**Selecting an HR strategy\***

By Dr. John Sullivan who can be contacted at [www.drjohnsullivan.com](http://www.drjohnsullivan.com/)

1. Introduction

Like all of the other major business functions, human resources must accomplish a wide range of activities from basic transaction processing to strategic planning in order to be successful. The importance ascribed to each of those functional activities in large part represent your human resource strategy.

Delivering a strategic impact requires development of a strategy that supports the corporate business objectives, aligning and prioritising each of the various activities to support and help accomplish those objectives. While an infinite number of HR strategies can be formulated, most in use today fall under a relatively small number of models. While I don't recommend using a strategy just because of major firm uses it, it is helpful to know what the range of strategies available to HR are. This article highlights the various HR strategy models and provides some insights into the advantages and disadvantages of each.

2. What are the most widely used HR strategies?

If you study successful organisations around the world, you'll find that there are a finite number of HR strategies in use. Although each of the strategies listed below is a distinct category, many firms use them in combination in order to arrive at an approach that best fits their situation. For example, stable business units that provide the core revenue base for an organisation may operate under one strategy while a business unit that focuses on future development may operate under another.

Widely admired firms like Intel, General Electric, Cisco, Nucor and Microsoft have found that a "performance culture" is the best approach to drive their success. While other excellent companies such as Hewlett-Packard, Oracle and Dell Computer have adopted an e-HR strategy where technology permeates everything they do in HR. Other successful companies have achieved good results using the more traditional business partner or personnel strategy. Each category has its advantages, costs and disadvantages so be sure and compare and contrast them before deciding that any one is the overall best.

3. The 10 basic HR strategies

The 10 basic most commonly used HR strategies or models are:

A. Personnel
B. Generalist
C. Business partner
D. Call centre
E. Outsourced
F. Centres of excellence
G. Self-service
H. Fact-based decision-making
I. e-HR
J. Performance culture
K. Strategy models defined

4. Summaries of the strategies and models

A. PERSONNEL MODEL

PRIORITY AND FOCUS: Low costs, basic transactions and legal compliance.

DESCRIPTION: The traditional approach to HR and the most common strategy; HR serves as an employee advocate; a strong emphasis on managing centralised transactions including payroll and benefits; HR is "reactive" with little outreach, change management or the use of generalists.

LIKELY STRATEGIC IMPACT: Minimal impact on profitability and employee productivity.

APPROPRIATE FOR: Small businesses or medium to large firms attempting to minimize costs. Often used when a single person runs HR or in a union environment.

ADVANTAGES/ BENEFITS: Transactional excellence; simple and easy to manage structure; little HR technical knowledge required; high customer contact; low HR operational costs

DISADVANTAGES/ RISKS: Slow identification and reaction to problems; difficult to globalize; functional silos and lack of cooperation; the minimal use of metrics makes it difficult to prove economic value during budget reductions; there is no emphasis on rewarding great people management

STRUCTURE AND ORGANISATION: HR is centralised and organised by functional units.

LARGEST BUDGET/TIME ALLOCATION: Non-professional hiring; payroll; legal compliance and benefits.

LOWEST BUDGET/TIME ALLOCATION: Organisational development; training; technology; call centre; workforce planning; generalists.

LINE MANAGEMENT PARTICIPATION: Minimal; all HR work is done by HR.

USE OF TECHNOLOGY: Low. Available technology focused on centralised payroll and benefits administration.

B. GENERALIST MODEL

PRIORITY AND FOCUS: Excellent hands on localized service delivered by generalists.

DESCRIPTION: A decentralised approach that attempts to provide "different" services that fit the unique needs of the business unit or local facility; it relies primarily on the generalist to deliver most HR services; centralised HR serves primarily as support staff for generalists, and aggregators of standardized transactions.

LIKELY STRATEGIC IMPACT: Medium due to the slow transfer of innovative solutions between various business units.

APPROPRIATE FOR: Medium to large size firms that are geographically dispersed.

ADVANTAGES/ BENEFITS: High customer contact; solutions that fit the unique needs of the business unit; rapid reaction to local problems; high "personal" credibility with local senior managers.

DISADVANTAGES/RISKS: Generalists can become too loyal to their business unit leadership and less so to corporate leadership; generalists can do too much "hand holding"; generalists may have insufficient technical knowledge to solve complex one of a kind problems; information transfer between generalist in different business units is often limited and most information is never captured in central HR; the reliance on paper and at the lack of technology means answers are slow to obtain; the generalist's model is relatively expensive compared to most other strategic models; the minimal use of metrics makes it difficult to prove economic value during budget reductions; there is no emphasis on rewarding great people management

STRUCTURE AND ORGANISATION: Generalist does most HR work; generalists are physically located in each major business unit or facility; this local HR generalist often reports directly to the general manager of their unit.

LARGEST BUDGET/TIME ALLOCATION: Generalists and "business unit" HR staff.

LOWEST BUDGET/TIME ALLOCATION: All centralised HR functions.

LINE MANAGEMENT PARTICIPATION: High because the service providers are well known and trusted by local management.

USE OF TECHNOLOGY: Minimal with most transactions handled at the local level.

C. BUSINESS PARTNER MODEL

PRIORITY AND FOCUS: Becoming more strategic and building strategic relationships.

DESCRIPTION: The model made famous by Dave Ulrich defines the basic role of HR into four areas (service delivery, employee commitment, change management and strategic actions); the business partner model is the next step in HR evolution after the traditional "personnel" or generalist’s model; the strategy is interpreted by many to emphasise strategic initiatives and to de-emphasise transactions; when it is effective, HR becomes more important and earns a seat at the executive table.

