

The background is a dark blue gradient. It features several overlapping circles: a large dark blue circle in the upper right, a smaller black circle in the upper left, and a series of four concentric white circles in the lower right that form a target-like graphic. The text "Best Fit HRM" is centered in a bold, white, sans-serif font.

Best Fit HRM

PHASE 1: Learning SHRM Through Theory

~~Week 1: An Intro to the module and a little on what we mean by Strategic HRM~~

~~Week 2: What makes a good employer? (Best Practice)~~

This Week: Shouldn't HRM be dependent on organisational needs? (Best Fit)

Week 4: What external forces influence HRM?

Week 5: What do HR functions and departments actually look like?

Week 6: HR and ethics – people are problematic

DEFINING BEST FIT (also called contingency perspective)

“is based on the idea that HR practices vary between organisations, depending on business strategy or product-market circumstances”
(Pilbeam & Corbridge, 2010:48)

An alternative to the one best way, or the right way of, of doing things. In other words it is “the best way of doing things in this or that situation. There is no single approach or method that is always right”
(Torrington et al, 2014:645)

- They are “outside-in” theories which either:
 - Links HR strategic choices to different stages in the organisation’s business cycle
 - Matches different business strategies; e.g. Porter
 - Different strategic positions (configurations)

DEFINING BEST FIT (also called contingency perspective)

- outside-in" theories and there are three main types:
 1. Links HR strategic choices to different stages in the firm's business cycle.
 2. Different strategic and structured configurations of the business
 3. Matches to different business strategies (Porters)
- This commonsense view depends on 2 factors;
 - (1) which factors in the organisation are thought to be important;
 - (2) how they are seen to influence HRM (we'll look more details at these factors in Week 9 (will recap all theoretical aspects of SHRM))

BEST PRACTICE (closely aligned with Soft HRM)



Look at the company's HR bundle of practices



Decide whether these practices will encourage high commitment (and therefore high performance)

This is how you could use Best Practice in an assignment as well. Acknowledge the full list (Pfeffer, 1998), and then focus whether your organisation is doing a couple of them in a way which encourages high commitment/engagement.


BEST FIT (closely aligned with Hard HRM)



Assess the competitive strategy of the business

Adjust HR practices to suit this strategy

This is also a neat strategy for structuring your assignment around Best Fit. Diagnose the company's situation and strategy, and then assess whether their practices are appropriate.



In this session, we'll look at three (rather old) ways you might diagnose a company's strategy:

- A lifecycle model
- Porter's three competitive strategies
- Miles & Snow's Strategic configurations

For each, we'll consider how HR practices change.



When I say these approaches are old..



If you didn't like having to remember nine different areas of HRM last week, let's organise them this way instead.

RESOURCING

get people in your organisation when you need them and keep them there.

LEARNING & DEVELOPMENT

ensure people have the knowledge, skills and attributes/attitudes you need.

REWARD

set effective ways to monitor and reward performance.

EMPLOYEE RELATIONS

Organisations have a life cycle.

They also change size over time.

Both of these will change how you can appropriately manage people.



STRATEGY CONCEPT – LIFE CYCLE MODELS

These models follow the assumption that organizations (as well as products) experience a lifecycle.

You may commonly find these stages of life referred to as BIRTH, GROWTH, MATURITY, DECLINE, RENEWAL/REVIVAL (Miller & Friesen, 1984).

Churchill & Lewis (1983) have an alternate model for small businesses with EXISTENCE, SURVIVAL, SUCCESS, TAKEOFF and RESOURCE MATURITY.



