



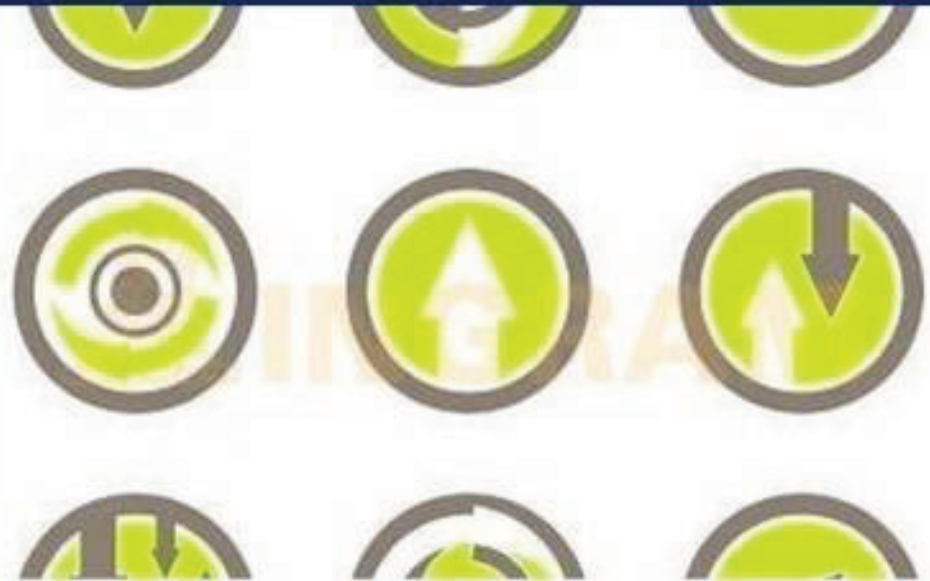
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Strategy, People and Performance

Dr Wesley Payne McClendon
GM, Talent & Organisation Development – ANZ
and Visiting Professor of Human Capital Management

Strategic Human Resource Management has become synonymous with describing the functional relationship between business strategy and human resource management. Wright and McMahan define SHRM as "the pattern of planned human resource deployments and activities intended to enable an organization to achieve its goals." It follows that strategy or more accurately, strategic choice determines the most appropriate approach to HRM. Traditionally, HR is often described as strategy neutral; having little impact on organization performance. In contrast, this research suggests the alignment of strategy and HRM should more appropriately be defined as strategy essential; directly related to organization performance. Building on Miles and Snow's model of strategic typologies to include a broader view of contingent influences on strategic choice, key HRM and employee relations typologies specific to firm performance, this research found significant support for internal consistency and the covariation of HR systems and performance. There was also support for the relationship among typologies including HRM systems, employee relations strategy and business strategy.

Wesley Payne McClendon, Ph.D., DBA



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Dr McClendon is a human capital management consultant and visiting professor in Edinburgh, Scotland. Based in Australia, Wesley is Executive Director, McClendon Research Group and has worked with private sector, public agencies and government organisations in Asia, Australia, Europe, Mexico, Middle East, Puerto Rico, South Africa, UK and US.

Wesley Payne McClendon, Ph.D., DBA

Strategy, People and Performance

Aligning business strategy, human resource management and organization performance

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Three Components

Business Strategy

“the purpose of business strategy is to effectively align an organization with its environment” – Jackson, 1995; Schuler, 1987; Andrews, 1980

Strategic Human Resource Management

“the pattern of planned human resource deployments and activities intended to enable an organisation to achieve its goals” – Wright & McMahan (1992, p. 298)

Organization Performance

Organization performance encompasses three specific areas of firm outcomes: 1) financial performance (profits, return on assets, return on investment, etc.); 2) product market performance (sales, market share, etc.); and 3) shareholder return or value (total shareholder return and economic value) – Richard et al, 2009.

The Role of Human Resources

Strategy Essential

Directly affecting business strategy outcomes; providing opportunities for specific focus and investment (also referred to as value creating or profit-centered)

Strategy Neutral

Having little or no impact on business strategy; providing opportunities for cost reduction, avoidance or reinvestment (also referred to as value supporting or cost-centered)

Mercer HR Consulting (London)

