addition to corporate life.

Human resource managers and strategy planners varied in their judgement as to the contribution of the strategic planning process to the overall performance of their companies. Thirty one percent of the respondents reported that they found the strategic planning activities of their company moderately effective. Forty eight percent found strategic planning more than moderately effective and twenty one percent found the process less than moderately effective. In essence, executives found that formal strategic planning processes are at least

Table 1
Respondents to Survey

Industry Type	<u># Respondents</u>		<u># Companies</u>	
	Strategic Planning Executives	Human Resource Executives	Responding	Sent Question- naires
Aerospace	4	2	5	5
Appliances	1	1	2	3
Automotive	2	1	2	5
Auto Parts & Equip.	2	2	3	5
Building Materials	3	3	4	5
Chemical	7	6	7	8
Conglomerates	1	1	1	3
Containers	1	2	3	3
Commercial Banking	21	17	24	27
Diversified Financial	2	1	2	5
Drugs	3	4	5	7
Electronics	1	1	1	5
Electrical	2	3	3	4
Food & Beverage	7	11	12	14
Fuel	8	15	17	18
Information Processing	9	7	9	10
Instruments	0	0	0	2
Machinery	4	5	5	6
Metals & Mining	3	2	3	4
Miscellaneous Manufacturing	3	1	4	9
Leisure Time	2	3	3	4
Life Insurance	12	9	13	17
Personnel & Home Care	1	2	2	6
Retailers	2	4	5	10
Paper	4	4	5	5
Steel	3	2	3	3
Semiconductors	3	3	4	5
Tire & Rubber	1	3	3	3
Transportation	4	7	9	11
Utilities	6	8	9	12
Total	122	130	168	224

moderately if not more than moderately useful in contributing to the overall effectiveness of the company.

The Role of Human Resource Management in Strategy Formulation

Respondents were asked two questions concerning the utility of human resource data in strategy formulation:

1. Is human resource data systematically available?
2. To what extent does it influence strategy formulation?

As seen in Figure 1, the executives were asked to apply these two questions to six categories of human resource data. They are listed on the left vertical axis of the chart. The results show where the majority of the respondents fell on the scale. Four of the six types of information were quite available to strategy planners; a) an inventory of managerial talent; b) forecasts of an inventory of future talent; c) an inventory of technical talent and d) succession plans for top management. The least available and least utilized information is a human resource audit of considered acquisitions.

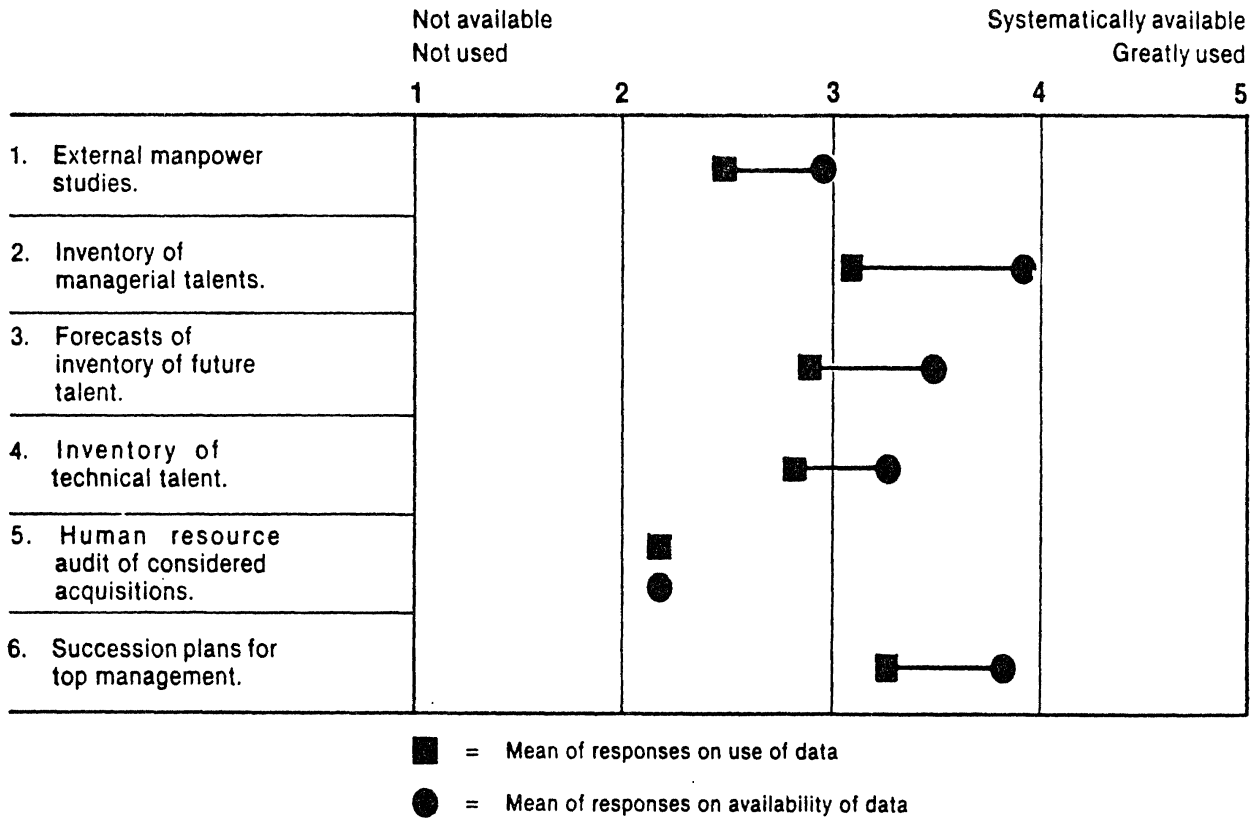
When a company sets out to expand by getting into new ventures or by acquiring a company in a different line of business, they usually obtain detailed analyses from their financial and marketing staff. Only recently have companies begun to seek information about the human resources of the target company. Such information would be extremely useful in the strategic planning of considered acquisitions. A company may offer an array of assets, making it a desirable purchase, however if that company's human resources are, for any number of reasons, incongruent with the type of human resources existing in the purchasing company, assimilation will be difficult and problems may be exacerbated because they are neglected. Business Week, in their November 16, 1981 issue pointed to the problems Sears can expect as they venture into the area of financial services.

