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QUALITY-BASED HR STRATEGY

INTRODUCTION

The aim of human resource (HR) strategy is to ensure that the culture, style and structure of the organization, and the quality, commitment and motivation of its employees, contribute fully to the achievement of business objectives. It provides the framework within which a coherent approach can be developed to the creation and installation of HRM policies, systems and practices.

TQM represents a significant strategic change in the way an organization is managed. As quality is the most important source of competitive advantage,

many companies have put quality as the number one business strategy. A 'quality-based' business strategy, or simply 'quality strategy' is the pattern of decisions and actions that constitute the company's overall approach toward delivering customer value.

Quality strategies apply human resources and process improvement methods to improve the company's ability to meet customer's requirements. HR strategies flow and support the achievement of quality strategy.

HR strategies can play a proactive role in TQM by helping to form strategic quality goals related to human resources management and development. This input spells out how the organization can maximize the added value provided by its human resources.

Strategic integration is necessary to provide congruence between quality and human resource strategy so that the latter supports the accomplishment of the former. This integration leads to the concept of 'quality-based HR strategy'.

WHAT IS A QUALITY-BASED HR STRATEGY?

A quality-based HR strategy can be defined as the customer-driven quality approach by recognizing the people of the organization as a strategic source for achieving competitive advantage.

The main features of a quality-based HR strategy are as follows:

1. Use of strategic quality planning.
2. Strategic formulation mainly refers to broad organizational issues relating to changes in culture and structure, quality performance, matching resources to future requirements, and the approach that should be taken to the achievement of quality goals.

3. Support of the quality strategy is provided by studying their HR implications and deciding what directions should be taken. These can be in the form of resourcing, development, reward systems, employee relations, and motivation.
4. HRM is fully integrated into strategic quality planning so that HRM policies are coherent across both policy areas and across hierarchies and quality practices are used by line managers as part of their everyday work.

Quality-based-HR actions, refer to the following:

- A strong customer orientation at all levels
- A focus on quality innovation
- Leadership to prompt empowerment throughout the organization
- Employees are trusted and respected
- Openness in communication
- An emphasis on teamwork
- An emphasis on continuous improvement
- Delegation of authority
- Reward and recognition systems which reinforce quality
- Employee involvement in all aspects of quality

A systematic approach to using human resources begins by aligning human resource plans with the company's goals, strategies, and plans. The Malcolm Baldrige National Quality Award (MBNQA), Category 4.0, 'Human Resource Development and Management' provides the criteria of how the company develops and realizes the full potential of the work force to pursue the

company's quality and performance objectives. In order to develop a quality-based HR strategy, a company must:

1. Describe how the company's overall human resource management effort supports its quality objectives.
2. Describe the means available for all employees to contribute effectively to meeting the company's quality objectives.
3. Describe how the company decides what quality education and training is needed by employees and how it uses the knowledge and skills acquired.
4. Describe how the company's recognition and performance-measurement processes support quality objectives.
5. Describe how the company maintains a work environment conducive to the well-being and growth of all employees; summarize trends and levels in key indicators of well-being and morale.

CASE STUDY: MOTOROLA

In the early to mid-1980s, Motorola was in trouble. The Japanese had begun dumping better-quality pagers and cellular phones on the US market. Motorola was rapidly losing market share in this product line. Motorola's Semiconductor Product Sector was in similar, if not worse, trouble. In only a few years, Motorola had gone from being second in world-wide chip sales to being an also-ran behind NEC, Toshiba, Hitachi, and TI.

Just five years later, Motorola was back. By 1989, Motorola was number one in semiconductor chip sales in the United States. Much of Motorola's success came as a result of its 'quality-based HR strategy', which included the following:

1. Motorola spent billions of dollars for research and development, training, and capital improvement - 19% of revenues in 1989 alone.
2. To improve quality, the company set a goal of attaining 'Six Sigma' quality (3.44 defects per million products). This goal is applied not only in manufacturing, but to all areas of business.
3. To train its workers, Motorola launched an education drive to reach all of its 105,000 employees. Motorola spent \$60 million on education in 1989.
4. As a service to its customers, Motorola began offering training to customer's employees in advanced techniques for solving quality problems.
5. To ensure that employees were focused on quality and customer satisfaction, Motorola:
 - Reduced managerial and supervisory layers and increased spans of control.
 - Limited each organization's size to encourage teamwork and employee ownership.
 - Integrated departments to break down functional barriers.
 - Changed the traditional role of managers from one of policing to one of coaching.
 - Made quality the first order of business in every meeting.
 - Made quality the key ingredient of performance reviews, compensation, and reward programs.
6. To encourage employee involvement, Motorola established teams throughout the company to strive for quality improvement and

cycle time reduction. Teams set short-term quality goals and received bonuses for reaching these goals. To ensure they had the necessary skills, team members were trained in problem solving and quality improvement techniques. In 1990, Motorola's goal was for each of its employees world-wide to participate in a minimum of forty hours of education.

