CHAPTER - 2

STRATEGIC HUMAN RESOURCE MANAGEMENT

2.1 Human Resource Management

The concept of human resource management (HRM) has attracted a lot of attention from academics and practitioners alike since it first emerged in the mid-1980s. The former often suspect both the practicality and morality of HRM. The latter have often absorbed some if not all of the HRM philosophy and attempted to put it into effect with varying degrees of success for various good and bad reasons.

The overall purpose of HRM is to ensure that the organization is able to achieve success through people. As Ulrich and Lake (1990)[1] has remarked: 'HRM systems can be the source of organizational capabilities that allow firms to learn and capitalize on new opportunities'.

Specifically, HRM aims to:

- enable the organization to obtain and retain the skilled, committed and well-motivated workforce it needs;
- enhance and develop the inherent capacities of people - their contributions, potential and employability - by providing learning and continuous development opportunities;
- develop high-performance work systems that include 'rigorous recruitment and selection procedures, performance-contingent incentive compensation systems, and management development and training activities linked to the needs of the business' (Becker et al, 1997) [2];
- develop high-commitment management practices that recognize that employees are valued stakeholders in the organization and help to develop a climate of cooperation and mutual trust;
- create a climate in which productive and harmonious relationships can be maintained through partnerships between management and employees;

- develop an environment in which teamwork and flexibility can flourish;
- help the organization to balance and adapt to the needs of its stake holders (owners, government bodies or trustees, management, employees, customers, suppliers and the public at large);
- ensure that people are valued and rewarded for what they do and achieve;
- manage a diverse workforce, taking into account individual and group differences in employment needs, work style and aspirations;
- ensure that equal opportunities are available to all;
- adopt an ethical approach to managing employees that is based on concern for people, fairness and transparency;
- maintain and improve the physical and mental well-being of employees.

These aims are ambitious and could be regarded as mere rhetoric. The research conducted by Gratton et al (1999)[3] found that there was generally a wide gap between rhetoric and reality. Managements may start off with good intentions to do some or all of these things but the realization of them - 'theory in use' - is often very difficult. This arises because of contextual and process problems: other business priorities, short-termism, lack of support from line managers, an inadequate infrastructure of supporting processes, lack of resources, resistance to change and a climate in which employees do not trust management, whatever they say.

THE DEVELOPMENT OF THE HRM CONCEPT

Some aspects of the basic philosophy of 'soft HRM' can be traced back to the writings of McGregor (1960)[4] who, as mentioned by Truss (1999)[5], even used the terminology 'hard' and 'soft' to characterize forms of management control McGregor's theory X essentially describes the 'control' model of management as described by Walton (1985)[6], while McGregor's theory Y emphasizes the importance of integrating the needs of the organization and those of the individual the principle of mutual commitment, again expressed by Walton.

The full concept of HRM emerged in the mid-1980s against the background of the popularist writers on management who flourished in that decade. These included Pascale and Athos (1981)[7] and Peters and Waterman (1982)[8] who produced lists of the attributes that they claimed characterized successful companies. These popular 'school of excellence' writers may have exerted some influence on management thinking about the need for strong cultures and commitment (two features of the HRM philosophy) but, as Guest (1993)[9] has commented, they were right enough to be dangerously wrong.

The concept of HRM has gone through three stages:

1. The initial concepts developed by American writers in the 1980s.
2. The take-up of these comments by British writers in the late 1980s and earlier 1990s who were often sceptical about the reality beyond the rhetoric and dubious about its morality.
3. The assimilation of HRM into traditional personnel management.

The two initial concepts of HRM have been christened by Boxall (1992) as the 'matching model' and the 'Harvard framework'.

