

## **HR Strategy: It's Not Just for Big Organizations Anymore** **Part 1 of 6**

Most (but not all) large organizations around the globe get it: linking their human capital strategies to both the way the organization competes in the marketplace as well as that organization's specific strategic goals and objectives not only makes sense, it's a requirement of success. Unfortunately, many small and mid-sized organizations seem not to have received that memo, and view HR as purely a tactical/operational entity, devoid of any tie to a strategy, designed solely to make sure that the organization is compliant with the myriad legal and regulatory requirements. But as not just HR professionals, but senior leaders in almost every organization know, the day-to-day operational aspects of HR must be tied directly to advancing and accomplishing specific HR strategies that will allow that organization to succeed in the marketplace.

From the dawn of the Industrial Revolution into the late-1970s, organizations often achieved success by best leveraging manufacturing or service processes in comparison to their competitors. However, by the end of that period, most all competitors had access

to the same or similar processes. From the 1980s into the early-2000s, organizational competitive advantage was gained by best leveraging and deploying technological resources. But those technological improvements quickly became available to competitors, reducing the viability of relying solely on technology. In today's environment, and for the foreseeable future, senior leaders in organizations have come to realize that competitive advantage can only be gained, and more importantly maintained, by leveraging its human capital, its people. If an organization comes to that realization, then HR becomes front-and-center, and not for its ability to keep a compliance-oriented approach as its mission. Instead, HR must work hand-in-hand with the other senior leaders of the organization to link HR strategies with both how the organization competes as well as succeeds. This is HR strategy.

HR strategy falls into two main areas: Talent Acquisition and Talent Management. Talent Acquisition strategies revolve around determining, measuring, and implementing the profile of individuals who will work well in that organization's specific culture and methodology of work. Talent Management strategies fall into four sub-areas: Performance Management, Total Rewards, Training

and Development, and Employee Engagement.

Strategies in each of the HR areas must support and be aligned with the organization's strategies and the way in which the organization chooses to compete (See Figure 1). And

lowest price. There is no brand loyalty, only awareness of price. Thus, an organization competing in this world must maintain the lowest costs possible in order not to lose market share or become completely irrelevant. Think of the 1960s US-based price leader in retail, and Kmart comes to mind. Still think



Figure 1 - Strategic Alignment

yes, all organizations in all sectors around the globe compete, whether in the for-profit, not-for-profit, or governmental arena.

In the classical arrangement, organizations choose to compete either through a cost leadership model (think Walmart or Tata Motors) or via a differentiation model (think Lexus or Nordstrom). In the cost leadership model, the way an organization achieves success is by recognizing a marketplace in which a large-enough segment of businesses or consumers makes a purchase decision on the basis of

of them today as the retail leader? Their cost structures caused an upstart Arkansas-based retailer to gain advantage by slicing prices on the same types of goods.

In a differentiation model, the real or perceived value of the good or service is what creates competitive advantage, not price (although price is always of course a consideration, even if it is used as a tool to further differentiate the good or service. Think of a \$1,000,000 sports car in a limited edition). Organizations using any of a number of dif-

differentiation strategies, including customer intimacy (e.g. Amazon or Netflix), talent resource (where the employees and organizational knowledge is the service, for example in a law or accountancy firm); or innovation leadership (e.g. 3M or Intel) all seek to gain competitive advantage not on price.

Once it is determined how the organization competes the HR strategies can begin to be formed. And it's only after the HR strategies

are set in place can each of the HR operational areas be targeted.

In the next upcoming article on HR strategy, we'll focus on the Talent Acquisition area, and discuss the various options for an organization to begin leveraging its focused and engaged people to create competitive advantage.

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