

Review definition of “Defender” and “Prospector” strategy from Topic 1.1. Read examples.

EXHIBIT 1.1 LINCOLN ELECTRIC AND HEWLETT-PACKARD: DEFENDER AND PROSPECTOR

To get a better idea of what it means for a company to be a defender or a prospector, let us look at the activities of two companies: Ohio-based Lincoln Electric, a manufacturer of electrical products; and Hewlett-Packard, the Palo Alto, California, electronics manufacturer that put Silicon Valley on the high-tech map.

Lincoln Electric

Lincoln Electric is a classic defender. It has carved out a niche in the electrical products industry (the manufacture of electric arc-welding generators, welding equipment, and supplies) and has “defended” it for over 100 years through continuous efforts to improve production processes and product quality, cut costs, lower prices, and provide outstanding customer service. Lincoln is best known for its incentive system, which rewards high-quantity, high-quality output with wages and bonuses that average over *twice* the national average for comparable work classifications. Lincoln’s HR strategies fit with the company’s strategy because Lincoln has created a secure market share with moderate, steady growth. It relies heavily on internally developed human resources. Employees are carefully selected, placed, and trained, and they are expected to be with the company for much, if not all, of their careers.

The appropriate role for the HR department at Lincoln is clear. Selection, placement, appraisal, and long-term training assistance are key services. In addition, the HR department must constantly maintain the fit between job design and the incentive system. Lincoln is a tightly integrated company that requires predictable, planned HR inputs and regular maintenance.

As of 2012, Lincoln Electric still emphasizes cost reductions, high reliability, and a focus on state-of-the-art welding technologies (for instance, through increased use of robotics).

Hewlett-Packard

Hewlett-Packard (HP) began with the notion that high returns were possible from moving products as rapidly as possible from basic design to the market. It is a company well suited to the rapid expansion of a growing industry—a true prospector—with small, changing product divisions as its basic organizational building blocks. (The company has over 60,000 employees in more than 60 divisions or units.) A new-product idea or offshoot is evolved, a self-contained division is created, and a market is pursued as long as HP has a distinctive design or technological advantage. When products reach the stage where successful competition turns primarily on cost, HP may move out of the arena and turn its attention to a new design or an entirely new product.

HR units at both the division and the corporate level have the constant tasks of starting new groups and finding and deploying managerial and technical resources. In this setting, HR departments perform an essentially entrepreneurial role, helping to identify and quickly develop (through rapid movement and alternative assignments) crucial human resources. Key human resources are brought in from the outside and invested in myriad units and divisions, as well as developed internally. Thus, the overall HR strategy at HP can be characterized as acquiring human resources.

As of 2012, HP continues unabated with this HR strategy. In fact, its company Web page “jobs at HP” (jobs.hp.com) enables candidates to search for job opportunities at HP facilities in 178 countries.

Source: Based on Miles, R. E., and Snow, C. C. (1984). Designing strategic human resources systems. *Organizational Dynamics* 13(1), 43–46. © 1984 American Management Association, New York. All rights reserved. Updated information provided by the authors. For related information see Lincoln Electric, [working/careers at Lincoln](http://lincolnelectric.com) (2012). <http://lincolnelectric.com>; Hewlett-Packard Corporation News (2011), *New York Times*, <http://topics.nytimes.com>; Hewlett-Packard Snapshot (2011), <http://money.cnn.com>; Hewlett-Packard Development Company (2011), www.hp.com.



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Example	Defender	Prospector
Employee Separations	<ul style="list-style-type: none"> • Voluntary inducements to leave • Hiring freeze • Continuing concern for terminated employee • Preferential rehiring policy 	<p>process of new employees</p> <ul style="list-style-type: none"> • Layoffs • Recruit as needed • Individual on his or her own • No preferential treatment for laid-off workers

Task 1. Watch the video about HRM roles/functions classification.

<https://www.youtube.com/watch?v=9MWFkH4xb3U> Add HRM activities to the related cell in the “Strategic HR area” column (table below). Allocate the related HR policies in each row of the table (4 per each HR function/role).

- | | |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> • HR planning • Organizational structure • Competencies • Recruitment • Selection • Socialization | <ul style="list-style-type: none"> • Performance evaluation • Performance Measurement • Investment in skills • Skills Development • Salaries • Benefits |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

Task 2. Which ones of the following characteristics from the list of **48 HR policies** refer to Defender (D) and which ones refer to Prospector (P) strategy? **Put the numbers in the proper cell of the table below the “Defender” or “Prospector” columns.**

- | | |
|-----------------------------------------------------------|----------------------------------------------------------------|
| 1. Organizational structure based on Efficient production | 21. Performance measurement used as a control device |
| 2. Organizational structure based on Innovation | 22. Performance measurement used as a developmental tool |
| 3. Flexibility in organizational structure | 23. Informal hiring and socialization process of new employees |
| 4. Control emphasis in organizational structure | 24. Formal hiring and socialization process |
| 5. Explicit job descriptions | 25. Seniority-based pay |
| 6. Broad job classes and descriptions | 26. Performance-based pay |
| 7. Detailed work planning | 27. Generic training emphasizing flexibility |
| 8. Loose emphasis on the work planning | 28. Job-specific training |
| 9. Prevalence of Internal recruitment | 29. Uniform performance appraisal procedures |
| 10. Prevalence of External recruitment | 30. Customized appraisals |
| 11. Multiple methods of performance appraisals | 31. “Make” skills |
| 12. Methods of appraisal High depend on superior | 32. “Buy” skills |
| 13. HR department makes a selection decision | 33. On-the-job training |
| 14. Coworkers help make a selection decision | 34. External training |
| 15. Multipurpose use of performance appraisals | 35. Fixed pay |
| 16. Individual-based training | 36. Job-based pay |
| 17. Team-based or cross-functional training | 37. Centralized pay decisions |
| 18. The narrow focus of performance appraisal use | 38. Decentralized pay decisions |
| 19. Emphasis on technical qualifications and skills | 39. Variable pay system |
| 20. Emphasis on the fit of the applicant with culture | 40. Individual-based pay system |

Strategic HR Area (putt synonyms here...)	Defender Strategy (D) (put all numbers here...) <u>24 numbers out of 40</u>	Prospector Strategy (P) (put all numbers here...) <u>24 numbers out of 40</u>
	1,	2,
Workflows (add activities here...) HR planning	<u>4 numbers</u> 1,	<u>4 numbers</u> 2,
Staffing	<u>4 numbers</u>	<u>4 numbers</u>
Performance Appraisal	<u>4 numbers</u>	<u>4 numbers</u>
Training	<u>4 numbers</u>	<u>4 numbers</u>
Compensation	<u>4 numbers</u>	<u>4 numbers</u>

Note. Do not repeat numbers in the cells.

Task 3. Think about the company working in the Tourism and Hospitality industry. Find examples of the Defender or Prospector company. Explain why the company can be considered as a defender or prospector from the HR strategy framework perspective.