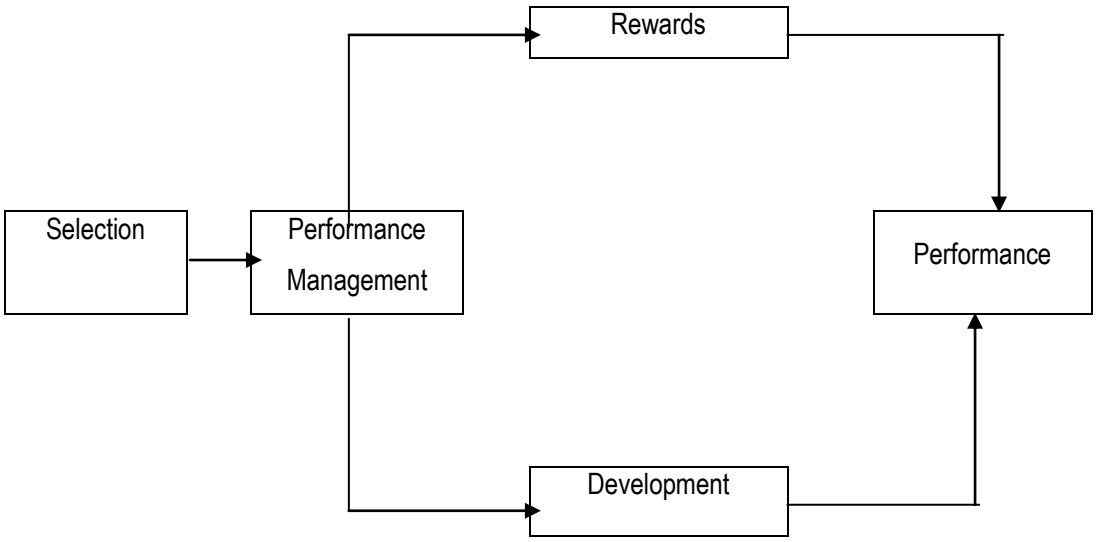
The matching model of HRM

One of the first explicit statements of the HRM concept was made by the Michigan School (Fombrun et al. 1984)[10]. They held that HR systems and the organization structure should be managed in a way that is congruent with organizational strategy (hence the name 'matching model'). They further explained that there is a human resource cycle (an adaptation of which is illustrated in Figure 2.1) which consists of four generic processes or functions that are performed in all organizations. These are:

1. Selection - matching available human resources to jobs.
2. Appraisal- (performance management).
3. Rewards - 'the reward system is one of the most under-utilized and mishandled managerial tools for driving organizational performance'. It must reward short- as well as long-term achievements, bearing in mind that 'business must perform in the present to succeed in the future'.

4. Development - developing high-quality employees.

Figure 2.1 The Human Resource Cycle (adapted from Fombrun et al, 1984)



Fombrun et al suggest that the HR function should be linked to the line organization by providing the business with good HR databases, by ensuring that senior managers give HR issues as much attention as they give to other functions, and by measuring the contribution of the HR function at the strategic, managerial and operational levels.

The Harvard framework

The other founding fathers of HRM were the Harvard School of Beer et al (1984)[11] who developed what Boxall (1992)[12] call the 'Harvard framework'. This framework is based on the belief that the problems of historical personnel management can only be solved when general managers develop a viewpoint of how they wish to see employees involved in and developed by the enterprise, and of what HRM policies and practices may achieve those goals. Without either a central philosophy or a strategic vision - which can be provided only by general managers - HRM is likely to remain a set of independent activities, each guided by its own practice tradition.

Beer and his colleagues believed that 'Today, many pressures are demanding a broader, more comprehensive and more strategic perspective with regard to the organization's human resources'. These pressures have created a need for 'a longer-term perspective in managing people and consideration of people as potential assets rather than merely a variable cost'. They were the first to underline the tenet that HRM belongs to line managers.

They also stated that: 'Human resource management involves all management decisions and action that affect the nature of the relationship between the organization and its employees - its human resources'.

The Harvard school suggested that HRM had two characteristic features:

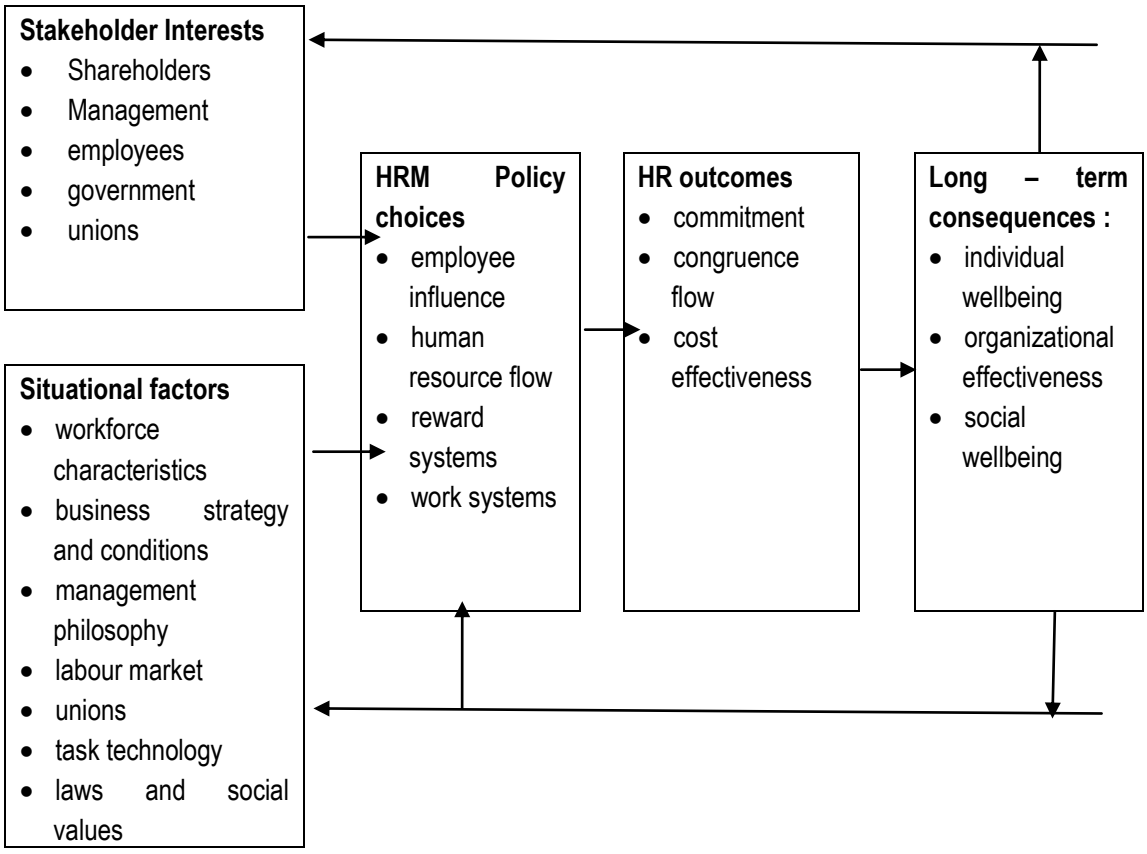
1) Line managers accept more responsibility for ensuring the alignment of competitive strategy and personnel policies; and
2) The personnel function has the mission of setting policies that govern how personnel activities are developed and implemented in ways that make them more mutually reinforcing.

The Harvard framework as modeled by Beer et al is shown in Figure 2.2

According to Boxall (1992) the advantages of this model are that it:

- incorporates recognition of a range of stakeholder interests;
- recognizes the importance of 'trade-offs', either explicitly or implicitly, between the interests of owners and those of employees, as well as between various interest groups;
- widens the context of HRM to include 'employee influence', the organization of work and the associated question of supervisory style;
- acknowledges a broad range of contextual influences on management's choice of strategy, suggesting a meshing of both product-market and socio -cultural logics;
- emphasizes strategic choice it is not driven by situational or environ mental determinism.

Figure 2.2 The Harvard Framework for Human Resource Management



Source – Beer et al, (1984) Managing human assets, New York: Free press

The Harvard model has exerted considerable influence over the theory and practice of HRM, particularly in its emphasis on the fact that HRM is the concern of management in general rather than the personnel function in particular.

Walton (1985), also of Harvard, expanded the concept by emphasizing the importance of commitment and mutuality:

The new HRM model is composed of policies that promote mutuality - mutual goals, mutual influence, mutual respect, mutual rewards, and mutual responsibility. The theory is that policies of mutuality will elicit commitment, which in turn will yield both better economic performance and greater human development.

The concept of strategic HRM is based on the important part of the HRM philosophy that emphasizes the strategic nature of HRM and the need to integrate HR strategy with the business strategy.