Companies are beginning to pay more attention to their human resources for many reasons. Today's employee has expectations, needs and personal desires which make the work options for employees and employers more varied and complex. It follows then that human resource considerations become an integral part of strategic decision making. Unfortunately, companies are only beginning to recognize the value of having accurate and comprehensive human resource data for planning activities. With this trend of companies and individuals having a more interactive relationship in establishing satisfying work-life styles, for their mutual benefit, human resource management departments are likely to find themselves assuming an increasing responsibility for developing useful manpower inventories.

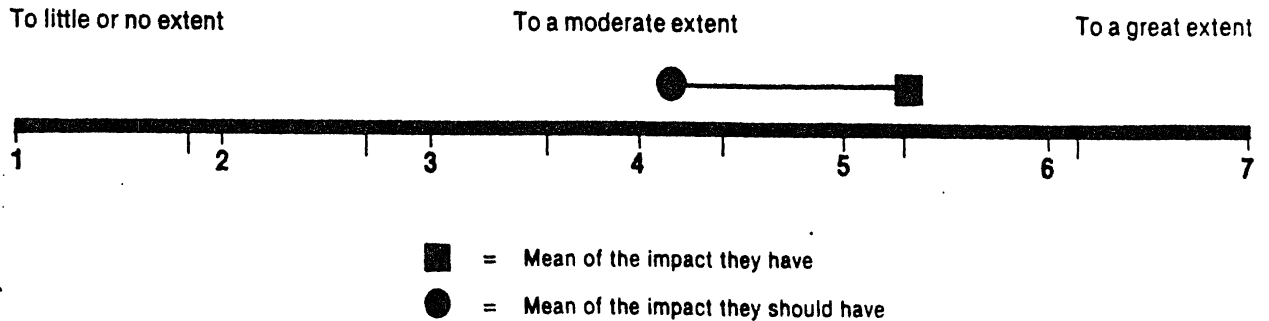
Respondents reported that there are consistently more human resource data available than are actually utilized in the various decision making processes. The one exception is a human resource audit of considered acquisitions since this information tends to be collected

Figure 1

AVAILABILITY AND USE OF HUMAN RESOURCE DATA



IMPACT OF HUMAN RESOURCE CONSIDERATIONS ON STRATEGY FORMULATION



only for immediate use in considering an acquisition.