Baird & Meshoulam (1988)

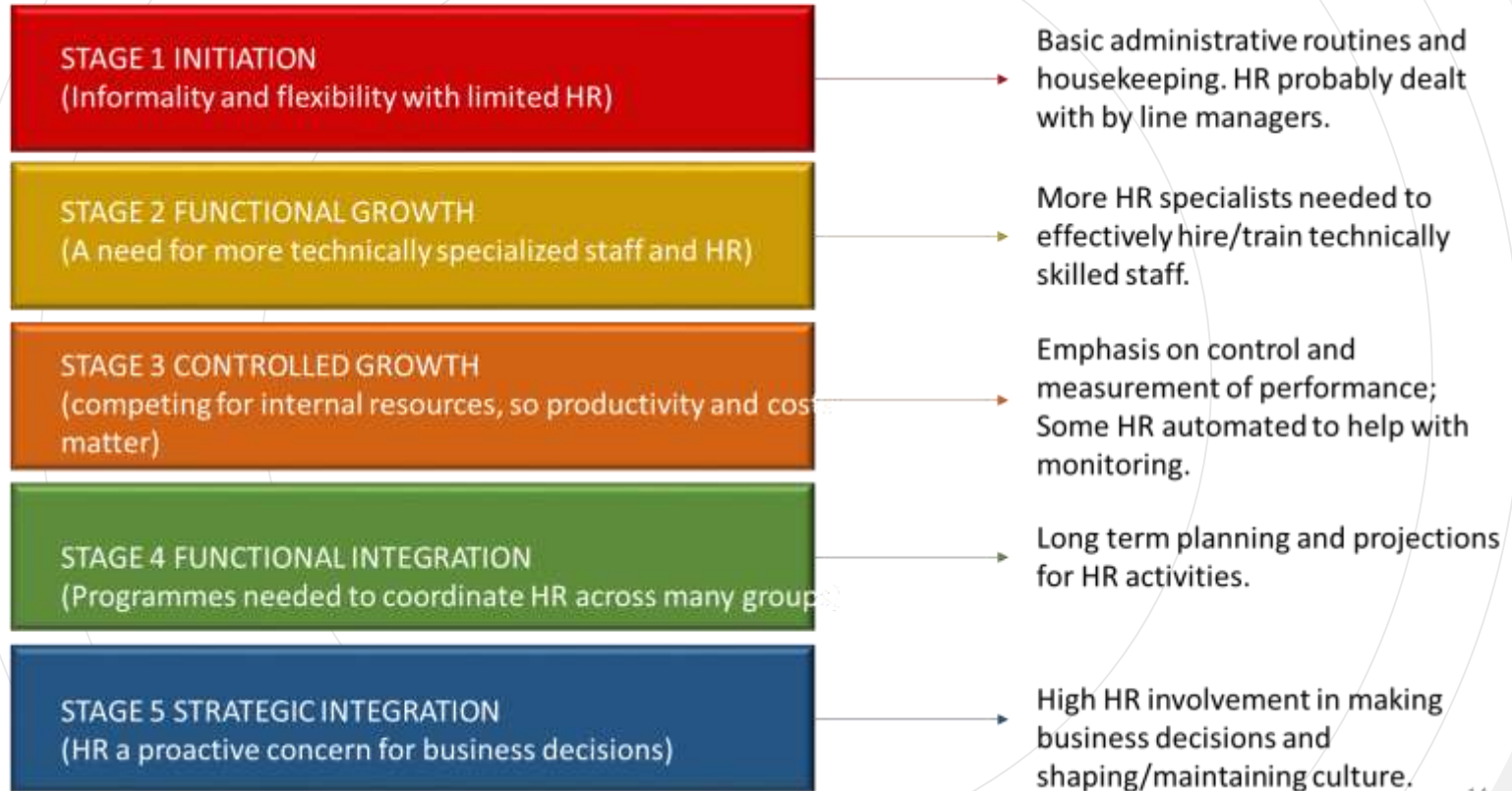
“By understanding how an organization changes as it grows, one can understand how human resource management must change.” (p116)

Baird & Meshoulam acknowledge that businesses develop over time. They make this reasoning on the ideas that businesses follow a lifecycle, but are also caught in a an evolution with their environment.

Therefore, HRM develops in stages to match this.



