

**Figure 1.7 Selected HR Strategies That Fit Porter's Three Major Types of Business Strategies**

Business Strategy	Common Organizational Characteristics	HR Strategies
<b>Overall cost leadership</b>	<ul style="list-style-type: none"> <li>• Sustained capital investment and access to capital</li> <li>• Intense supervision of labor</li> <li>• Tight cost control requiring frequent, detailed control reports</li> <li>• Low-cost distribution system</li> <li>• Structured organization and responsibilities</li> <li>• Products designed for ease in manufacture</li> </ul>	<ul style="list-style-type: none"> <li>• Efficient production</li> <li>• Explicit job descriptions</li> <li>• Detailed work planning</li> <li>• Emphasis on technical qualifications and skills</li> <li>• Emphasis on job-specific training</li> <li>• Emphasis on job-based pay</li> <li>• Use of performance appraisal as a control device</li> </ul>
<b>Differentiation</b>	<ul style="list-style-type: none"> <li>• Strong marketing abilities</li> <li>• Product engineering</li> <li>• Strong capability in basic research</li> <li>• Corporate reputation for quality or technological leadership</li> <li>• Amenities to attract highly skilled labor, scientists, or creative people</li> </ul>	<ul style="list-style-type: none"> <li>• Emphasis on innovation and flexibility</li> <li>• Broad job classes</li> <li>• Loose work planning</li> <li>• External recruitment</li> <li>• Team-based training</li> <li>• Emphasis on individual-based pay</li> <li>• Use of performance appraisal as developmental tool</li> </ul>
<b>Focus</b>	<p>Combination of cost-leadership and differentiation strategy directed at a particular strategic target</p>	<p>Combination of HR strategies above</p>

Source: Common organizational characteristics: Porter, M. E. (1980). *Competitive Strategy*, 40-41. New York: Free Press.

**Figure 1.8 Selected HR Strategies That Fit Miles and Snow's Two Major Types of Business Strategies**

<b>Strategic HR Area</b>	<b>Defender Strategy</b>	<b>Prospector Strategy</b>
<b>Work flows</b>	<ul style="list-style-type: none"> <li>• Efficient production</li> <li>• Control emphasis</li> <li>• Explicit job descriptions</li> <li>• Detailed work planning</li> </ul>	<ul style="list-style-type: none"> <li>• Innovation</li> <li>• Flexibility</li> <li>• Broad job classes</li> <li>• Loose work planning</li> </ul>
<b>Staffing</b>	<ul style="list-style-type: none"> <li>• Internal recruitment</li> <li>• HR department makes selection decision</li> <li>• Emphasis on technical qualifications and skills</li> <li>• Formal hiring and socialization process</li> </ul>	<ul style="list-style-type: none"> <li>• External recruitment</li> <li>• Supervisor makes selection decision</li> <li>• Emphasis on fit of applicant with culture</li> <li>• Informal hiring and socialization process of new employees</li> </ul>
<b>Employee separations</b>	<ul style="list-style-type: none"> <li>• Voluntary inducements to leave</li> <li>• Hiring freeze</li> <li>• Continuing concern for terminated employee</li> <li>• Preferential rehiring policy</li> </ul>	<ul style="list-style-type: none"> <li>• Layoffs</li> <li>• Recruit as needed</li> <li>• Individual on his/her own</li> <li>• No preferential treatment for laid-off workers</li> </ul>
<b>Performance appraisal</b>	<ul style="list-style-type: none"> <li>• Uniform appraisal procedures</li> <li>• Used as control device</li> <li>• Narrow focus</li> <li>• High dependence on superior</li> </ul>	<ul style="list-style-type: none"> <li>• Customized appraisals</li> <li>• Used as developmental tool</li> <li>• Multipurpose appraisals</li> <li>• Multiple inputs for appraisals</li> </ul>
<b>Training</b>	<ul style="list-style-type: none"> <li>• Individual training</li> <li>• On-the-job training</li> <li>• Job-specific training</li> <li>• "Make" skills</li> </ul>	<ul style="list-style-type: none"> <li>• Team-based or cross-functional training</li> <li>• External training</li> <li>• Generic training emphasizing flexibility</li> <li>• "Buy" skills</li> </ul>
<b>Compensation</b>	<ul style="list-style-type: none"> <li>• Fixed pay</li> <li>• Job-based pay</li> <li>• Seniority-based pay</li> <li>• Centralized pay decisions</li> </ul>	<ul style="list-style-type: none"> <li>• Variable pay</li> <li>• Individual-based pay</li> <li>• Performance-based pay</li> <li>• Decentralized pay decisions</li> </ul>

Source: Gómez-Mejía, L. R. (2000). Compensation strategies and Miles and Snow's business strategy taxonomy. Unpublished report. Management Department, Arizona State University.