Definition of HRM

HRM can be defined as a strategic and coherent approach to the management of an organization's most valued assets - the people working there who individually and collectively contribute to the achievement of its objectives. A distinction has been made by Storey (1989)[13] between the 'hard' and 'soft' versions of HRM.

VERSIONS OF HRM

Hard HRM

The hard approach to HRM emphasizes the quantitative, calculative and business-strategic aspects of managing the headcount resource in as 'rational' a way as for any other economic factor. It adopts a business-oriented philosophy that emphasizes the need to manage people in ways that will obtain added value from them and thus achieve competitive advantage. It regards people as human capital from which a return can be obtained by investing judicially in their development. Fombrun et al (1984) quite explicitly presented workers as another key resource for managers to exploit. As Guest (1999)[14] comments:

The drive to adopt HRM is... based on the business case of a need to respond to an external threat from increasing competition. It is a philosophy that appeals to managements who are striving to increase competitive advantage and appreciate that to do this they must invest in human resources as well as new technology.

He also commented that HRM 'reflects a long-standing capitalist tradition in which the worker is regarded as a commodity'.

The emphasis is therefore on:

- the interests of management;
- adopting a strategic approach that is closely integrated with business strategy;
- obtaining added value from people by the processes of human resource development and performance management;

- the need for a strong corporate culture expressed in mission and value statements and reinforced by communications, training and performance management processes.

Soft HRM

The soft model of HRM traces its roots to the human relations school, emphasizing communication, motivation and leadership. As described by Storey (1989) it involves 'treating employees as valued assets, a source of competitive advantage through their commitment, adaptability and high quality (of skills, performance and so on)'. It therefore views employees, in the words of Guest (1999), as means rather than objects. The soft approach to HRM emphasizes the need to gain the commitment - the 'hearts and minds' - of employees through involvement, communications and other methods of developing a high commitment, high-trust organization. Attention is also drawn to the key role of organizational culture.

The focus is on 'mutuality' - a belief that the interests of management and employees can, indeed should, coincide. It is a therefore a unitarist approach. In the words of Gennard and Judge (1997)[15], organizations are assumed to be 'harmonious and integrated, all employees sharing the organizational goals and working as members of one team'.

It has, however, been observed by Truss (1999) that 'even if the rhetoric of HRM is soft, the reality is often hard, with the interests of the organization prevailing over those of the individual'. Research carried out by Gratton et al (1999) found out that in the eight organizations they studied, there was a mixture of hard and soft HRM approaches.

2.2 MULTIPLE ROLE MODEL FOR HUMAN RESOURCES MANAGEMENT

To create value and deliver results, HR professionals must begin not by focusing on the activities or work of HR but by defining the deliverables of that work. Deliverables guarantee outcomes of HR work. With deliverables defined, the roles and activities of business partners may be stipulated.

The framework in Figure 2.3 describes - in terms of deliverables - four key roles that HR professionals must fulfill to make their business partnership a reality. Ulrich devised this framework over the course of his work with dozens of companies and hundreds of HR professionals; many companies have since used it as a way to describe the deliverables of their HR work. The two axes represent the HR professional's focus and activities. Focus ranges from long-term /strategic to short-term/operational. HR professionals must learn to be both strategic and operational, focusing on the long and short term. Activities range from managing processes (HR tools and systems) to managing people. These two axes delineate four principal HR roles: (1) management of strategic human resources; (2) management of firm infrastructure; (3) management of the employee contribution; and (4) management of transformation and change. To understand each of these roles more fully, we must consider these three issues: the deliverables that constitute the outcome of the role, the characteristic metaphor or visual image that accompanies the role and the activities the HR professional must perform to fulfill the role. Table 2.1 summarizes these issues for each of the roles identified in- Figure 2.3.

Figure: 2.3 HR Roles in building a Competitive Organization

Source: Ulrich, D. (1997), Human Resource Champions, Boston: Harvard Business press pp.24

Management of Strategic Human Resources

The strategic HR role focuses on aligning HR strategies and practices with business strategy. In playing this role, the HR professional works to be a strategic partner, helping to ensure the success of business strategies. By fulfilling this role, HR professionals increase the capacity of a business to execute its strategies. Translating business strategies into HR practices helps a business in three ways. First, the business can adapt- to change because

the time from the conception to the execution of a strategy is shortened. Second, the business can better meet customer demands because its customer service strategies have been translated into specific policies and practices. Third, the business can achieve financial performance through its more effective execution of strategy.