Baird & Meshoulam (1988) – How HR Develops



The 4 stages of SME growth or transition (CIPD, 2014)

Stage	Characteristics	Tipping points
1. Entrepreneurial Edge	Small workforce, HR by business owner with informal and flexible HR practices	Owner can't see everybody every day. Line managers needed to engage employees. They provide the point of contact to the owner.
2. Emerging Enterprise	Workforce size makes some formalization necessary. Somebody likely to be in charge of HR (e.g. an Office Manager)	
3. Consolidating Organization	Stepping back and improving. HR manager or HR adviser. Workforce is quite large.	
4. Established Organization	All HR processes and practices in place. Attention given to intangible HR practices. e.g. culture and collaboration.	

Best fit: The Business Life-cycle and HR

HR Areas	Start Up	Growth	Maturity	Decline & Renewal
Resourcing	Attract the best	Succession planning, more sophisticated selection	Encouraging labour turnover to reduce redundancies	Plan redundancies and/or relocation
L&D	Self development for future requirements	Moulding – management development	Maintain flexibility and skills (ageing)	Retraining, outplacement
Reward	Highly competitive and longer term return	Formalise – internal equity	Controlling costs	Tight cost control
Employee Relations	Basic foundations	Maintaining peace, motivation and morale	Maintain peace, improve productivity	Maintain peace

Sisson & Storey, 2003: 41-43 and Marchington et al, 2016: 84-86

Best fit: The Business Life-cycle and HR

It's important to note that the specific HRM strategies and practices can vary widely based on industry, company size, and other factors. HR professionals need to be adaptable and strategic, adjusting their practices to meet the unique needs and challenges of each business life cycle stage. Moreover, HR's role as a strategic partner becomes increasingly critical as the organization evolves through these stages.

EXAMPLE: Innocent Drinks

An organisation which began with three friends on a snowboarding holiday in 1998 and a tiny office.

By 2013 Coca-Cola had bought 90% of the company for over £100 million.

Its HR practices have had to evolve over time to reflect sales declines and spikes – there are many web articles with more details you can find. They provide a nice timeline of their business history on their website (<https://www.innocentdrinks.co.uk/a-bit-about-us>)

Their HR practices gradually evolved over time, and now help to maintain an innovative/entrepreneurial culture (<https://engageforsuccess.org/case-study-employee-innovation-at-innocent>)

Currently in a period of growth – their challenge is maintaining culture and they have their own team for this

<https://www.hrmagazine.co.uk/article-details/smoothie-does-it-hr-at-innocent-drinks>



What if we instead look more at a company's competitive strategy, and then map HR to that?



Your HRM practices will change depending on your company's strategy for achieving competitive advantage.

A nicer way to define these is with Michael Porter's generic strategies...

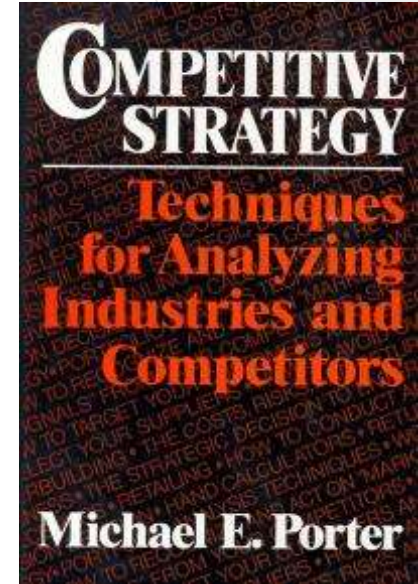
STRATEGY CONCEPT – PORTER'S GENERIC STRATEGIES (1980s)

COST LEADERSHIP (keep costs down)

DIFFERENTIATION (enhance the quality so it is seen as unique)

FOCUS (target a specific innovative niche)

This was developed in the 1980s, but there's a great Ebook at Bath Spa Library: Porter, M. (1998) *Competitive Strategy*. New York: Free Press



