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Executing business strategies through human resource management practices☆,☆☆

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Businesses of all sizes face an ever more brutal hypercompetitive landscape. Sources of competitive advantage developed in one period are often too fleeting, leaving business leaders scratching their heads about how best to think about strategy and execution. Companies that once were synonymous with their particular industry (e.g., Sears in retailing, General Motors in automotive, Eastman Kodak in photography, Xerox in photocopiers) have become today's business school case studies about misdirection, complacency, technological obsolescence, or the rise of unforeseen competitors that have fundamentally changed the economics and methods of creating value. Regardless of relentless changes in technology, customer needs, value-creating activities, distribution systems, and management systems, the only constant are employees. Each business begins and evolves with a strategy that is based on its customers (who it will serve), its processes (how it will create value to serve them), its leaders (their priorities, focus, dedication to the business), and its people (who it hires, develops, retains). At its heart, *strategy* is a coherent set of integrated choices about what an organization will do in order to accomplish its goals and objectives. *Integrated choices* refer to the fact that there are many functions and avenues related to managing the business—for example, how will we enter a market, which customers will we serve, how will we create the product/service, which technologies will we invest in, how do we grow over time. How a business decides to answer one question has a direct impact on the others.

By its very nature, strategy is also about *tradeoffs*—what an organization will choose to do and not to do. For example, by choosing to serve the mass market, the business will probably limit its appeal to upper and lower incomes. Conversely, by choosing to be the technology leader, the business will have to invest proportionately more in product research than a firm that chooses to be a late adopter. Failure to recognize tradeoffs results in a "mission fog" by which the business does not distinguish itself in any way from its competitors and eventually dies.

Selecting a given strategy in turn provides the basis for determining how critical organizational functions buttress the strategy. These organizational functions can include the type of reporting structure used, performance and evaluation systems that measure outcomes, staffing decisions, and the choice of career paths best suited for managers and employees. Senior managers should consider effective organization design as a vital part of the strategy-making process, but not a substitute for it. Yet, when it comes to executing an integrated, unified strategy across the entire organization, staffing is perhaps the most salient investment a business can make, since people bring all other functions (e.g. manufacturing, marketing, operations, etc.) into play to support the firm's mission and direction. Selecting, developing and retaining human capital represent key steps in building the foundation for the requisite strategic capabilities and disciplines that create competitive advantage. It is critical to create a culture and network of relationships that support effective strategy implementation.

The choice of strategies that suit one particular business well may not translate into competitive advantage or success for another business or across industries. There are scores, if not hundreds, of industries that define and drive today's economic life. As a firm's environment changes, so will many of the drivers that senior management must consider when utilizing their capabilities to compete and navigate the firm

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through a changing economic landscape. What senior management may consider a very pressing issue in one industry (e.g., patent protection for drugs or video games) may be quite different in another (e.g., availability of low-cost steel in the construction and automotive industries). An effective business strategy, in turn, requires the manager to be aware not only of the business' external environment, but also of the strategic disciplines that directly support the execution of that strategy. These strategic disciplines, in turn, shape and influence the kinds of skills and human and social capital in which the business must invest. Here are the "big picture" guidelines:

- the relative importance and predictability of the external environment facing the business;
- the cultivation of core strategic disciplines that impact day-to-day activities;
- the prioritization of investment decisions that support a strategy;
- the alignment of people and culture within these strategic priorities.

We will consider each of these broad topics in detail. We then present four company case examples to illustrate these concepts. Let us begin by first examining the external environment facing the business, as illustrated in Fig. 1.

FORCES OF CHANGE

Regardless of the product or service offered, every organization must adapt to its environment. Customer needs, revised product designs, technological breakthroughs, new process improvements, and competitors' actions represent just a few of the major forces in the business environment. When organizations ignore them, they do so at great peril. Witness the current troubles plaguing *The New York Times*, *The Chicago Tribune*, the *Los Angeles Times*, and the entire daily U.S. newspaper industry as it grapples with delivering information in a tablet computer or smart-phone era. A hard-won competitive advantage can face rapid deterioration in the wake of these changes. In the worst situations, an organization's entire vision, strategy and business model can become completely irrelevant almost overnight. As an industry evolves, customer expectations tend to become clearer (more known), and the environmental landscape becomes more stable, as shown along the vertical axis in Fig. 1.

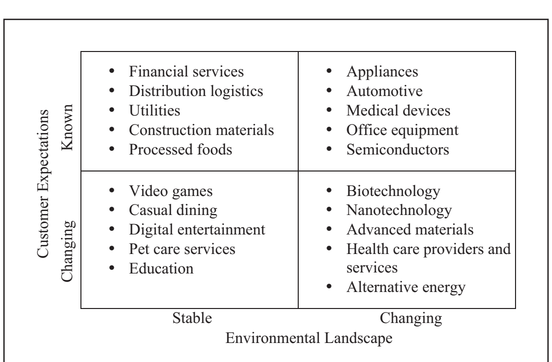

Figure 1 Broad Mapping of Industry Environments.

Conversely, there will be times in an industry when customer expectations change, and the environmental landscape become unstable. This is usually the result of some type of external upheaval (e.g., new product technology, new competitors, government regulations, etc.). The horizontal axis of Fig. 1 depicts the nature of the change impacting the industry landscape.

Changing Customer Expectations

In the early stage of the organizational life cycle, firms attempt to get their innovative products or services to gain acceptance by customers. As the overall size of the market expands, competitors assess their prospects for entering the market. Many firms strive to create ways to design new offerings and to reach customers, whose needs are often unclear and fast-changing.

As the industry becomes mature, a dominant industry-wide approach or method to create products and services becomes established. As a result, products tend to standardize over time, and markets saturate. It becomes an uphill battle for firms to distinguish themselves from their rivals, since products become more similar and customers demand more features or performance for what they pay. Equally important, customers become smarter and know what they want. This makes it difficult for firms to raise prices. Declining differences generally lead to similar pricing. At this stage, firms become highly specialized and cost efficiency becomes important in driving profitability. Thus, the evolution of products and processes across industries tends to exhibit strong life-cycle characteristics that ultimately result in ever more intense competition. Recent examples of industries that have undergone such a progression include food processing, car rentals, consumer electronics, and retailing.

Business Upheavals—Stable Environmental Landscape

Many changes in an industry are gradual and occur in a way that both firms and customers can predict, as illustrated in Fig. 1. Products and technologies follow a seemingly well defined, almost logical progression and trajectory of better performance. Sustaining innovations provide steady, incremental, measurable product improvement. Each subsequent generation of new products incorporates improved features or functionality over the previous one, as we currently see in the smart-phone industry. For example, each successive line of iPhone, iPod or Android-based communication products delivers greater functionality and versatility compared with those introduced just a few months ago. Predictability of product planning and customer demand is high. The underlying core product technology remains stable for a long period of time. Thus, there is comparatively little uncertainty facing the firm when it designs a new product. These products tend to follow the same underlying "design logic" of previous generations.

Industries are also subject to periods of "disruption," whereby unforeseen or new technologies, methods, or ways to serve customers completely redefine an industry's "logic" to creating value. As their name suggests, disruptive innovations "shake up" familiar ways of creating and delivering