7. Management of the quality improvement process is based on Motorola's practice of Management by Measurement. This style of management assumes that by establishing measurements that are correlated to the desired end result, and regularly reviewing the actual performance, the organization will focus on those actions necessary to achieve the required improvement.
8. At Motorola, the quality culture is pervasive. Motorola's top management formally restated their company's objectives, beliefs, goals and key initiatives. Motorola believes that profit improvement is a long-term, customer-driven approach that shows the company where to commit its resources to give customers what they need, thus improving long-term profits.

STRATEGIC QUALITY PLANNING

Evaluation is step one of a quality-based HR strategy. It is the diagnostic step.

The organization reviews its current performance. Then it determines its internal and external customer needs and constructs them against its current performance. Quality and HR issues influence each other and in turn influence business strategies. It requires an understanding of:

- The existing culture and climate within the organization including attitudes to change.
- The hierarchical structure and key elements of organizational design.

- The underlying skill base.
- Current approaches to employee communications and more importantly, their effectiveness
- Detailed knowledge of the impact and effectiveness of the people processes such as recruitment, reward systems, appraisal systems, and training and development issues.

After reviewing current performance, management has to ask some fundamental questions:

1. What are the underlying values expected by customers of the organization?
2. What are the current strengths and weaknesses to improving customer satisfaction?
3. What are the internal strengths and weaknesses?
4. How will the organization acquire and retain the number and quality of people needed to deliver customer value?
5. What actions will be needed to train, develop and fit people for greater quality responsibility?
6. How far will business success be helped or hindered by the quality, motivation, commitment and attitudes of our employees?

Creating a quality-based HR strategy that is going to be more viable in the next five to ten years poses a new set of responsibilities for top management in the organization. Top management must commit resources and energy to achieve these. The process continues down through the hierarchy until all those on the shop floor have negotiated what their priorities are and the resources needed to achieve these. Goals are thus set in such a way that everyone's work fits in with the organization's priorities and each person knows what they have to do, in measurable terms.

After the initial diagnosis is completed, top management's most challenging creative task is to state what will be done differently in the future. Here is where members of the management team have an opportunity to discuss their vision of the company's mission. It is useful to understand the direction of the organizational change as follows:

1. A change in strategy - in the definition of meeting customer requirements.
2. A change in the work - in what is important about the work and what the core requirements are for performing it.
3. A change in people - in their roles, skills, capacities, and behavior.
4. A change in organizational arrangements - in objectives, measures, structures, systems, training and rewards.
5. A change in the informal organization - in the beliefs, values, and assumptions that influence much of the day-to-day behavior.

STRATEGY FORMULATION

Quality-based HR strategy focuses on human resources as the basis of strategic formulation. Three things taken together provide the basic motivation for all employees and help focus efforts and human resources on customer satisfaction:

- Vision or mission
- Corporate values and philosophy
- Long-term goals

A HR vision will have some of the following characteristics:

- It will be cohesive, providing a common thread through business mission and subsequent strategies.
- It will be inspiring, aiming at 'excellence' as defined by the company.
- It will describe the core values strongly held by the company.
- It will provide a yardstick by which to judge the future performance of the organization.

The mission should describe the company's current purpose in terms of what it will do over the near term. The mission outlines the specific need the company's product or service meets, the market served, and the technology or people used to meet the needs of that market. The mission may also state the company's customer value position or intent in terms of relative quality and price. Mission and vision statements focus management efforts and provide basic, unifying logic for all stockholders.

Corporate values and philosophy state the principles that guide how the company will do business. Long-term goals specify broad directions managers will take to fulfill the mission.

Generally, the process of conducting a strategic review of HR may require the following steps:

1. Review of current HR strategies.
2. Reappraisal of future HR opportunities and threats.
3. Define critical success factors for the future.
4. Construct HR architecture.
5. Identify and test the emerging HR vision and strategies with key managers.

6. Define HR performance indicators, to judge prognoses over time.

The identification of 'core value' beliefs and principles is fundamental to the development of the HR vision. The HR vision provides the overall direction for HR in the organization, integrating diverse elements by finding the core values and common threads which capture the essence, on which subsequent behavior is based. Therefore, the HR vision will be closely related to organizational culture, particularly through the attempt to articulate underlying values, beliefs and the behavior of people.

Strategic quality includes the company's planning process for achieving or retaining quality leadership and how the company integrates quality improvement and people development into overall business planning. It also includes the company's long-term plan to sustain a quality leadership position.