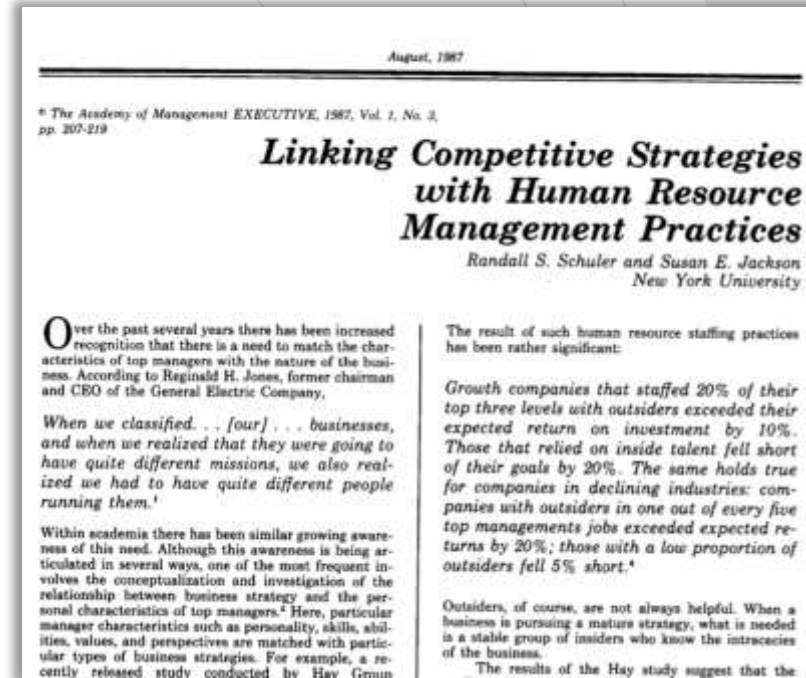
Schuler & Jackson (1987)

“...Different aspects of business demand different behaviours from the people running them.” (p207)




Schuler and Jackson assume that HR is different because each competitive strategy requires the staff to fulfill specific role behaviours to deliver it.

There's a full list of role behaviours on page 209 of their paper.

These role behaviours revolve around how people should approach results, risks, change, creativity, working interdependently, and following processes.




Best fit: Competitive advantage models (using Porter's Model)


Models	Behaviours?	HR Policies?
Cost Reduction 		
Quality Enhancement 		
Innovation 		

Schuler & Jackson, 1987
See also Torrington et al, 2017: 73-74


COST REDUCTION

	Behaviours?	HR Policies?
Cost Reduction 	Repetitive, predictable behaviour; short term focus, high concern for quantity output, low risk taking	
		HR Function?


COST REDUCTION

Model	Behaviours	HR Policies
<p data-bbox="285 292 494 321">Cost Reduction</p> 	<p data-bbox="672 292 1107 465">Repetitive, predictable behaviour; short term focus, high concern for quantity output, low risk taking, high degree of stability</p>	<ol data-bbox="1136 292 1632 607" style="list-style-type: none">1. Fixed and explicit job descriptions2. Narrowly designed and defined career paths3. Short term results orientated appraisals4. Pay closely monitored to market levels5. Minimal L&D <p data-bbox="1136 626 1306 655">HR Function</p> <p data-bbox="1136 690 1580 718">If exists, small with little influence.</p>


QUALITY ENHANCEMENT

	Behaviours?	HR Policies?
Quality Enhancement 	Empowered, high discretion, (Marchington et al), to keep to quality standards – relatively predictable behaviour, medium to long term focus, moderate level of cooperation, high concern for quality, high concern for process, low risk taking, committed to the goals of the organisation.	
		HR Function?


QUALITY ENHANCEMENT

	Behaviours?	HR Policies?
Quality Enhancement 	Relatively predictable and repetitive, medium to long term focus, moderate level of cooperation, high concern for quality, high concern for process, low risk taking, committed to the goals of the organisation	<ol style="list-style-type: none"> 1. “Best practice” - high levels of employee participation in areas related to work conditions and job 2. Individual and group criteria for appraisal (short to medium term) 3. Some guarantees of job security 4. Extensive and continuous L&D
		HR Function Well staffed, proactive, involved in cultural change, close operation with the line

INNOVATION/FOCUS

Model	Behaviours?	HR Policies?
<p data-bbox="285 295 459 328">Innovation</p> 	<p data-bbox="672 295 1166 601">Creative behaviour, long term focus, cooperative, independent, moderate concern for quality but also process and results, risk taking, high degree of tolerance for ambiguity</p>	<p data-bbox="1199 716 1445 749">HR Function?</p>