Table 2.1 Definition of HR Roles

Role/Cell	Deliverable/ Outcome	Metaphor	Activity
Management of Strategic Human Resources	Executing strategy	Strategic Partner	Aligning HR and business strategy: "Organizational diagnosis"
Management of Firm Infrastructure	Building an efficient infrastructure	Administrative-Expert	Reengineering Organization Processes: "Shared services"
Management of Employee Contribution	Increasing employee commitment and capability	Employee Champion	Listening and responding to Employees: "Providing resources to employees
Management of Transformation and Chang	Creating a renewed organization	Change Agent	Managing transformation and change: "Ensuring capacity or change

Source: ibid page 25

The deliverable from the management of strategic human resources is strategy execution. HR practices help accomplish business objectives. There are many examples. As Sears worked to reduce costs, HR managers implemented compensation, job rotation, and downsizing practices that reduced labor cost per store. As Whirlpool sought to gain more global market share in appliances, HR strategies modified hiring practices and career paths to ensure multinational competence. When Colgate-Palmolive wanted to in-crease its global revenue, the compensation system was changed to reward sales growth. When Motorola wanted to gain access to Russian markets, it

offered training and development opportunities to Soviet customers. Each of these HR practices helped execute business strategy. The HR executives who designed these new practices were strategic partners: They mastered the skill of organizational diagnosis and aligned HR practices with business strategies.

The metaphor for this role is the "strategic partner." HR professionals become strategic partners when they participate in the process of defining business strategy, when they ask questions that move strategy to action, and when they design HR practices that align with business strategy.

The primary actions of the strategic human resource manager translate business strategies into HR priorities. In any business setting, whether corporate, functional, business unit, or product line, a strategy exists either explicitly, in a formal process or document, or implicitly, through a shared agenda on priorities. As strategic partners, HR professionals should be able to identify the HR practices that make the strategy happen. The process of identifying these HR priorities is called organizational diagnosis, a process through which an organization is audited to determine its strengths and weaknesses.

In the past decade, increasing attention has been paid to the importance of moving HR professionals into the strategic role. But in answering the call to become "more strategic" and "more involved in the business many - HR professionals have inappropriately identified this as the only HR role. The implications of this are discussed below under "Paradoxes Inherent in Multiple HR Roles.

Management of Firm Infrastructure

Creating an organizational infrastructure has been a traditional HR role. It requires that HR professionals design and deliver efficient HR processes for staffing, training, appraising, rewarding, promoting, and otherwise managing the flow of employees through the organization. As a caretaker of the corporate infrastructure, HR professionals ensure that these organizational

processes are designed and delivered efficiently. While this role has been down-played and even disclaimed with the shift to a strategic focus, its successful accomplishment continues to add value to a business.

HR professionals create infrastructure by constantly examining and improving the HR processes.

The deliverable from the infrastructure role is administrative efficiency. HR professionals accomplish administrative efficiency in two ways. First, they ensure efficiency in HR presses. For example, through reengineering HR processes, one firm recently found twenty-four separate registration systems for training; new efficiency and cost savings were achieved by streamlining and automating them into a single system. Another firm, finding that it required an average of six, months to staff key positions, improved the process and cut the time needed to one month. A second way in which HR executives can improve overall business efficiency is by hiring, training, and rewarding managers who increase productivity and reduce waste.

By delivering administrative efficiency, HR managers highlight their role as administrative experts, mastering and leading reengineering efforts that foster HR and business processes. At a simplistic level, most HR functions today (like most other business functions) are being asked to do more with less-and accomplishing this feat should be the outcome of undertaking this role.

The metaphor for work on a firm's infrastructure is the "administrative expert." As implied above, HR professionals acting as administrative experts ferret out unnecessary costs, improve efficiency, and constantly find new ways to do things better.

To be effective as administrative experts, HR professionals need to undertake activities leading to continual reengineering of the work processes they administer. In many firms, this reengineering of HR processes has led to a new HR organizational form called shared services, through which HR administrative services are shared across company divisions while

maintaining service quality for their users (line managers, employees, and executives).