Executives wish to see more human resource information utilized in the strategic planning process. Fifty three percent of the respondents felt that human resource considerations had less than a moderate effect on strategy formulation. Forty seven percent felt that this information had a moderate or greater impact on the formulation process. More important was the response to the question concerning the desired impact. Eighty percent of the executives said that they would like to see human resource considerations have more than a moderate impact on strategy formulation. Only twenty percent felt that human resource information should play a minor role in formulating corporate strategy. In general, it seems that both human resource executives and strategic planners see a need to utilize more human resource data in strategy formulation.

The Role of Human Resource Management in Strategy Implementation

Strategic planning is a two-step process; formulation and implementation. The third phase of the survey focuses on strategy implementation issues. The questions asked were:

1. To what extent are human resource activities used in strategy implementation?
2. To what extent should human resource activities be used in strategy implementation?

There were seven types of human resource activities considered as potentially useful for the strategy implementation phase of planning. These seven tools are enumerated on the left hand axis of Figure 2.

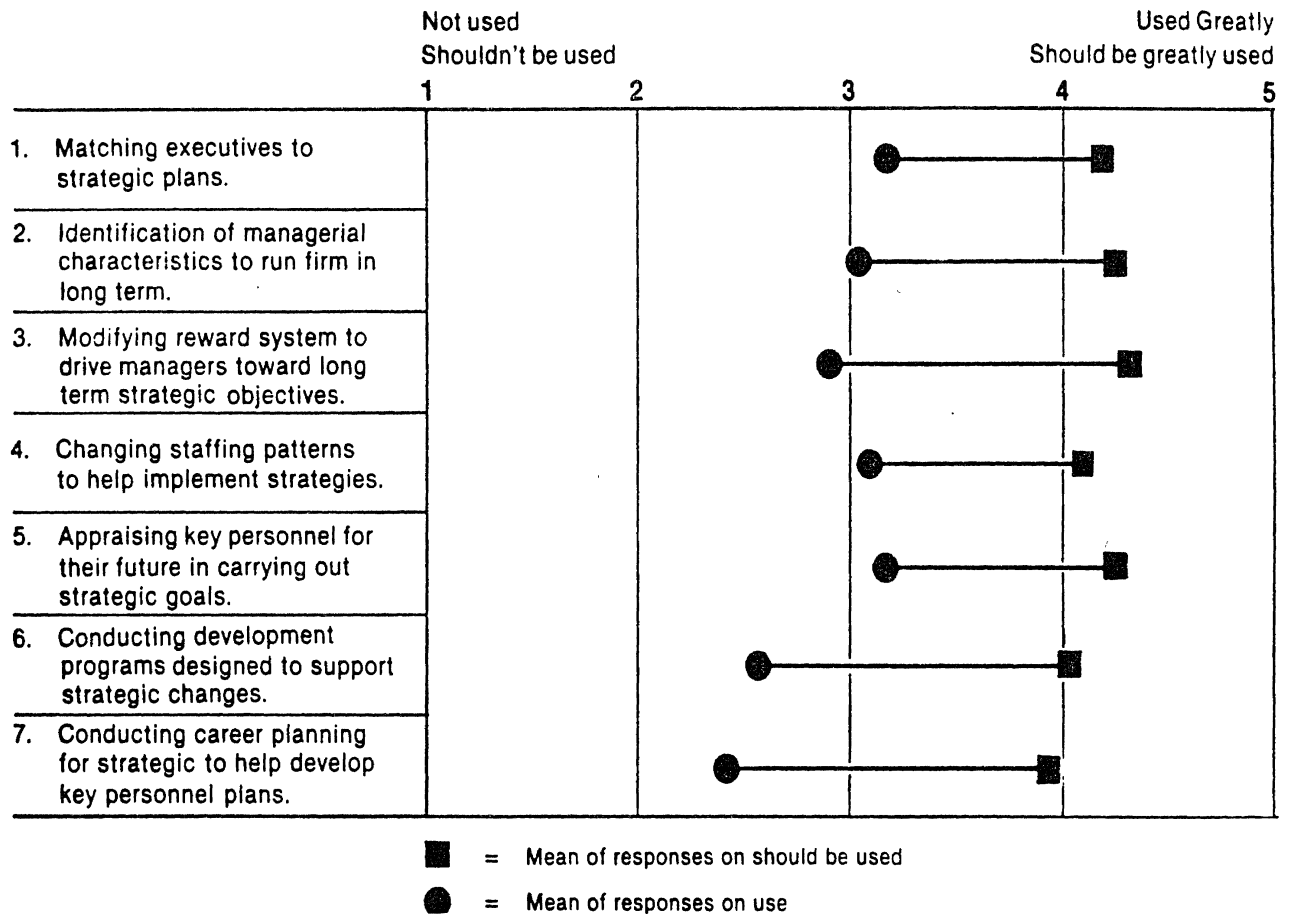
For the first five out of seven activities, the majority of respondents reported moderate utilization of human resource tools in strategy implementation. The last two activities; conducting development programs designed to support strategic changes, and conducting career planning to help develop key personnel for strategic plans were regarded as less than moderately utilized in the implementation process, at this time.

