

Strategic Staffing
Chapter 2 – Business and
Staffing Strategies

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Learning Objectives

- After studying this chapter, you should be able to:
 - Explain how different staffing strategies support different business strategies.
 - Describe the resource-based view of the firm and how staffing can contribute to a company's sustainable competitive advantage.
 - Explain when an organization would use talent-oriented rather than job-oriented staffing.
 - Describe human capital advantage and human process advantages and the differences between them.
 - Describe the strategic staffing decisions any organization must make.

Why Does One Company Succeed and Another Fail?

- Differences in their strategic, financial, and technological capabilities
- Differences in organizational capabilities generated by attracting, retaining, motivating, and developing talented employees
- Staffing therefore plays a central role in creating and enhancing any organization's competitive advantage

Resource-Based View of the Firm

- Proposes that a company's resources and competencies (including its talent) can produce a sustained competitive advantage by creating value for customers by:
 - Lowering costs
 - Providing something of unique value
 - Or some combination of the two

Resource-Based View of the Firm

- Focuses attention on the quality of the skills of a company's workforce at various levels, and on the quality of the motivational climate created by management.
 - Human resource management is valued not only for its role in *implementing* a given competitive scenario but also for its role in *generating strategic capability*.
 - Staffing has the potential to create organizations that are more intelligent and flexible than their competitors, and that exhibit superior levels of cooperation and operation.

Five Requirements of a Competitive Advantage

Table 2-1

1. The resource must be *valuable* to the firm by exploiting opportunities and/or neutralizing threats in an organization's environment.
2. The resource must be *rare* among the company's current and future competition.
3. The resource must *not be easily imitated* by other firms.
4. The resource must *not be easily substituted or replaced with another resource*.
5. The company *must be organized to be able to exploit the resource*.

Business Strategy

- *Definition*: how a company will compete in its marketplace
- *Competitive advantage*: anything that gives a firm an edge over rivals in attracting customers and defending itself against competition
 - To have a competitive advantage a company must be able to give customers *superior value for their money* (a combination of quality, service, and acceptable price)

Some Sources of Competitive Advantage

- *Innovation*: developing new products, services, and markets and improving current ones
- *Cost*: be the lowest-cost provider
- *Service*: provide the best customer support before, during, or after the sale
- *Quality*: provide the highest quality product or service
- *Branding*: develop the most positive image

Sources of Competitive Advantage

- *Distribution*: dominate distribution channels to block competition
- *Speed*: excel at getting your product or service to consumers quickly
- *Convenience*: be the easiest for customers to do business with
- *First to market*: introduce products and services before competitors

Components of Business Strategy

- Business strategy involves the issue of how to compete, but also encompasses:
 - The strategies of different functional areas in the firm
 - How changing industry conditions such as deregulation, product market maturity, and changing customer demographics will be addressed
 - How the firm as a whole will address the range of strategic issues and choices it faces

Three Types of Business Strategy

1. *Cost leadership strategy*: be the lowest cost producer for a particular level of product quality (Wal-Mart, Dell, FedEx)
 - Competitive advantage based on *operational excellence*: maximizing the efficiency of the manufacturing or product development process to minimize costs

Three Types of Business Strategy

2. *Differentiation strategy*: developing a product or service that has unique characteristics valued by customers (Johnson & Johnson, Nike, 3M)
 - Competitive advantage based on *product innovation*

Three Types of Business Strategy

3. *Specialization strategy*: focus on a narrow market segment or niche and pursue either a differentiation or cost leadership strategy within that market segment (Starbucks, Red Lobster, Seiko)
 - Competitive advantage based on *customer intimacy*: deliver unique and customizable products or services to meet their customers' needs and increase customer loyalty

Growth Strategy

- *Definition:* company expansion *organically* (happening as the organization expands from within by opening new locations) or through *mergers and acquisitions*
- Success depends on the firm's ability to find and retain the right number and types of employees to sustain its intended growth.
- Organic growth requires an investment in recruiting, selecting, and training the right people to expand the company's operations.
- Mergers and acquisitions expand an organization's business and can also be a way to acquire the quality and amount of talent a firm needs to execute its business strategy.