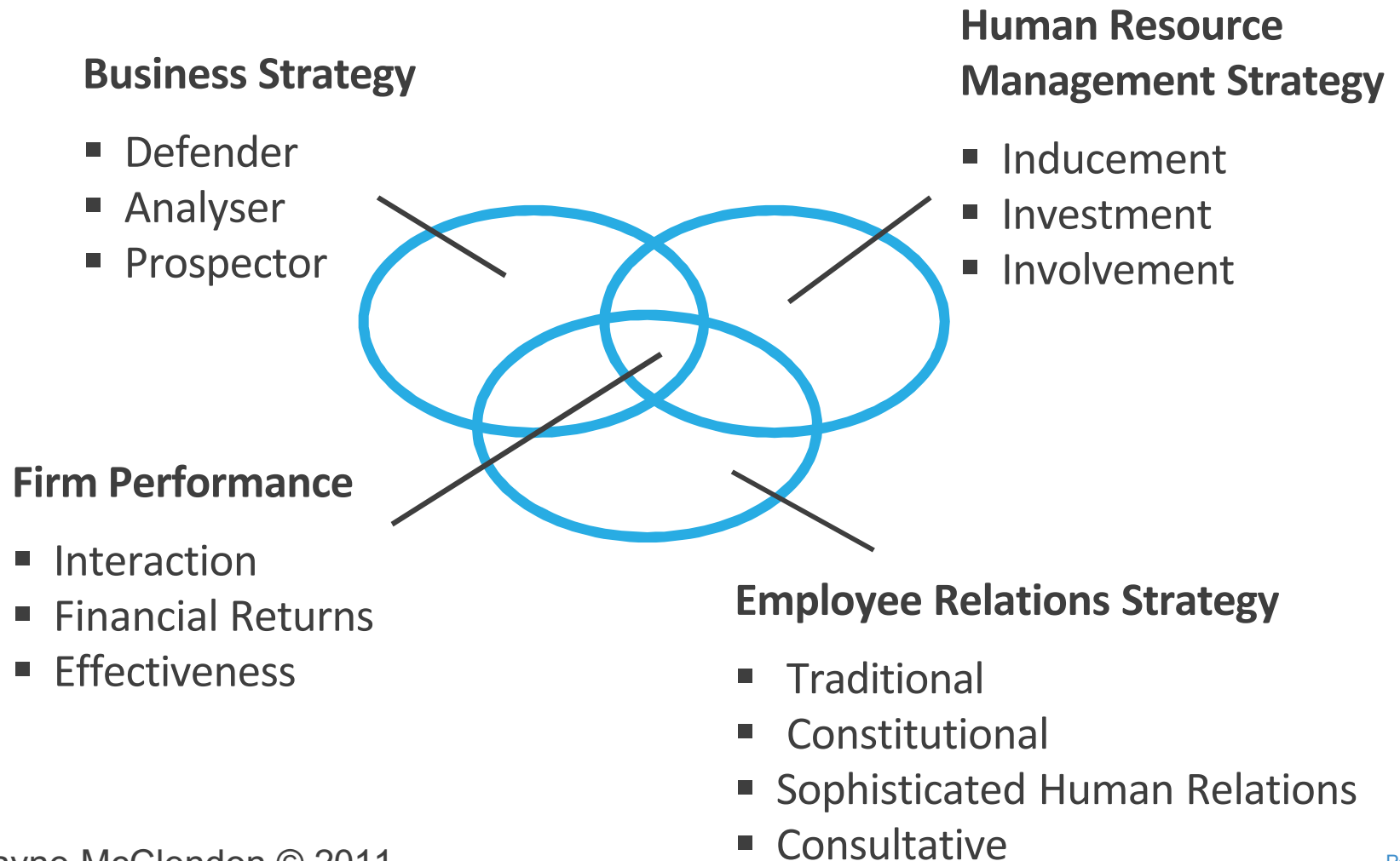
Research Structure and Methodology

- Primary data were collected from 70 Chief and HR Executives
- 35 companies in the Yorkshire and Humber counties of northeastern England
- Financial data were collected from secondary sources in the public domain (annual reports, investment portfolios, etc.)
- Mixed methodology – interviews and on-line survey tool
- ANOVA, logistic regression and structural equations

The Purpose of the Research

1. Investigate the extent to which human resources management and employee relations strategies, and the practices that emerge from them are aligned with business strategy.
2. Empirically validate the strategic typologies of business, human resource management, and employee relations (industrial labour relations)
3. Explore the extent to which human resource management strategy determines employee relations strategy based on the contingency theory
4. The extent to which these specific strategies – as they relate to human resource management and employee relations – are aligned and integrated within the context of business strategies.
5. To what extent do aligned organisations perform better than non-aligned organisations.

Alignment of Strategy, People and Performance



Research Findings

- Significant support for internal consistency and covariation of human resources and performance
- Also support for the relationship among typologies including human resource management, employee relations (IR) and business strategy
- No significant interaction effects between human resource, employee relations and business strategy on performance measures although there was significant interaction effect for five-year sales growth rate.

The relationships among and benefits of strategy, people and performance are longer term; alignment is not immediate in the development of key strategic priorities, HR practices or tangible outcomes

Strategy Essential Alignment – Human Resources

Congruence of Practices

T&D, Staffing, Job Design,
Performance Appraisal, and
Industrial Labour Relations

Firm Performance

Build – Capability, bench strength,
key talent pipeline, talent pool
and succession (ready now and next)

Buy – Identify “gold standard hires”
within and outside the business;
proactively source talent

Move – Career development and
planning (2-3 career horizons ahead)
and move within/between BU/SBUs

Five Questions to Ask Yourself...

1. What is the required change?
2. What evidence supports the need for change?
3. What is the change solution?
4. Who will support the change?
5. What is the commercial value of the change to the business?

“Five Questions to Ask Yourself Before Taking a Seat at the Strategy Table” – HRM Today, 28 December 2010

Strategy, People and Performance: Aligning Business Strategy, Human Resource Management and Organisation Performance

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Dr Wesley Payne McClendon
GM, Talent & Organisation Development , Fonterra – ANZ
and Visiting Professor of Human Capital Management

telephone: +61 3 8541 1794

mobile: +61 432 419 116

e-mail: wes.mcclendon@fonterra.com