It seems, from these results, that formal training and development programs have not been nearly as prevalent in corporations as assessment activities. Until recently, corporations have relied primarily on job rotation and teaching executives the skills they need to aid in strategy implementation. With today's constrained economy and with the increased immobility of today's employees, job rotation is a less feasible human resource tool.

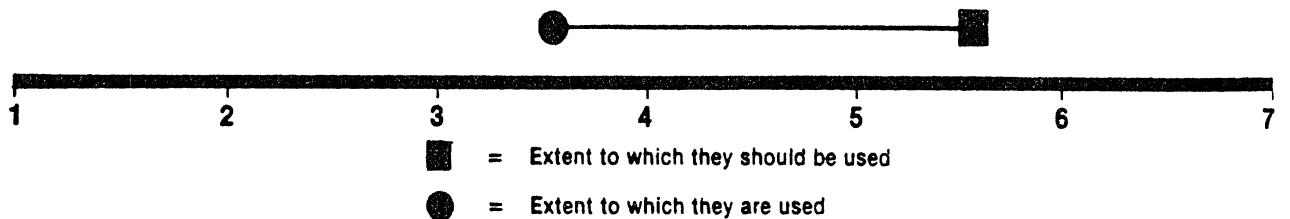
Figure 2 shows a consistently large difference between the use of human resource activities and how much the executives feel they should be used in implementing strategies. With regard to every activity, the respondents indicate a desire to see higher utilization of human resource activities in strategy implementation. The greatest difference

Figure 2

THE EXTENT TO WHICH HUMAN RESOURCE ACTIVITIES ARE USED IN STRATEGY IMPLEMENTATION AND THE EXTENT TO WHICH THEY SHOULD BE USED.



EXTENT TO WHICH HUMAN RESOURCE ACTIVITIES ARE USED AS STRATEGY IMPLEMENTATION TOOLS AND THE EXTENT TO WHICH THEY SHOULD BE USED.



between the actual and desired amount of utilization of personnel tools can be seen in the last two activities. It's interesting that even though these two activities are the least used in implementation now, they are equally as desirable as the other five for future use. This seems to verify the fact that formal training programs are becoming a necessity in today's corporate world.

In the final analysis the respondents reported that they wish to see a much larger use of human resource activities in the strategy implementation process. Eighty three percent of the respondents felt that human resource tools were currently being moderately or less than moderately utilized in the implementation phase of the strategic planning process. When asked about the extent to which they would like to see human resource activities utilized, ninety six percent of the respondents reported that they would like to see a moderate or greater than moderate use of human resource tools for implementing strategies.

Historically, personnel has played a mostly reactive role in the company; supplying the necessary human resources post strategy formulation. It would seem that this role would lead to more involvement on the part of human resource departments at the implementation stage. Strategic planners have formulated corporate strategies and they wish to have help in implementing these plans from the personnel department. The data seems to support this notion. Fifty seven percent of the respondents reported a moderate or greater use of human resource tools in the implementation state of strategic planning, and only forty seven percent reported a moderate or greater use of these tools in the formulation stage.

With regard to the respondents' desire to see human resource tools used in the strategic planning process, the results were similarly skewed toward a greater desire to see information utilized in the implementation phase than in the formulation phase. Eighty six percent of the respondents wished to see a moderate or greater use of human resource information in the formulation of strategies, and ninety six percent wished to see these tools used in the implementation phase. It seems that from the responses of the executives, there is still a very important role for human resource departments at the implementation stage of the planning process. And, while all tools offered to aid in implementation are important, there is an increasingly apparent need for formal training programs and career planning programs.

Given the importance of human resource activities in the implementation stages of strategy planning, it would seem that companies would benefit from recognizing what human resource managers can offer in the formulation stage. Too often, the human resource issues of the strategy planning process are the implicit part of the plan; the unknown factor. It makes it very difficult to implement a new strategy when personnel has to find ways after the fact to deal with human resource needs that are incongruent with existing policies. Fombrun et al state that;

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.