LIKELY STRATEGIC IMPACT: Moderate because the strong strategic relationships might not be enough to directly impact employee productivity or profit.

APPROPRIATE FOR: Medium and large businesses that need to move away from the "personnel" model.

ADVANTAGES/ BENEFITS: Strong interpersonal relationships and high visibility with executive management; fast response time to major corporate problems; smaller sized HR with lower headcount

DISADVANTAGES/RISKS: De-emphasis on transactions minimizes customer interactions; many HR professionals evolving from the personnel model may not be capable of becoming strategic; the emphasis on outsourcing may mean reduced HR headcount; the emphasis on corporate strategic issues can make the cadre of generalists feel "isolated" from corporate; the highly centralised corporate unit can become averse to taking risks and may evolve into a "meeting culture"; the minimal use of metrics makes it difficult to prove economic value during budget reductions; there is no emphasis on rewarding great people management

STRUCTURE AND ORGANISATION: The strategic elements of HR are centralised and while there are a moderate number of generalists, their responsibilities are generally non-strategic; this model generally has a top-heavy senior HR management staff.

LARGEST BUDGET/TIME ALLOCATION: Strategic consultants, high-level corporate HR staff, outsourcing, legal compliance.

LOWEST BUDGET/TIME ALLOCATION: Payroll, transactions, workforce planning, metrics.

LINE MANAGEMENT PARTICIPATION: Medium

USE OF TECHNOLOGY: Medium, mostly reliant upon standard enterprise suites.

D. CALL CENTRE MODEL

PRIORITY AND FOCUS: "Free up" generalist time (from answering basic HR questions) so that they can focus on more strategic issues; maintain ownership of transactions, but minimize their costs with a telephone call centre.

DESCRIPTION: The call centre model generally evolves from either the personnel or the business partner strategy; its primary focus is shifting the answering of basic HR questions to a centralised HR unit; the call centre staff is cheaper and is continually available during working hours.

LIKELY STRATEGIC IMPACT: Minimal, due mostly to the fact that once freed from basic transactions, few generalists actually transition to strategic work.

APPROPRIATE FOR: Large corporations

ADVANTAGES/BENEFITS: The call centre gives more accurate and consistent answers; managers and employees do less answer shopping and spend less time waiting; call centre staff are relatively low cost per hour; some call centre also handle HR transactions; call centres serve as a central depository for HR "answers"; call centres can help in breaking down HR silos

DISADVANTAGES/ RISKS: More difficult and complicated HR problems cannot be solved by call centre personnel; set up time and costs can be significant; there can be conflicts between generalist and call centre staff; many managers and employees may resist shifting from "their" generalist to a call centre.

STRUCTURE AND ORGANISATION: Call centres general report directly to HR operations; the generally operate relatively independently of both generalist and other HR functional departments; although call centres shift some degree of HR work away from generalist and functional HR units, it has little direct impact on how the rest of HR is organised.

LARGEST BUDGET/TIME ALLOCATION: Call centre staff, call centre consultants, intranet and generalists.

LOWEST BUDGET/TIME ALLOCATION: Technology, benefits administration and other HR transactions units, outsourcing.

LINE MANAGEMENT PARTICIPATION: Minimal, since most HR "answers" are answered by centralised HR.

USE OF TECHNOLOGY: Minimal, emphasis on telephony and knowledge base systems.

E. OUTSOURCED MODEL

PRIORITY AND FOCUS: Outsourcing HR transactions and where appropriate, a majority of a firm's existing HR functions, so that the remaining HR team can focus on increasing strategic impacts.

DESCRIPTION: In an effort to free up a senior HR management and generalist’s time and to increase HR's strategic impact, HR managers identify the different HR functions that provide us with no competitive advantage; these functions are then outsourced to vendors with superior capabilities; the net result is that HR managers now have increased bandwidth because they have fewer "average" things to worry about; with less functions and responsibilities to oversee, HR managers can focus on the relatively narrow areas within HR that have a realistic chance of having a strategic impact.

LIKELY STRATEGIC IMPACT: Moderate to high, if the narrower

HR focus actually results in solving the remaining complex people problems.

APPROPRIATE FOR: All businesses but especially small and large businesses; outsourcing is more appropriate in the US where a great deal of sourcing support is available.

ADVANTAGES/ BENEFITS: An increased focus means more of a strategic impact; outsourcing allows external experts that specialize in efficient transactions to handle things that internal HR can do as well; takes advantage of" economies of scale" that vendors might have in handling transactions; reduces the need for HR to invest it's limited capital resources in, call centres, HR software and other HR technologies by taking advantage of the investments that have already been made by outsource firms

DISADVANTAGES/ RISKS: HR may select the wrong functions to outsource and as a result, the firm loses its competitive vantage; HR must be skilled at vendor management; outsourcing firms cannot handle the most complex HR systems (with their customised workaround's), forcing HR to adopt the "vanilla" approach; you can't outsource "broken" systems until they are fixed; outsource vendors may be unstable; because vendors must make a profit, the overall costs might not be lower; outsourcing services can seldom be tailored to the unique needs of a company or business unit; outsourcing transactions reduces HR's contact with its internal customers; without transactions, that were once the training ground of "future" HR managers, HR may weaken its internal talent pipeline.