INNOVATION/FOCUS

	Behaviours	HR Policies
Innovation 	Creative behaviour, long term focus, cooperative, independent, moderate concern for quality but also process and results, risk taking, high degree of tolerance for ambiguity	<ol style="list-style-type: none">1. Job design – encourages interaction and cooperation2. Appraisal – reflect long term, group based achievements3. Rewards – internally equitable, pay maybe low but share options, flexible (cafeteria)4. Broad career paths to develop skills
		HR Function
		No set pattern – likely to dedicated by CEO and organisation size (Finegold & Frenkel, 2006)

PORTER'S (1998) THOUGHTS ON REQUIREMENTS:

COST LEADERSHIP

(Tight cost control, detailed reports, intensive supervision, monetary incentives based on meeting strict targets)

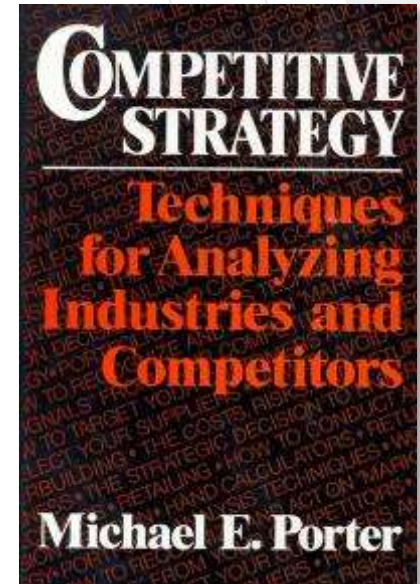
DIFFERENTIATION

(Subjective measurement and qualitative incentives, amenities to attract/select highly skilled or creative people)

FOCUS

(Combination of all of the above, and strict policies towards strategic targets)

From Chapter 2 of this great Ebook at Bath Spa Library: Porter, M. (1998) *Competitive Strategy*. New York: Free Press



EXAMPLE: Tesla

Tesla are caught in a difficult position with their HR. They have a Innovation/Focus strategy, so they are having to maintain a strict focus on results, but also an environment suited to long term creativity.


It isn't going well.







TECH

Tesla HR to employees: 'Choose not to work, it may impact your unemployment benefits'

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KEY POINTS

- Tesla HR boss Valerie Workman told the company's California employees that if they are called back to work but opt to stay home due to Covid-19 concerns, they stand to lose their unemployment benefits.
- Tesla earlier resumed production of vehicles at its main US car plant in Fremont, California in defiance of local health orders.