How Human Resource Staff Are Generally Regarded By Senior Line Managers

In the final questions, researchers asked the executives; a) to what extent senior line managers used their human resource staff for operational and strategic services, and b) what role do they believe personnel departments should play in the corporation. Managers were asked to rate the role of the human resource staff on a scale of 1 to 5. The numbers were representative of the degree of operational versus strategic services personnel people were asked to supply. The exact descriptions were:

- (1)--only looked to for operational (day to day) personnel services.
- (2)--mostly looked to for operational services but once in a while for strategic services.
- (3)--looked to for operational and strategic services.
- (4)--looked to some-what for operational but more for strategic.
- (5)--totally looked to for strategic services.

Fifty seven percent of the respondents saw human resources staff as providing mostly operational services. That is to say that fifty seven percent of the respondents fell between numbers 1 and 2 on the scale. Only 5% were looked to for mostly strategic services with the remaining percent looking for both services. fifty percent of the total response to this question was on number 2.

There was a vast difference between these results and the results of the question about how they would wish to see the human resources staff viewed. On that question, ninety eight percent of the response rate fell between numbers 3 and 5 on the scale, clearly indicating that the respondents would wish to see human resource staff providing more strategic services. Sixty five percent of the total respondents wished to see personnel as an operational and strategic function, but the majority of respondents felt that it was mostly looked to for operational services.

What Now? Human Resource Management's New Role

Regardless of the role that personnel assumes in the coming years, there are two kinds of data critical to the effective performance of this function;

1. Internal Human Resource Stock.

2. External Labor Market Data.

Both kinds of data have fairly obvious uses for the corporation. Human resource managers must be able to have an up-to-date index of the people in the company and the existing human resource market outside the company in order to perform its role in guiding the human resources of a company.

While both sets of data are important, neither is sufficient for strategic purposes. These kinds of inventories only describe present conditions, but what is needed is scenario forecasting; projecting the future trends and needs of human resources.

Equipped with these two types of data and projections about future trends, human resource departments have two linkages with strategists; formulation and implementation linkages. The critical task for personnel at this point is to:

1. Design a strong link from the human resource function to the strategic planning function at the formulation stage in order to ensure their consistency.
2. Build a sufficient information base for human resource projection to support the business and corporate plans.

Human resource departments all have some responsibility for four basic generic activities:

1. Selection: recruiting qualified personnel
2. Evaluation: managing the performance appraisal process.
3. Rewards: maintaining adequate compensation and fringe benefits packages.
4. Development: creating systems to enhance skills, promotional opportunities and career paths.

On an operational level, these functions can be performed to satisfy immediate company needs and desires. On a strategic level, however, these activities should be performed to reflect the long-term goals and strategies of the company. This would involve projecting the internal and external labor market conditions, and designing processes for performing these activities that would fulfill the thrust of the human resources plans of the company.

There are three basic things that human resource functions must be willing to do in order to improve their capacity to operate on a strategic level. They must:

1. Improve data collection and retrieval systems.
Attitudinal appraisal and skills data must be readily

available in flexible form.

2. Encourage strategic thinking within the different activity units of human resource management. Officers must be educated to the realities of corporate planning and constantly monitor trends in terms of their consequences for the company's human resources.
3. Link the activities of the human resource functions to the strategic plans of the company. Interact with executive line officers around strategy formulation.

Designing The Corporate Human Resource Strategy

The task corporations now face is designing human resource strategies that complement their range of businesses and business strategies. In companies with several businesses at various stages of growth and decline, it becomes essential to differentiate particular human resource strategies to suit the shape of the business. With this in mind, the company's human resource staff has to be designed to fulfill the requirements of its function. So, a personnel department in a start-up business will have to emphasize recruitment activities, while a more established business will require more training and development expertise.

The corporation must also be ready to integrate the different human resource functions of their various businesses. The corporate position should be to differentiate the different personnel departments when necessary and to look for ways of integrating them whenever possible, so they can maintain some feeling of corporate affiliation.

Conclusion

The researchers believe that if personnel is to move into the realm of strategic planning; both formulation and implementation, several things must happen. First, the corporation has to design a philosophy that encompasses its attitudes and values, and relates them to its strategic plans. Next, companies must design systems that reflect their philosophy and maintain their strategy.

The objective of injecting human resource management into the strategic arena is not to enhance the status of traditional personnel resource staff, but rather it is to alter the way managers set priorities and make decisions. And the final caveat is that the whole process must happen over time, else the radical change aggravate rather than help potential problems.