STRUCTURE AND ORGANISATION: Outsourcing can reduce or eliminate entire HR functions; the net result is generally a streamlined HR organisation; the area of vendor management may become crucial, depending on the degree of outsourcing that you undertake

LARGEST BUDGET/TIME ALLOCATION: The remaining strategic HR functions, outsourcing, vendor management and outsourcing consultants

LOWEST BUDGET/TIME ALLOCATION: Any HR functions that are partially or totally outsourced (generally benefits, pensions, payroll and sometimes recruiting, compensation and training)

LINE MANAGEMENT PARTICIPATION: Minimal because much of the HR work is now done outside the company.

USE OF TECHNOLOGY: Low within HR; most of the functions that require technology are outsourced, although many vendors utilize web sites to provide their services to managers and employees.

F. CENTRES OF EXCELLENCE MODEL

PRIORITY AND FOCUS: Providing internal "consulting quality" help to solve advanced HR problems.

DESCRIPTION: Because generalists only have the opportunity to solve "local" problems, they must often bring in outside consultants to help them solve advanced or unique HR problems; centres for excellence brings the expensive outside consulting inside in order to directly solve the " most difficult 20%" of the current HR problems; by utilizing internal consultants, the knowledge gained after the problem is solved remains within the corporation (which increases the likelihood that solutions are shared); inside consultants are presumed to be more successful because they understand the culture and how to get things done within the organisation; some organisations couple the centres of excellent model with the call centre model so that the net result is better and cheaper answers at the low end and higher-quality solutions for the more difficult higher-end HR problems; the self-service model differs from other technology-based strategies (the fact-based and the e-HR model) in that it uses technology just for answering simple questions and completing basic transactions.

LIKELY STRATEGIC IMPACT: High, if the centres of excellence maintain the same quality standards as external consulting firms.

APPROPRIATE FOR: Large and global corporations that use a large number of external HR consultants.

ADVANTAGES/BENEFITS: HR problems are identified and solved faster; external consulting costs are reduced; improvement in HR's internal image and exposure because it is directly attacking major HR and management problems

DISADVANTAGES/ RISKS: External consulting may be superior because they have already experienced similar problems at other firms; "excess HR staff" may be transferred to the centres of excellence, which may degrade the quality of the help they can provide; budget pressure may, over time, reduce the centres of excellence staffing levels were staff quality to the point where they are unable to be responsive; set up costs and time can be significant; most of the established centres of excellence have not succeeded in practice; managers may resist using internal consultants because of their existing relationships with external consulting firms; if a centre of excellence fails it sends a clear message that HR can't "handle" the most difficult problems which will negatively impact our image and their ability to be strategic in other areas.

STRUCTURE AND ORGANISATION: Centres of excellence generally operate independently of other HR functional units; they general report to a senior HR manager or the VP of HR; in some cases, centres of excellent strategies that also have strong call centres components reduce or consolidate other HR functions because most of their high and bottom level work is now handled by others.

LARGEST BUDGET/TIME ALLOCATION: Centres of excellence

LOWEST BUDGET/TIME ALLOCATION: External consultants, the most experienced staff within existing functional HR departments, outsourcing.

LINE MANAGEMENT PARTICIPATION: High, because HR is more capable of handling their most difficult "people problems".

USE OF TECHNOLOGY: Minimal

G. SELF-SERVICE MODEL

PRIORITY AND FOCUS: Most HR answers and transactions shift to the intranet to "free up" generalist time, and to make managers and employees more self-sufficient.

DESCRIPTION: Often an advanced variation of the call several model where HR answers and transactions are shifted to the firm's intranet; managers and employees are provided access to easy to use HR web sites so that they can do their own transactions and find their own simple to moderately complex HR answers; using the web allows answers to be available globally and 24/7.

LIKELY STRATEGIC IMPACT: Minimal because providing simple answers and transactions (no matter how easy or cheap) is hardly ever strategic.

APPROPRIATE FOR: Global businesses, firms with strong IT staffs and large businesses

ADVANTAGES/ BENEFITS: Employees and managers may have their own "personal portal" which may also help increase their productivity because of the tailored information it can provide;

using the web sends a message that HR understands the importance of technology; answers and transactions can be done anywhere and at anytime; web technology can make transactions "foolproof" resulting and fewer errors than the "people dependent" call centre model; managers may argue that doing transactions "outside of HR" isn't the best use of managers and employees time.

DISADVANTAGES/ RISKS: Shifting "HR work" to managers and employees may decrease their productivity; their time may also be more expensive than HR staff time; more difficult and complicated HR problems cannot be solved on the intranet; HR loses a great deal of interaction with its customers; the set up costs and time are significant; HR may not have the capability to do the web site and it may be "less than cooperative" so delays may occur; not all managers and employees have easy access to the company's intranet; not all managers and employees are comfortable using computers and the intranet; the significant amount of training may be required; closing down a recently opened call centre can be expensive and politically difficult; generalists may resist the shifting of a portion of their former workload to the web and they may not use their extra time to produce strategic results; many managers and employees may resist shifting from "their" generalist to a web site

STRUCTURE AND ORGANISATION: Although self-service shifts some degree of HR work to managers and employees, it has little direct impact on how the rest of HR is organised.

LARGEST BUDGET/TIME ALLOCATION: Web technology and Web consultants.

LOWEST BUDGET/TIME ALLOCATION: All HR transactional units, benefits administration and call centres

LINE MANAGEMENT PARTICIPATION: High because managers and employees "own" their transactions and accept the responsibility for finding most basic HR answers.