Long-term objectives act as targets which stretch the organization. For an objective to enhance quality performance, it must engender commitment from all organizational members and it must set a target significantly above the level of current performance. The establishment of clear quality objectives provide a focal point for resolving contentious issues within an organization.

In setting objectives an organization is formulating measurable methods of pursuing its mission. Once these methods are in place, objectives also provide a performance monitoring scale. Furthermore, they offer a communication link throughout the organization. The process of setting objectives can provoke a dialogue, which results in everyone being better informed about the various divisions, departments and functions of the company and their potential for improved performance. Some examples of objectives are:

Zytec Corporation

- Improve the quality of our products and processes to become a

Six Sigma company by 1995.

- Reduce our total cycle time.
- Improve our service to our customer.
- Improve Zytec so we win the Malcolm Baldrige National Quality Award by 1995.

EXAMPLE Developing The Hr Vision, Mission And Core Value

VISION A dynamic, customer-oriented, excellent company.

MISSION Our mission is to provide quality services that satisfy our customer's needs right the first time and every time.

PHILOSOPHY To accomplish our mission, we must meet the needs of the individual and the organization by creating an environment where employees take pride in their work and desire satisfaction from accomplishing the mission. Our philosophy will be based upon:

- ***Trust and Respect:*** A climate that can be trusted is necessary to maintain a motivating and rewarding work environment. Open and honest communication, fair treatment, and equitable practices, will be the foundation of our operation.
- ***Teamwork:*** We are most effective when we work together as a team. Teamwork requires flexibility, sharing information, and creating opportunities for team members to contribute ideas and participate in decision-making.
- ***Involvement:*** People support what they help to create, involvement in the business, through teamwork, as well as communication of business

plans, and customer expectations, result in understanding, ownership, and commitment.

- ***Continuous Improvement:*** We must continuously strive for excellence in what we do. Creativity innovation and risk-taking will be encouraged. Continuous improvement will enhance our ability to remain competitive.
- ***Growth and Development:*** Growth of professional knowledge and development of skills provide the individual with a sense of accomplishment and enables him or her to contribute more towards the improvement of the organization.

PROCEDURE

1. *Employee Involvement*

- Involve employees in determining the shift rotation schedule.
- Consult office staff before changing computer systems and software.
- Consult equipment operators before repairs or changes are made.
- Consult those who produce a product before making engineering changes, to involve employees in writing the operating manuals.
- Involve employees in selecting candidates for a new maintenance apprentice program.

2. *Skill Development*

- **Job:** Typing, computer operation, assembly, quality improvement.
- **Interpersonal:** Listening, communicating, conflict resolution, giving and receiving feedback.
- **Team:** Team-building, problem-solving, decision-making, meetings.
- **Leadership:** Planning, leading, coaching.
- **Problem-solving:** Process analysis and process improvement.

3. *Equal Treatment*

- No reserved parking spaces.
- Everyone has access to the same facilities — cafeteria, meeting rooms, etc.
- Rules, policies, and procedures are the same for everyone, and they are decided by employee — management committees.
- Only a few symbols of status differences.
- Employees review management's performance, and vice versa.
- Employees are represented on committees.

4. *Sharing Information*

- Give decision-making authority to people who have the information.
- Simplify information systems.

- Provide teams with all information necessary and the opportunity for problem-solving, preventative, maintenance, and identifying areas in need of improvement.
- Provide information to the people who needed it.
- Facilitate information sharing and feedback, both horizontally and vertically.

5. *Employment Stability*

- Guarantee job security for the workers involved.
- Train all employees in the basic values and expected behavior pattern of the new culture.
- Provide employees with continuous training and education.
- Develop co-operation, good employee relationship, and teamwork within and across functional units.
- Eliminate management by fear.
- Give rewards to members who contribute to success.
- Allow room for more commitment and ownership by team members.

6. *Reward and Recognition*

- The reward system should be designed to align personal needs with quality, productivity, and creativity goals.
- The reward system should recognize good team performance.

- Skill-based systems must be considered to compensate employees for the involvement projects they have completed.
- Program goals must be clearly established, and regularly reviewed.
- The specific criteria, established for achieving rewards and incentives, must be clear, fair, achievable and consistent with overall program goals.

HR STRATEGIES

In order to support the TQM transformation, one must identify the appropriate HR strategies. HR strategies should be based on the information concerning:

- Quality plans
- The external environment, with particular reference to the supply of people (demographics) and the availability of skills
- The internal environment, including the implications of product development and new technology, the requirement for increased new skills for quality improvement
- HR issues related to quality, motivation, communication, involvement, employee relations, etc

Based on the strategic analysis, one can develop the following HR strategies:

- Resourcing Strategy
- Retention Strategy
- Motivation Strategy

- Reward and Recognition Strategies
- HR Development and Training Strategies
- Employee Relations Strategy