*Strategic Management*, 9e: Chapter 12 study guide

Exploration of prescriptive and emergent perspectives in human resource analysis

Human-resource-based analysis emphasises thepeople element in strategic management. People are not machines: they respond to leadership, enthusiasm and shared decision making. Emergent strategy is more in tune with these issues because it encourages consensus and experimentation. Prescriptive strategy, with its emphasis on the rational solution, is less flexible and amenable to this stance.

Some prescriptive strategists have taken the view that human resources should be considered *only after the basic strategy has been derived*. Their view is based on two areas of evidence and thinking:

1. Alfred Chandler’s highly influential research text, *Strategy and Structure*.[[1]](#endnote-1)1 This book analysed strategy development at four leading US companies during the early twentieth century. Among its many conclusions, it said that it was necessary to formulate the strategy of the company *before* considering how the company should be organised to implement the strategy.

2. The focus on *important* strategy issues might be diluted by the consideration of other matters, such as human resource issues. For example, Porter’s two books on *Competitive Strategy[[2]](#endnote-2)2* and *Competitive Advantage* certainly include human resource issues but lay the emphasis on competitive strategy development.

In fact, the Chandler text does not preclude the discussion of leadership and human resources in the formulation of strategy. On the contrary, it accurately describes their role in strategy development in some situations.[[3]](#endnote-3)3 Moreover, Porter’s concept of competitive strategy is consistent with the comparative analysis of human resources in an organisation as compared with those of its competitors. Nevertheless, the fact remains that some prescriptive strategists only consider human resource issues *after* the formulation of strategy.[[4]](#endnote-4)4

However, human resources need to be considered *during* the strategic resource analysis phase for four related reasons:

1. People-related strategies may form an integral part of the new strategy – for example, a change in the organisation’s way of conducting its business. The purpose of such a change might be to achieve greater responsiveness and efficiency from people within the company, as at Ford Motor Company.

2. The increased technological skills required by, and the knowledge-based complexities of, many commercial processes have meant that an analysis of the existing human resources is essential for an accurate assessment of the options that are available.

3. Research and writings on organisational change and culture[[5]](#endnote-5)5 have emphasised the importance of values and cultures in the *development* of organisational structure. These cannot simply be added on afterwards.

4. The resource-based view of strategy development (*see* Chapter 4) clearly identifies the role of the *network* of people in an organisation and their *relationships* with each other as a key element of strategy.

Sustainable competitive advantage

For most organisations, people are a vital resource. There are some industries where people are not just important but are the *key factor* for successful performance. For example:

 *Advertising and creative development*, where innovation through people is a crucial element in success.

 *Leisure and tourism*, where a company has a direct, intangible interface that relies on individual employees to give interest and enjoyment to customers.

 *Management consultancy and the advertising industry*, where client relationships are vital to successful outcomes.

 *Hospitals and the medical profession*, where people and personal relationships are essential to the delivery of quality services.

Even in organisations where there are other key factors for success, such as production plants at Ford Motor Company, human resources clearly play a major part in the process. The efficient and hard-working Ford executive is an essential feature of the company and close management co-ordination around the world is crucial to key strategic decisions.

In this context, the ability of people in some organisations to be more *adaptable to changes* in the environment is a real skill. It may even be a source of competitive advantage in fast-moving markets.[[6]](#endnote-6)6 Arie De Geus, the former head of planning at Royal Dutch/Shell, has said:

*The ability to learn faster than your competitors may be the only sustainable competitive advantage.[[7]](#endnote-7)7*

Such skills are essentially people-related and the strategic approach is emergent.

1. 1 Chandler, A (1962) *Strategy and Structure: Chapters in the History of the Industrial Enterprise*, MIT Press, Cambridge, MA, p14. [↑](#endnote-ref-1)
2. 2 Porter M E (1980) *Competitive Strategy* and (1985) *Competitive Advantage*, The Free Press, New York. [↑](#endnote-ref-2)
3. 3 Chandler, A (1962) Op. cit. *See*, for example, the roles of Durant, Du Pont and Sloan in Ch3 on General Motors. [↑](#endnote-ref-3)
4. 4 There are several well-known strategic management texts that take this approach. [↑](#endnote-ref-4)
5. 5 Handy, C (1989) *The Age of Unreason*, Business Books, London; Handy, C (1991) *The Gods of Management*, Business Books, London; Tyson, S (1995) *Human Resource Strategy*, Pitman Publishing, London, Chs4, 5 and 6; Brown, A (1995) *Organisational Culture*, Pitman Publishing, London, p198. [↑](#endnote-ref-5)
6. 6 Pettigrew, A and Whipp, R (1991) *Managing Change for Competitive Success*, Blackwell, Oxford. [↑](#endnote-ref-6)
7. 7 De Geus, A (1988) ‘Planning as learning’, *Harvard Business Review*, Mar–Apr, p71. [↑](#endnote-ref-7)