USE OF TECHNOLOGY: High

H. FACT BASED DECISION MODEL

PRIORITY AND FOCUS: Making HR more "scientific" through the use of measures, analytics and metrics; the goal is to continually improve everything done in HR through the more "intelligent" use of data.

DESCRIPTION: The goal is continuous improvement in every people management process; the fact-based model follows the supply chain and 6 sigma models in that it shifts the emphasis from "emotional" or "personal experience based" decision making to "fact-based" decision making; because metrics permeate everything HR does, most HR decisions can be made more accurate by basing them on facts and data; in addition, by providing data directly to line managers, the process allows more people decisions to be made "closer to the customer" by the line manager; some advanced HR departments add forecasting in order to anticipate problems as well as "R&D" teams to analyze and develop new people management tools; the fact based model uses technology for decision-making but technology does not permeate every area of HR like it does in the e-HR model.

LIKELY STRATEGIC IMPACT: High, because much of the "guesswork" is removed from HR decision-making and decisions are made closer to the customer.

APPROPRIATE FOR: Technology driven companies, medium and large size firms with enterprise wide software applications.

ADVANTAGES/ BENEFITS: Increases HR business impact by "educating" managers about what works and what doesn't; shows that HR is "businesslike" because it uses the same types of metrics and analytics that the rest of the organisation already utilizes; allows managers to be more involved and more successful in people decision making; allows corporate HR to closely monitor and compare people management "success rates" between regions and business units and therefore increase the speed of learning and the adoption of solutions that work throughout the business

DISADVANTAGES/ RISKS: Requires close cooperation with it and HR;

requires the organisation to have existing ERP and other data collection and data mining tools; HR must become experts in metrics and analytics; providing data about what works doesn't always incite managers to change and improve.

STRUCTURE AND ORGANISATION: The fact based decision-making model requires no special organisational structure but metrics and analytics managers must report directly to the senior decision maker in every HR functional unit.

LARGEST BUDGET/TIME ALLOCATION: Metrics, reporting and HRIS

LOWEST BUDGET/TIME ALLOCATION: Functions that fail to improve or that has a low ROI

LINE MANAGEMENT PARTICIPATION: High because managers are provided with the data they need to make "intelligent" decisions.

USE OF TECHNOLOGY: High, emphasis on business intelligence type solutions.

I. E-HR MODEL

PRIORITY AND FOCUS: Uses technology to make everything in HR paperless as well as faster, cheaper, better and globally capable; it provides managers with new computer-based tools in the areas of employee relations, workforce planning, compensation and recruiting; it also shifts most HR decisions away from HR people and it gives them to managers.

DESCRIPTION: Technology and its related software is the mainstay of every HR function and system; by eliminating "paper" within HR, it instantly becomes cheaper, faster and more globally capable; E-HR also takes advantage of new capabilities in e-learning, workforce planning, analytics, online candidate assessment, applicant tracking systems and Web based management reports; the e-HR model follows the supply chain and 6 sigma models to improve decision-making and productivity by using computer generated data to improve day-to-day decision-making; the e-HR model goes far beyond the "self-service" and "fact based" HR models; in addition to using technology to handle all transactions and to answer benefit questions, e-HR shifts almost all day-to-day HR decision making to line managers; decisions like compensation, candidate assessment, retention and employee relations are no longer made by HR; managers take "ownership" of their HR problems and they are able to make better people related decisions because of the laptop tools and information provided by HR.

LIKELY STRATEGIC IMPACT: High because it allows HR to do things that are not possible without technology; informed (and more accurate) people decisions are made closer to the customer.

APPROPRIATE FOR: Large and global corporations

ADVANTAGES/ BENEFITS: Globalisation is not realistically possible without technology in HR; paperless systems are cheaper and faster the line managers can access to all HR information which allows them to make better HR decisions "closer to the customer"; linked databases can "learn", therefore reducing our future failure rate

Technology can identify potential issues and" alert" managers of upcoming problems

DISADVANTAGES/ RISKS: e-HR set up time and costs can be significant; IT can drag its feet or refuse to cooperate

STRUCTURE AND ORGANISATION: HRIS manages the e-HR effort; eventually every process and HR function must be computerized.

LARGEST BUDGET/TIME ALLOCATION: HRIS

LOWEST BUDGET/TIME ALLOCATION: Call centres

LINE MANAGEMENT PARTICIPATION: High because most people management decisions are shifted to managers.

USE OF TECHNOLOGY: High

J. PERFORMANCE CULTURE MODEL

PRIORITY AND FOCUS: HR assumes the responsibility for shifting the entire corporate culture so that every aspect of it reinforces performance and results; the net result is that excellent people practices become a sustainable competitive advantage.

DESCRIPTION: HR shifts the responsibility for "owning" people programmes and employee productivity to employees and managers; HR ensures that every "people" related system focuses on measuring, recognizing and rewarding productivity and results; it makes sure that "performance" rather than "trying" or "effort" permeates the entire culture and everyone's way of thinking; the Performance culture strategy is the broadest and most impactful of all HR strategies because it takes the "captain of the ship" approach to employee performance; as a "captain" of the ship" it assumes responsibility, even though it doesn't have complete authority or control, over maintaining and increasing the productivity of the company's workforce.

LIKELY STRATEGIC IMPACT: High, if HR can successfully influence the entire organisation.

APPROPRIATE FOR: Firms that operate in a highly competitive environment and that wish to be number one in their industry in employee productivity.