Management of Employee Contribution

The employee contributions role for HR professionals encompasses their involvement in the day-to-day problems, concerns, and needs of employees. In companies in which intellectual capital becomes a critical source of the firm's value, HR professionals should be active and aggressive in developing this capital. HR professionals thus become the employees' champions by linking employee contributions to the organization's success. With active employee champions who understand employees' needs and ensure that those needs are met, overall employee contribution goes up.

The deliverables from management of employee contribution are increased employee commitment and competence. HR practices should help employees to contribute through both their competence to do good work and their commitment to work diligently. In an era when downsizing has eroded the employer-employee psychological contract, HR executives can be business partners by continuing to be employee champions who pay attention to employee needs.

The metaphor for this HR role as implied above is "employee champion". These champions personally spend time with employees and train and encourage managers in other departments to do the same. With employee champions who understand the needs of employees and ensure that those needs are met, overall employee contribution goes up. Employee contribution is essential to any business, not only for its own sake (the social desirability of committed employees), but also because it affects a business's ability to change, meet customer expectations, and increase financial performance. When employees are competent and committed, employee intellectual capital becomes a significant appreciable asset that is reflected in a firm's financial results.

The main activities for the management of employee contribution are listening, responding, and finding ways to provide employees with resources that meet their changing demands. As higher and higher demand are placed on employees, HR professionals and line managers who serve as employee champions creatively seek and implement the means for employees to voice opinions and feel ownership in the business; they help to maintain the psychological contract between the employee and the firm; and they give employees new tools which to meet ever higher expectations

Management of Transformation and Change

A fourth key role through which HR professionals can add value to a firm is to manage transformation and change. Transformation entails fundamental cultural change within the firm; HR professionals managing' transformation become both cultural guardians and cultural catalysts. Change refers to the ability of an organization to improve the design and implementation of initiatives and to reduce cycle rime in all organizational activities; HR professionals help to identify and implement processes for change. . .

The deliverable from management of transformation and change is capacity for change. As firms undergo transformation, HR executives serve as business partners by helping employees let go of old and adapt to a new culture. As change agents, HR executives help organizations identify a process for managing change.

As implied, the metaphor for work in this role is "change agent." As change agents, HR professionals face the paradox inherent in any organizational change. Often, change must be grounded in the past. For the HR professional serving as change agent, honoring the past means appreciating and respecting the tradition and history of a business while acting for the future. HR professionals may need to force or facilitate a dialogue about values as they identify new behaviors that will help to keep a firm competitive over time. Being change agents is clearly part of the value-added role of HR professionals as business partners.

The action of change agents include identifying and framing problems, building relationships of trust, solving problems, and creating-and fulfilling - action plan. In research on the competencies of HR professionals, my colleagues I have found that the domain of competencies related to managing change was the most important for success as an HR professional. HR professionals who are change agents help make change happen; they understand critical processes for change, build commitment to those processes, and ensure that change occurs as intended.

IMPLICATIONS OF MULTIPLE ROLES FOR HR PROFESSIONALS

HR professionals may add value to a business in four ways; they can help execute strategy, build infrastructure, ensure employee contribution, and manage transformation and change.

Assessing the Current Quality of the HR Function

The multiple-role model can help in assessing the overall quality of HR services. The HR role-assessment survey offers one effective and flexible means for undertaking this task. The survey operationalizes specific descriptors of HR concepts, activities, and practices for each role, and tabulating the results yields a profile of HR quality for each. This assessment, which can be done 'at the corporate business unit, or plant level, will define the roles as currently played within a business.

The scoring sheet, included with the survey provides two kinds of information. First, the total score for all four roles (ranging from 40 to 200) constitutes a general assessment of the overall quality of HR services within a business. Total scores above 160 may be considered high, indicating a perception of high quality in delivery of HR services. Total scores below 90 indicate HR services perceived as being of low quality overall.

Second, the allocation of the points among the four roles indicates the current perception of the quality of HR services for each, providing a picture of the HR function that allows a business to evaluate it more effectively. Most companies that have 'collected these data scored higher in the operational

quadrants and lower in the strategic quadrants, a result consistent with traditional HR roles. The largest range of scores is found for employee contribution, with some firms shown to be heavily invested in enhancing employee commitment while others appear to have relegated employee concerns to the back burner. In general, the management transformation and change role receives the lowest scores.