light FAST COMPANY

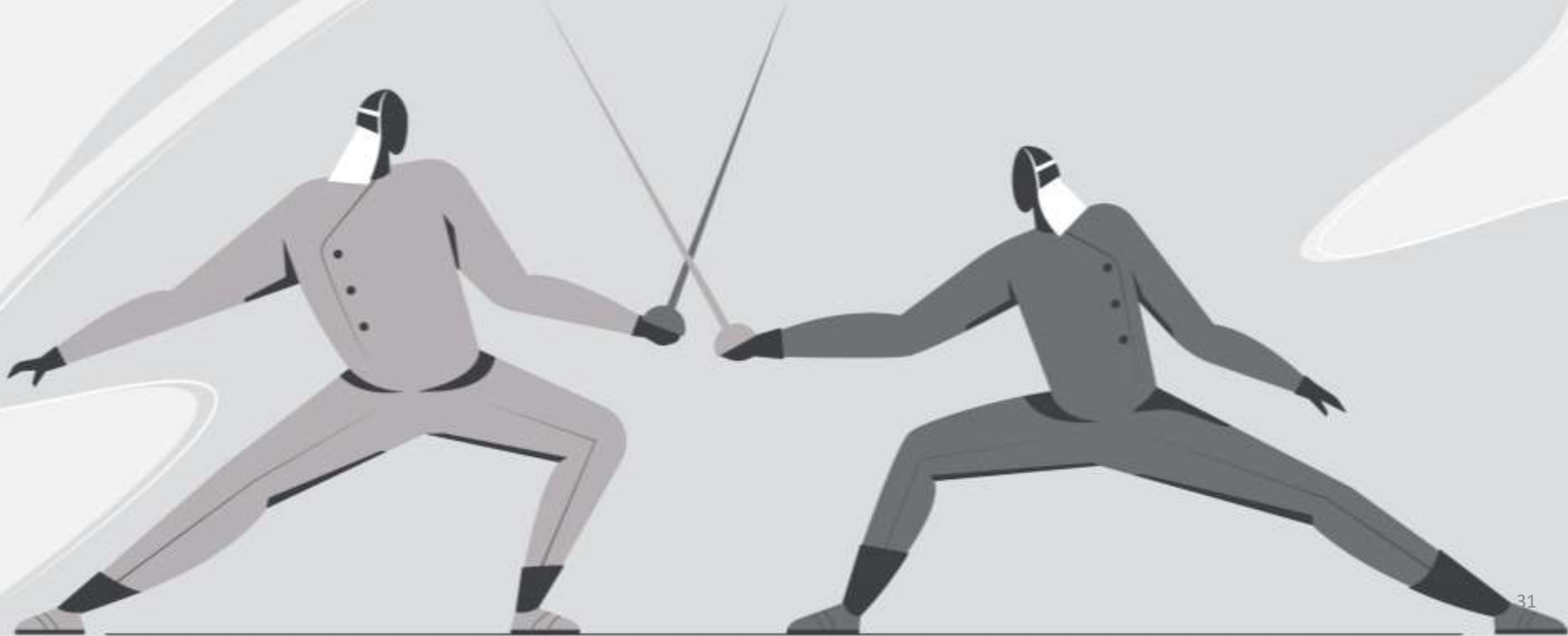
TESLA'S DISRUPTIVE CULTURE

From the beginning, Tesla billed itself as a highly loose tech startup. It wanted to revolutionize auto-making—and have fun along the way. Musk's creative passion lies in building a one-of-a-kind vehicle. To be fair, this is the least we'd expect from a man who is working to develop hyperloop transportation and colonize Mars.

Musk invites employees to be as imaginative as possible. Cultivating a loose cultural environment has no doubt given Tesla a disruptive edge in the auto market. But at this stage in its development, Tesla sorely needs tightness to support manufacturing efficiency and quality.

"You can't rely on people in the production line itself. Otherwise, you'll automatically drop to people speed," said Musk in a 2016 conference call, who filled his factories with a robot army that would hyper-automate the homestretch of Tesla's assembly process. The approach was highly innovative, but the expensive, complex system of robotic led to major inefficiencies.

Finally, what if HR practices depend on whether a business is defending its territory in a market, or seeking to expand it?



STRATEGY CONCEPT – DEFENDERS & PROSPECTORS

Miles & Snow (1984) identify four types of company:

DEFENDERS have a limited product line, so their emphasis is on efficiency.

PROSPECTORS have broad product lines and look for new external opportunities

ANALYSERS try to balance the Defender and Prospector orientations as they have a mix of stable and variable markets

REACTORS lack a consistent strategy.



Best fit: Strategic configurations and HRM

Defenders – concentrate on existing markets, narrow products using centralised organisational structure	Prospectors – seeks products and market opportunities, committed to change and rely less on existing skills and abilities
Internal employment system:	Market employment system:

Best fit: Strategic configurations and HRM

Defenders – concentrate on existing markets, narrow products using centralised organisational structure	Prospectors – seeks products and market opportunities, committed to change and rely less on existing skills and abilities
Internal employment system:	Market employment system:
<ul style="list-style-type: none">• Careful recruitment and selection; internal promotions• Well defined career ladders with clear grading systems and transparent pay• Extensive learning, training and development, developmental appraisals• Strong culture and socialisation• Employment security• Strong employee voice• Employee share ownership• HR Function: well established and influential	

Delery & Doty (1996) adapting the Miles & Snow model

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