ADVANTAGES/ BENEFITS: In assuming the role of strategic leader in increasing employee productivity, it sends the message that it will do what strategic leaders do... take responsibility for actions across all business units; it uses it's expert knowledge to influence others that it has no formal control over; instead of focusing on" HR problems" instead it focuses on 'business problems" (and opportunities); it uses its knowledge of people management to find and then implement people management tools that will make a major contribution towards solving these business problems; by shifting the responsibility and ownership for people problems and worker productivity, it actually increases its strategic impact because "ownership" forces managers and employees to take people issues more seriously; HR increases its visibility throughout the organisation because it becomes a consultant and expert rather than just a transaction specialist and information provider; HR shifts from a function that the" does HR" to a function that advises and influences others; instead of focusing on transactions and providing information, HR focuses on identifying and solving business problems through the use of people management tools

DISADVANTAGES/ RISKS: Many HR professionals might not be able make the transition from "doer" to leader; managers and employees may be unwilling to accept the responsibility for "owning" people issues; HR might not have the skills or knowledge required in order to "influence" the entire organisation; the "old corporate culture" might resist changing to a Performance culture; low performers and people that resist change are likely to fight the transition; within HR there will be tremendous pressure to maintain the status quo

Many traditional HR processes, approaches, programmes and tools will need major revision if they are to contribute to a Performance culture

STRUCTURE AND ORGANISATION: The structure of HR must be changed to become more like a consulting organisation; traditional "doer" functions like compensation, recruiting and employee relations must be completely reorganised to provide advice and metrics rather than direct service.

LARGEST BUDGET/TIME ALLOCATION: HR consulting, strategic planning, forecasting, metrics, HRIT and workforce planning.

LOWEST BUDGET/TIME ALLOCATION: All traditional transaction and "doer" HR functions.

LINE MANAGEMENT PARTICIPATION: High because the ownership of people problems they shifted to them.

USE OF TECHNOLOGY: High because managers must be provided with easy to use "always available tools" and daily performance information in order to allow them to make better people decisions and to continually improves workforce productivity.

4. Conclusion

Each of the ten distinct HR models that are outlined above has made a significant impact in some organisation because they fit the need at the time. Its important to emphasise that there are no good and bad strategies, just ones that are appropriate for the organisation and the goals that it sets.

Before selecting a strategy or transitioning into a new one, it is important to study your organisation's business goals and the competitiveness of the industry you are in. It's easy to assume that the best one is the most strategic one but in fact developing a strategic HR function within a commodity business for example, may actually be a mistake. Whatever path you take, it is important to remember that being strategic in HR means having a direct impact on business problems and results. So, in that light, select the strategy that is most likely to have a significant impact on workforce productivity and profits.

\* Reprinted by permission

**entrepreneurial human resource strategy**

**Christopher J. Collins, Matthew Allen and Scott Snell**

**Subject** [**Business and Management**](http://www.blackwellreference.com/subscriber/explore?query=A&widen=1&result_number=1&topics=business-and-management&type=std&fuzzy=0&slop=1) **»** [**Entrepreneurship**](http://www.blackwellreference.com/subscriber/explore?query=A&widen=1&result_number=1&topics=bbo15_Instance_390000&type=std&fuzzy=0&slop=1)**,** [**International Management**](http://www.blackwellreference.com/subscriber/explore?query=A&widen=1&result_number=1&topics=id2244376&type=std&fuzzy=0&slop=1)

Connotea





ShareThis

**Sections**

* [entrepreneurial human resource strategy](http://www.blackwellreference.com/subscriber/uid%3D44/tocnode?query=HR+strategy+alignment&widen=1&result_number=4&topics=business-and-management&from=search&id=g9780631233176_chunk_g97814051165038_ss1-12&type=std&fuzzy=0&slop=1#ss1-12-1)
* [Bibliography](http://www.blackwellreference.com/subscriber/uid%3D44/tocnode?query=HR+strategy+alignment&widen=1&result_number=4&topics=business-and-management&from=search&id=g9780631233176_chunk_g97814051165038_ss1-12&type=std&fuzzy=0&slop=1#ss1-12-4)

Entrepreneurship is the process by which “opportunities to create future goods and services are discovered, evaluated, and exploited” ([Shane and Venkataraman, 2000: 218](http://www.blackwellreference.com/subscriber/uid%3D44/tocnode?query=HR+strategy+alignment&widen=1&result_number=4&topics=business-and-management&from=search&id=g9780631233176_chunk_g97814051165038_ss1-12&type=std&fuzzy=0&slop=1#b142)). In other words, it is the process by which organizations and individuals convert new knowledge into new opportunities in the form of new products and services. Strategic human resource management (SHRM) has been defined as the system of organizational practices and policies used to manage employees in a manner that leads to higher organizational performance ([Wright and McMahan, 1992](http://www.blackwellreference.com/subscriber/uid%3D44/tocnode?query=HR+strategy+alignment&widen=1&result_number=4&topics=business-and-management&from=search&id=g9780631233176_chunk_g97814051165038_ss1-12&type=std&fuzzy=0&slop=1#b146)). Further, one perspective suggests that sets of HR practices do not themselves create competitive advantage; instead, they foster the development of organizational capabilities which in turn create such advantages ([Lado and Wilson, 1994](http://www.blackwellreference.com/subscriber/uid%3D44/tocnode?query=HR+strategy+alignment&widen=1&result_number=4&topics=business-and-management&from=search&id=g9780631233176_chunk_g97814051165038_ss1-12&type=std&fuzzy=0&slop=1#b138); [Wright, Dunford, and Snell, 2001](http://www.blackwellreference.com/subscriber/uid%3D44/tocnode?query=HR+strategy+alignment&widen=1&result_number=4&topics=business-and-management&from=search&id=g9780631233176_chunk_g97814051165038_ss1-12&type=std&fuzzy=0&slop=1#b145)). Specifically, this body of literature suggests that HR practices lead to firm performance when they are aligned to work together to create and support the employee‐based capabilities that lead to competitive advantage ([Wright and Snell, 2000](http://www.blackwellreference.com/subscriber/uid%3D44/tocnode?query=HR+strategy+alignment&widen=1&result_number=4&topics=business-and-management&from=search&id=g9780631233176_chunk_g97814051165038_ss1-12&type=std&fuzzy=0&slop=1#b147); [Wright, Dunford, and Snell, 2001](http://www.blackwellreference.com/subscriber/uid%3D44/tocnode?query=HR+strategy+alignment&widen=1&result_number=4&topics=business-and-management&from=search&id=g9780631233176_chunk_g97814051165038_ss1-12&type=std&fuzzy=0&slop=1#b145)). Thus, entrepreneurial human resource strategy is best defined as the set or sets of human resources practices that will increase the likelihood that new knowledge will be converted to new products or services.