Reviewing the Evolution of the HR Function

The HR role-assessment survey in the appendix provides not only a view of current overall quality of HR services but also an assessment of the evolution of a business's HR services. This can be done either by changing the questions to request perceptions of "past versus present or future" quality for each role or by repeating the survey over time.

Had a business collected this data several times over the past twenty years, for example, the evolution of its HR roles would have been evident, showing, most likely, movement from a focus on operational roles to a focus on strategic roles. Focus on employee contribution has also decreased at most businesses over the past two decades. In recent years most firms have undertaken productivity initiatives, such as reengineering, downsizing, and consolidation, which demand that HR professionals focus on infrastructure and their roles as administrative experts. Over the same period, an emphasis on strategic intent initiatives, such as globalization customer service, and multi-generational product design, has encouraged HR focus on strategy execution and fulfillment of the strategic partner role. Finally, culture change initiatives, such as process improvements, culture change, and empowerment, have meant that the HR professional must increasingly manage such culture change in the capacity of change agent. This shift in emphasis has meant that HR professionals have done less and less in their role as employee champion to manage employee contribution.

By using the HR role-assessment survey, businesses can identify areas in which the HR function is growing stronger or weaker in each role.

Comparing HR and Line Manager Views of the HR Function

Another use for the HR role-assessment survey in the appendix is to solicit responses from line managers as well as HR professionals and to compare the results. Asking both HR professionals and line managers to rate the current state of HR performance in each of the four roles yields an audit of the extent to which the two perspectives align. Examination of the results can contribute to improved understanding of the HR function and company expectations in a number of ways.

Matched expectations

Matched expectations mean that HR professionals and line managers see the HR function in the same way. Alignment of HR and line expectations may be good news' since it indicates agreement on the roles and delivery of HR services. Alignment may, however, be bad news. In one firm, for example, the HR and line managers agreed that current delivery of HR services was in the 15 to 20 point range (Out of 40) for each of the four roles. But while this alignment implied that HR was meeting line managers' expectations, these expectations were uniformly low.' Meeting low expectations implies that neither HR professionals nor line managers had a stretch vision for HR. The multiple-role framework offered here presents a way to define stretch goals to raise expectations, and to specify value-added targets for HR professionals.

Mismatched expectations

Mismatched expectations occur when the perceptions of line managers and of HR professionals differ. The most common mismatch seen on surveys collected thus far shows HR professionals rating themselves higher than do their line managers. In these cases, HR professionals perceived their work to be better than did the clients of that work. Such positive self-rating, isolated from correction by client perceptions, may lead to self-deception and denial, where HR professionals believe that their services are appropriate and add value to a firm but the clients do not.

In a number of firms, client surveys include assessments of HR nor (only by line managers but also by employees. In one case, such client surveys found

the HR function to be the lowest-rated function in the firm. The firm's HR professionals felt they were designing and delivering excellent services, but these services were either misunderstood by employees or failed to meet their needs. The HR professionals had been judging their services by their own good intentions, while their clients were judging them by the impact and results of the services received.

The HR role-assessment survey thus constitutes a diagnostic tool for identifying the expectations of line managers and other HR clients. The data generated by comparing things made by HR professionals, line managers, and others can lead to productive discussions in which expectations are set and shared, and roles are clarified and communicated.

HR Function versus Individual HR Professionals

A business may find, in doing the above audits of HR roles, that individual HR professionals do not have competence in all four roles, but at the same time, it should find that the function-as an aggregate of individuals-does share a unified vision and competency. In one company, for example, it was found that the individuals fulfilling the components of the HR function were committed and competent; the field HR professionals were strategic partners with business leaders; HR functional leaders were administrative experts in their domains; employee relations experts worked effectively to understand and meet employee need and organizational effectiveness experts appropriately managed change. As a team, however, this group of talented individuals was woeful. In one-on-one interviews, these HR professionals acknowledged that they did not respect or even like one another.

