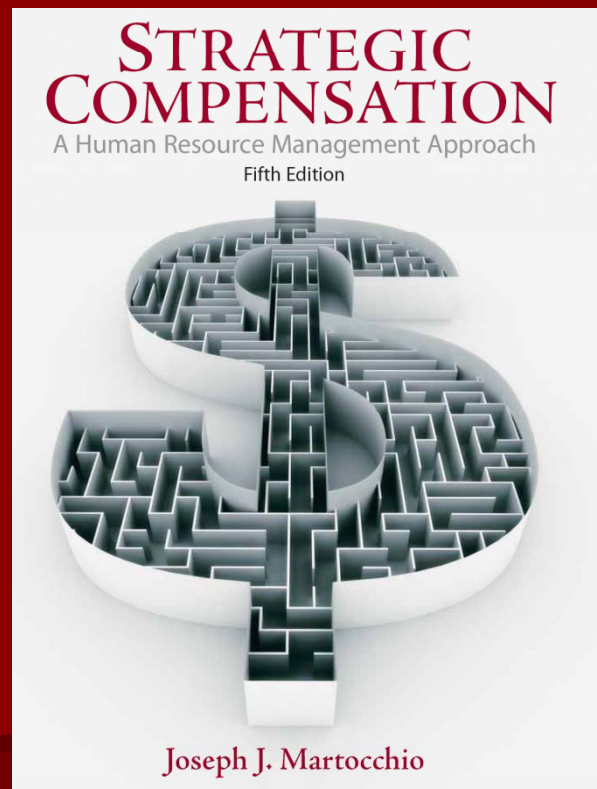


STRATEGIC COMPENSATION

*A Human Resource
Management Approach*



Chapter 2

Strategic Compensation in Action: Strategic Analysis and Contextual Factors

■ 全国迷你型MBA职业经理双证班

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Fly - You - There

- No-Frills commercial airlines
 - Along west coast only
 - Pursues a lowest-cost strategy
 - Goal #1 or 2 airline by 2010
 - Union-free workforce
 - NAICS # 48111

Strategic Analysis

- Entails examination of company's
 - External market context
 - Internal factors
- Begins with company's industry classification using NAICS

NAICS

5 Digit Codes for American, Canadian and Mexican industries

- First 2 #s - Sector
- First 3 #s – Sub-sector
- First 4 #s - Industry group
- First 5 #s - Industry
- All 6 #s - American industries only

NAIC Sectors

- 22 - Utilities
- 23 - Construction
- 31-33 - Manufacturing
- 44-45 - Retail trade
- 48-49 - Transportation and warehousing
- 71 - Arts, entertainment, and recreation

NAICS # 713120

- 71 - Arts, entertainment and recreation
- 713 - Amusement, gambling and recreation
- 7131 - Amusement and theme parks
- 71312 - Video game arcades
- 713120 - Non-hotel casinos

Fly - You - There

NAICS

48111

48 - Transportation

481 - Air transportation

4811 - Scheduled air transportation

48111 - Scheduled passenger air
transportation

External Market Elements

- Industry profile
- Competition
- Foreign demand
- Industry's long-term prospects
- Labor market assessment

Industry Profile

- Used to determine compensation practices
- Uses industry characteristics, like:
 - Sales volumes
 - Government regulations
 - Technology advancements

Labor - Market Forecasts by Year 2012

From BLS Handbook

- Total employment up 15% to 21.3 M
- Civil Workforce up 12% to 162.3 M
- 55 + Workers up to 19.1% of workforce
- 66% of workers between ages 25 and 54
- Hispanic Workers up to 23.8M
- Women Workers up 14.3% to 47.5%

BLS Occupational Outlook Handbook

- Pertinent information includes:
 - Qualifications and training
 - Job outlook
 - Typical earnings range

Internal Capabilities

- Functional capabilities
- Human resources capabilities
- Financial condition

Functional Capabilities Include

- Manufacturing
- Engineering
- Research and development
- Operations
- Management information systems
- Human resources
- Marketing

Human Resources Capabilities

- Hiring and retaining workforce
- Designing merit pay programs
 - To reward job performance
- Designing incentive pay programs
 - For meeting performance standards
- Designing pay-for-knowledge programs
 - To reward self-improvement

Factors Influencing Competitive Strategy

- National culture
- Organizational culture
- Organizational and product life cycles

National Culture Dimensions

- Power distance
- Individualism/collectivism
- Uncertainty avoidance
- Masculinity/femininity

Power Distance

- Acceptance of company's power structure
- Status differentials
- Countries with high distances
 - Venezuela and Philippines
- Countries with low distances
 - Australia and Sweden