**Strategic Human Resource Management and Knowledge Creation**

Based on the above definition of entrepreneurship, new knowledge creation is key to the entrepreneurial process. Further, organizational researchers have pointed to both the ability to diffuse and exploit current knowledge and the ability to create new knowledge as critical capabilities for organizational success ([Kogut and Zander, 1992](http://www.blackwellreference.com/subscriber/uid%3D44/tocnode?query=HR+strategy+alignment&widen=1&result_number=4&topics=business-and-management&from=search&id=g9780631233176_chunk_g97814051165038_ss1-12&type=std&fuzzy=0&slop=1#b137)). This is especially true for entrepreneurial firms whose success and survival are dependent upon identifying and exploiting opportunities in rapidly changing markets ([Christiansen, 1997](http://www.blackwellreference.com/subscriber/uid%3D44/tocnode?query=HR+strategy+alignment&widen=1&result_number=4&topics=business-and-management&from=search&id=g9780631233176_chunk_g97814051165038_ss1-12&type=std&fuzzy=0&slop=1#b132)). [Nahapiet and Ghoshal (1998)](http://www.blackwellreference.com/subscriber/uid%3D44/tocnode?query=HR+strategy+alignment&widen=1&result_number=4&topics=business-and-management&from=search&id=g9780631233176_chunk_g97814051165038_ss1-12&type=std&fuzzy=0&slop=1#b141) argued that for exchange and combination to take place, parties must have access to one another, be capable of combining and exchanging ideas and information, and perceive value from the exchange and combination process. Most studies of organizational learning recognize initial knowledge of employees as a key factor in organizational learning and employees as a primary repository of organizational knowledge ([Argote, 1999](http://www.blackwellreference.com/subscriber/uid%3D44/tocnode?query=HR+strategy+alignment&widen=1&result_number=4&topics=business-and-management&from=search&id=g9780631233176_chunk_g97814051165038_ss1-12&type=std&fuzzy=0&slop=1#b129)). Further, the ability of firms to create new knowledge is dependent upon the social capital that exists inside the firm, because the social connections between employees lead to productive exchanges and combinations of ideas and information ([Nahapiet and Ghoshal, 1998](http://www.blackwellreference.com/subscriber/uid%3D44/tocnode?query=HR+strategy+alignment&widen=1&result_number=4&topics=business-and-management&from=search&id=g9780631233176_chunk_g97814051165038_ss1-12&type=std&fuzzy=0&slop=1#b141)).

Further, research on SHRM suggests that companies can build and reinforce a knowledge creation capability by aligning HR practices to create the employee‐based capabilities necessary for knowledge creation. For example, [Snell, Youndt, and Wright (1996)](http://www.blackwellreference.com/subscriber/uid%3D44/tocnode?query=HR+strategy+alignment&widen=1&result_number=4&topics=business-and-management&from=search&id=g9780631233176_chunk_g97814051165038_ss1-12&type=std&fuzzy=0&slop=1#b144) noted that HR practices can be used to increase the transfer of knowledge between employees and institutionalize knowledge in the form of processes and procedures. As noted above, one of the key elements in creating new organizational knowledge is the human capital of the company, defined as abilities, intelligence, and skills acquired from informal and formal education and job experience of key employees in the firm ([Becker, 1964](http://www.blackwellreference.com/subscriber/uid%3D44/tocnode?query=HR+strategy+alignment&widen=1&result_number=4&topics=business-and-management&from=search&id=g9780631233176_chunk_g97814051165038_ss1-12&type=std&fuzzy=0&slop=1#b130)). There is some evidence that firms can systematically affect the human capital of the firm through systems of HR practices. For example, firms create higher levels of employee human capital by implementing multiple recruiting sources, extensive selection practices, paying above‐market starting salaries, investing more in training and development, etc. ([Koch and McGrath, 1996](http://www.blackwellreference.com/subscriber/uid%3D44/tocnode?query=HR+strategy+alignment&widen=1&result_number=4&topics=business-and-management&from=search&id=g9780631233176_chunk_g97814051165038_ss1-12&type=std&fuzzy=0&slop=1#b136); [Snell and Dean, 1992](http://www.blackwellreference.com/subscriber/uid%3D44/tocnode?query=HR+strategy+alignment&widen=1&result_number=4&topics=business-and-management&from=search&id=g9780631233176_chunk_g97814051165038_ss1-12&type=std&fuzzy=0&slop=1#b143)).