Deriving Staffing Strategy

- An organization's staffing strategy should be derived from and be clearly supportive of its overall human resource strategy.
- The strategies developed for each HR functional area should support the overall human resource strategy.
- The strategy of each functional area of human resources should complement the strategies of the other areas as well as the organization's higher-level human resource strategy.

Staffing Implications of Different Sources of Competitive Advantage

Table 2-3

SOURCE OF COMPETITIVE ADVANTAGE	DESCRIPTION	STAFFING IMPLICATIONS
<i>Operational Excellence (Low Cost)</i>	<ul style="list-style-type: none"> • Focus is on the efficient production and delivery of products and/or services • Objective is to lead industry in both price and convenience 	<ul style="list-style-type: none"> • Efficiency focus • Adaptable • Trainable • Willing to follow standardized procedures
<i>Product Leadership (Innovation)</i>	<ul style="list-style-type: none"> • Provide a continuous stream of new cutting-edge products and services • Objective is the fast commercialization of new ideas 	<ul style="list-style-type: none"> • Top research talent • Entrepreneurial mind-set • Creativity • High tolerance for ambiguity • Interested in and motivated by learning and discovery
<i>Customer Intimacy (Customization)</i>	<ul style="list-style-type: none"> • Tailor and shape products and services to fit each customer's needs • Objective is long-term customer loyalty and long-term customer profitability 	<ul style="list-style-type: none"> • Adaptable • Learning oriented • Networking skills • Customer relations skills • Emotional resilience
<i>Growth</i>	<ul style="list-style-type: none"> • Expand the company to either increase the firm's sales or allow the company to achieve economies of scale 	<ul style="list-style-type: none"> • Fit with company culture • Future oriented • Flexible (willing to assume multiple roles) • Willing to take controlled risks

Organizational Life Cycle and Strategy Choice

- Growth-Maturity-Decline life cycle
- Strategy during *growth* phase
 - New and growing firms often pursue innovation or differentiation strategies to distinguish themselves from their competition.
 - Because they are less established and thus higher-risk employers, they often need to invest more money and resources in staffing to attract the talent they need to grow.
 - Because they lack a strong internal talent pool and need to add new employees as they grow, they frequently need to hire from outside the organization and tend to have an external talent focus.

Organizational Life Cycle and Strategy Choice

- Strategy during *maturity* phase when products and services have fully evolved, and the product's market share has become established
 - The focus shifts to maintaining or obtaining further market share through cost leadership, often by streamlining operations and focusing on efficiency.
 - Because mature companies have a larger pool of internal talent from which to draw, the talent focus becomes more internal.

Organizational Life Cycle and Strategy Choice

- Strategy choice during *decline* phase when markets are shrinking and business performance is weakening
 - Can pursue a cost-leadership strategy and allow the decline to continue until the business is no longer profitable
 - Focus on reducing labor and other costs
 - Can try to make changes to revive the product or service
 - If it chooses to try to change its product or service, the firm typically adopts a specialization or differentiation strategy
 - This can change the talent mix needed

Talent Philosophy

- A system of beliefs about how employees should be treated

Table 2-4

1. Do we want people to contribute to the company over long-term careers or do we want to focus on filling vacancies in the short term?
2. Do we value the ideas and contributions of people with diverse ideas and perspectives?
3. Do we see our employees as assets to be managed or employees as investors who choose where to allocate their time and efforts?
4. What are our ethical principles when it comes to our employees?

Sources of Ethical Guidelines

- The American Psychological Association (APA)
 - Published a document that describes test takers' rights and responsibilities
 - Published the *Standards for Educational and Psychological Testing* (1999)
 - Publishes reports to address emerging staffing issues such as the APA's position on good and ethical Internet testing practice and test user qualifications
 - Published ethical guidelines to help staffing experts *The Society for Industrial and Organizational Psychology* (Division 14 of the APA)
 - *Principles for the Validation and Use of Personnel Selection Procedures* (2003)
- *The Uniform Guidelines on Employee Selection Procedures* (1978)
 - Defines discrimination and good conduct for validity studies, and suggests ways for identifying adverse impact and ensuring the appropriateness of a staffing process
- *The Society for Human Resource Management (SHRM)*
 - Represents over 200,000 human resource practitioners and provides a code of ethics for its members
- *Academy of Management*