Individualism/Collectivism

■ Individualism

- Personal independence
- Personal goals
- Privacy
- USA

■ Collectivism

- Group membership
- Cohesiveness
- Japan

Uncertainty Avoidance

- High avoidance
 - Fear random events
 - Values stability
 - Italy and Greece
- Low avoidance
 - Values challenges
 - Seeks risks
 - Singapore and Denmark

Masculinity/Femininity

- Masculinity
 - Favors material possessions
 - Mexico and Germany
- Femininity
 - Encourages caring and nurturing
 - Finland and Norway

Organizational Culture

- Shared values and beliefs producing behavior norms
- Influences compensation practices
- Flattening the organization
- Team orientation

Designing Pay-for-Knowledge Programs

- Establishing Skill Blocks
 - Skill type
 - Number of skills
- Transition matters
 - Skills assessment
 - Aligning pay with knowledge structure
- Training and certification
 - In-house or outsource training
 - Certification and recertification

Organizational Life Cycle Phases

- Growth
- Maturity
- Decline

Growth Phase

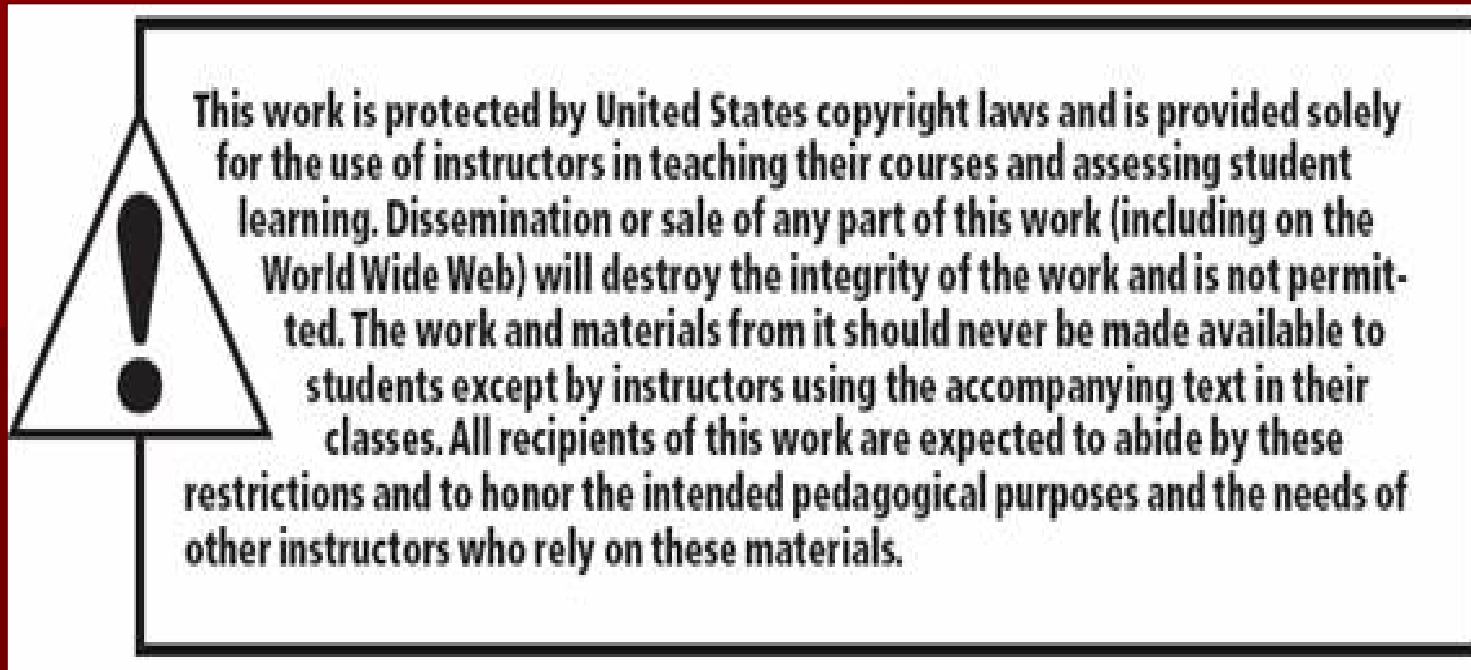
- New companies
- Differentiation strategy
- Market-competitive pay systems
- Long-term incentive programs
- Funding emphasis more on R&D than on compensation

Maturity Phase

- Established companies' products, or services
- Well-developed labor pool
- Lowest-cost strategies
- Pay-for-knowledge programs
- Skill-based pay programs
- Merit pay programs

Decline Phase

- Companies with diminishing markets
- Differentiation Strategy if:
 - Modifying current product/service
 - Developing new product/service
- Lowest-cost strategy if:
 - Liquidation



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