[Nahapiet and Ghoshal (1998)](http://www.blackwellreference.com/subscriber/uid%3D44/tocnode?query=HR+strategy+alignment&widen=1&result_number=4&topics=business-and-management&from=search&id=g9780631233176_chunk_g97814051165038_ss1-12&type=std&fuzzy=0&slop=1#b141) argued that social capital is another key employee‐based resource that both increases the ability and motivation of employees to exchange and combine knowledge. [Leana and Van Buren (1999)](http://www.blackwellreference.com/subscriber/uid%3D44/tocnode?query=HR+strategy+alignment&widen=1&result_number=4&topics=business-and-management&from=search&id=g9780631233176_chunk_g97814051165038_ss1-12&type=std&fuzzy=0&slop=1#b139) argued that different human resource practices can be used to build social capital between the employees within an organization. In a recent empirical study, [Collins and Clark (2003)](http://www.blackwellreference.com/subscriber/uid%3D44/tocnode?query=HR+strategy+alignment&widen=1&result_number=4&topics=business-and-management&from=search&id=g9780631233176_chunk_g97814051165038_ss1-12&type=std&fuzzy=0&slop=1#b134) found that several bundles of HR practices were related to the internal and external social networks of top management team members in high‐technology firms. Similarly, [Collins (2003)](http://www.blackwellreference.com/subscriber/uid%3D44/tocnode?query=HR+strategy+alignment&widen=1&result_number=4&topics=business-and-management&from=search&id=g9780631233176_chunk_g97814051165038_ss1-12&type=std&fuzzy=0&slop=1#b133) found that a high‐performance bundle of HR practices was related to measures of core employee social capital (measured as trust and shared norms).

While these two empirical studies are promising, future research in SHRM must continue to explore the relationships between bundles of HR practices and the employee‐based resources that lead to knowledge creation. Recently, [Kang, Morris, and Snell (2004)](http://www.blackwellreference.com/subscriber/uid%3D44/tocnode?query=HR+strategy+alignment&widen=1&result_number=4&topics=business-and-management&from=search&id=g9780631233176_chunk_g97814051165038_ss1-12&type=std&fuzzy=0&slop=1#b135) posited two different forms of social capital – or relational archetypes – that represent different approaches to knowledge exchange. On the one hand, the entrepreneurial archetype is characterized by sparse networks of loosely coupled parties whose exchange relationships are based on personal dyadic trust and common component knowledge. This archetype is more closely aligned with the requirements of exploratory learning for absorbing novel and diverse knowledge in new and unfamiliar domains ([March, 1991](http://www.blackwellreference.com/subscriber/uid%3D44/tocnode?query=HR+strategy+alignment&widen=1&result_number=4&topics=business-and-management&from=search&id=g9780631233176_chunk_g97814051165038_ss1-12&type=std&fuzzy=0&slop=1#b140)). Kang, Morris, and Snell suggested it would be facilitated through HR practices that support flexible work structures, multiple career (boundaryless) development strategies, trans‐specialist skill development, and results‐based incentives and performance management systems.

In contrast, the cooperative archetype is characterized by strong and dense social networks where relationships are reinforced by generalized trust and common architectural knowledge. This type of archetype is perhaps best for combining and integrating fine‐grained and in‐depth knowledge in familiar knowledge domains ([March, 1991](http://www.blackwellreference.com/subscriber/uid%3D44/tocnode?query=HR+strategy+alignment&widen=1&result_number=4&topics=business-and-management&from=search&id=g9780631233176_chunk_g97814051165038_ss1-12&type=std&fuzzy=0&slop=1#b140)). The cooperative archetype is perhaps best supported by HR practices that focus on interdependent work structures, staffing, and socialization systems that reinforce organizational values, employment security, cross‐functional skill development, and performance management systems that emphasize collective achievements.

Based on these types of frameworks, there appear to be multiple bundles of HR practices that firms can implement to increase knowledge creation among employees. Further, as suggested by the SHRM literature (e.g., [Wright, Dunford, and Snell, 2001](http://www.blackwellreference.com/subscriber/uid%3D44/tocnode?query=HR+strategy+alignment&widen=1&result_number=4&topics=business-and-management&from=search&id=g9780631233176_chunk_g97814051165038_ss1-12&type=std&fuzzy=0&slop=1#b145)), firms should use different sets of HR practices depending upon the type of knowledge sharing and requisite social networks that the firm is attempting to foster. As noted above, [Kang, Morris, and Snell (2004)](http://www.blackwellreference.com/subscriber/uid%3D44/tocnode?query=HR+strategy+alignment&widen=1&result_number=4&topics=business-and-management&from=search&id=g9780631233176_chunk_g97814051165038_ss1-12&type=std&fuzzy=0&slop=1#b135) agued that firms should implement a more individualistic set of HR practices that lead to sparse and broad‐reaching individual employee networks in order to foster novel combinations of previously unconnected knowledge; whereas firms seeking to foster the recombination of existing knowledge should implement team‐ and organizational‐based HR practices that lead to dense employee networks. While these theoretical proposals are interesting, additional empirical research is needed to specifically link HR practices to hard measures of knowledge creation through employee‐based capabilities.