HR and Staffing Strategies

- *Human resource strategy*: the linkage of the entire human resource function with the firm's business strategy in order to improve business strategy execution
- *Staffing strategy*: the constellation of priorities, policies, and behaviors used to manage the flow of talent into, through, and out of an organization over time

How Talent Philosophy Influences HR and Staffing

TALENT PHILOSOPHY	HUMAN RESOURCE STRATEGY	STAFFING STRATEGY
Wants employees to contribute to the firm over long-term careers	→ Acquires, develops, and retains talent able to contribute to the firm over time	→ <i>Hiring:</i> Recruits and hires talent able to perform now and in future jobs <i>Deploying:</i> Uses succession planning, career planning, and career development to take advantage of employees' potential over time <i>Retaining:</i> Retains top performers and high-potential employees
Values the ideas and contributions of people with diverse ideas and perspectives	→ Acquires and retains a diverse workforce; creates and maintains a culture of inclusion and respect to leverage diversity	→ <i>Hiring:</i> Recruits and hires diverse people <i>Deploying:</i> Creates mentoring programs <i>Retaining:</i> Rewards and promotes diversity "champions"
Views applicants and employees as investors of their time and effort	→ Develops mutually beneficial relationships with its employees; respects applicants and employees	→ <i>Hiring:</i> Attracts and hires employees who fit the firm's culture and values; responds quickly to applicant inquiries <i>Deploying:</i> Puts employees in jobs that match their interests and abilities <i>Retaining:</i> Allows flexible work arrangements to meet employees' needs
Has high ethical standards regarding the treatment of its applicants and employees	→ Treats applicants and employees with fairness, honesty, and integrity	→ <i>Hiring:</i> Explains the hiring decision-making process and the uses of all assessment methods; hires based on merit; complies with laws <i>Deploying:</i> Gives honest performance feedback <i>Retaining:</i> Promotes based on merit

Nine Elements of Staffing Strategy

1. Do we want a core or flexible workforce?
2. Do we prefer to hire internally or externally?
3. Do we want to hire for or train needed skills?
4. Do we want to replace or retain our talent?
5. What levels of which skills do we need where?

Nine Elements of Staffing Strategy

6. Will we staff proactively or reactively?
7. Which jobs should we focus on?
8. Is staffing treated as an investment or a cost?
9. Will staffing be centralized or decentralized?

Competitive Talent Advantage

- *Human capital advantage*: acquiring a *stock of quality talent* creates a competitive advantage
 - Hiring and retaining outstanding people produces a *stock of exceptional talent*
- *Human process advantage*: superior *work processes* create a competitive advantage

Discussion Questions

- What are the three most important ethical principles that you feel organizations should adhere to in terms of their staffing philosophies?
- Why?

Discussion Questions

- What is the difference between treating employees as assets versus as investors?
- When is it most appropriate for an organization to treat employees as investors?
- When is it most appropriate for an organization to treat job applicants and employees as assets?

Discussion Questions

- Suppose you were in charge of recruiting and staffing the software engineers who work for Google. Do you think that a company like Google should hire software engineers with the skills it needs or train them to develop those skills?
- Why?

Discussion Questions

- In what situations would position-oriented staffing be preferable to talent-oriented staffing?
- List the costs and benefits of having an internal staffing focus. Then list the cost and benefits of having an external staffing focus. What are the tradeoffs between the two approaches?

Strategy Exercise

- In small groups of 4-5, identify a business that you could start.
 - What type of business would you propose?
 - What business strategy would you follow?
 - What staffing strategies would you use and why?
 - How does the resource-based view inform your thinking?

Opening Vignette Exercise

- Working individually or in a small group, reread the Starbucks chapter vignette and address the following questions. Be prepared to share your answers with the class after 20 minutes.
 - What staffing issues would create the biggest obstacles to Starbucks' ability to execute its growth and specialization strategies?
 - What would you recommend Starbucks do to overcome the obstacles you identified?

Develop Your Skills Exercise

- Think of an organization that you currently work for or have worked for in the past as you complete the “Measuring Your Firm’s Climate for Diversity” assessment in the Develop Your Skills feature.
- How well do you think the organization’s climate-for-diversity score reflects its talent philosophy ?



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