**Strategic Human Resources and Knowledge Exploitation**

While knowledge creation is important, by itself it is not enough to ensure that the entrepreneurial process occurs in companies. Instead, HR practices must also create and reinforce an environment in which employees convert that new knowledge into new products and services. Further, there is some empirical research to suggest that HR practices can lead to greater innovation in the form of the introduction of new products and services. For example, [Chandler, Keller, and Lyon (2000)](http://www.blackwellreference.com/subscriber/uid%3D44/tocnode?query=HR+strategy+alignment&widen=1&result_number=4&topics=business-and-management&from=search&id=g9780631233176_chunk_g97814051165038_ss1-12&type=std&fuzzy=0&slop=1#b131) also found that reward systems could positively affect the performance of entrepreneurial organizations that face a rapidly changing environment when the rewards are aligned to create a culture that is supportive of innovation. In a paper that more closely follows the SHRM approach, [Collins (2003)](http://www.blackwellreference.com/subscriber/uid%3D44/tocnode?query=HR+strategy+alignment&widen=1&result_number=4&topics=business-and-management&from=search&id=g9780631233176_chunk_g97814051165038_ss1-12&type=std&fuzzy=0&slop=1#b133) found that multiple sets of practices led to innovation in high‐technology firms. Specifically, he found that both high‐commitment and network‐building bundles of HR practices were related to firm innovation (measured as the number of new products and services) through their effects on an organizational climate of cooperation and core employee internal and external social networks.

As with the effects of HR on knowledge creation, these papers suggest that there are multiple sets of HR practices that can be used to facilitate the exploitation of knowledge in the form of actual product or service innovations. Further, as is suggested by the theoretical work on SHRM (e.g., [Wright, Dunford, and Snell, 2001](http://www.blackwellreference.com/subscriber/uid%3D44/tocnode?query=HR+strategy+alignment&widen=1&result_number=4&topics=business-and-management&from=search&id=g9780631233176_chunk_g97814051165038_ss1-12&type=std&fuzzy=0&slop=1#b145); [Wright and Snell, 2000](http://www.blackwellreference.com/subscriber/uid%3D44/tocnode?query=HR+strategy+alignment&widen=1&result_number=4&topics=business-and-management&from=search&id=g9780631233176_chunk_g97814051165038_ss1-12&type=std&fuzzy=0&slop=1#b147)), it appears that firms can positively affect their competitive advantage by designing their HR systems to support employee‐based resources. Specifically, firms can design and implement HR practices to create the organizational climates, culture, and employee network relationships that support innovation. Again, while these studies are useful, additional empirical research is needed to explore the array of possible relationships between HR practices and knowledge exploitation in the form of new products and services.

Argote, L. (1999). *Organizational Learning: Creating, Retaining and Transferring Knowledge*. Boston: Kluwer Academic Publishers.

Becker, G. S. (1964). *Human Capital*. New York: Columbia University Press.

Chandler, G. N., Keller, C., and Lyon, D. W. (2000). Unraveling the determinants and consequences of an innovation‐supportive organizational culture. *Entrepreneurship: Theory and Practice*, (25) (1): 59–76.

Christiansen, C. (1997). *The Innovators' Dilemma*. Cambridge, MA: Harvard Business School Press.

Collins, C. J. (2003). Human resource practices, core employee social capital, and firm innovation. Presented at the Academy of Management Meetings, Seattle, WA.

Collins, C. J. and Clark, K. D. (2003). Strategic human resource practices, top management team social networks, and firm performance: The role of HR practices in creating organizational competitive advantage. *Academy of Management Journal*, (46) : 740–52.

Kang, S., Morris, S., and Snell, S. S. (2004). Relational archetypes, organizational learning, and value creation: Extending the human resource architecture. Unpublished manuscript.

Koch, M. J. and McGrath, R. G. (1996). Improving labor productivity: Human resource management policies do matter. *Strategic Management Journal*, (17) : 335–54.

Kogut, B. and Zander, U. (1992). Knowledge of the firm, combination capabilities, and the replication of technology. *Organization Science*, (3) : 383–97.

Lado, A. A. and Wilson, M. C. (1994). Human resource systems and sustained competitive advantage: A competency‐based perspective. *Academy of Management Review*, (19) : 699–727.

Leana, C. R. and Van Buren, H. J. (1999). Organizational social capital and employment practices. *Academy of Management Journal*, (24) : 538–55.

March, J. G. (1991). Exploration and exploitation in organizational learning. *Organization Science*, (2) : 71–87.

Nahapiet, J. and Ghoshal, S. (1998). Social capital, intellectual capital, and the organizational advantage. *Academy of Management Review*, (23) : 242–66.

Shane, S. and Venkataraman, S. (2000). The promise of entrepreneurship as a field of research. *Academy of Management Review*, (25) : 217–26.

Snell, S. A. and Dean, J. W. (1992). Integrated manufacturing and human resource management: A human capital perspective. *Academy of Management Journal*, (35) : 467–504.

Snell, S. A., Youndt, M. A., and Wright, P. M. (1996). Establishing a framework for research in strategic human resource management: Merging resource theory and organizational learning. G. R. Ferris (ed.), *Research in Personnel and Human Resource Management*, (14) : 61–90. Greenwich, CT: JAI Press.

Wright, P. M., Dunford, B. B., and Snell, S. A. (2001). Human resources and the resource‐based view of the firm. *Journal of Management*, (27) : 701–21.

Wright, P. M. and McMahan, G. C. (1992). Theoretical perspectives for strategic human resource management. *Journal of Management*, (18) : 295–320.

Wright, P. M. and Snell, S. A. (2000). Toward a unifying framework for exploring fit and flexibility in strategic human resource management. *Academy of Management Review*, (23) : 756–72.