A team of HR experts needs to forge individual talent into leveraged competencies. At the above firm, the-individual HR experts began to share their concerns, openly discuss differences, and focus on common goals and objectives. With focus, time, and commitment, tensions and distrust were overcome; resources and lessons were shared. They began to speak with one voice about the purposes and value of the HR function. They began to

call on each other and leverage each other's strengths. In brief, they began to work as a team.

Use of the survey as a diagnostic instrument may thus indicate that although individuals in a business have unique talents in one of the four roles, the overall HR function needs to unify these individual talents to gain strength and efficacy.

Clarifying Responsibility for Each Role

Each time a business reviews the multiple roles of HR, this question arises: What is the line managers' responsibility in each cell? This is a crucial question and has a two-part answer.

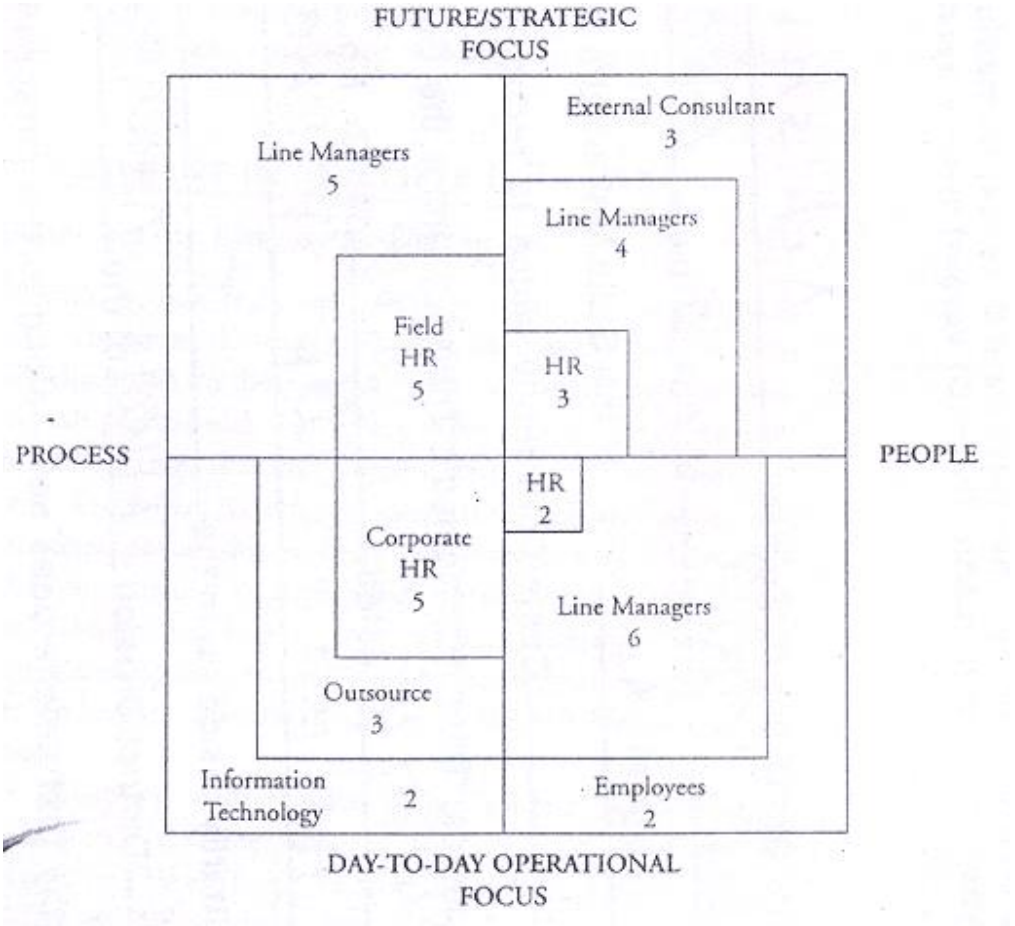
First, HR professionals in a business have unique responsibility and accountability for ensuring that the deliverables from each role are fulfilled. If, for example, a rating of 10 represents the complete accomplishment of the deliverables for each role, it is HR professionals who own the achievement of a 10 rating.

Second, accomplishing the goals and designing the processes for achieving the goals are different issues. While HR professionals own the accomplishment of each of the four roles, they may not have to do all the work of the four roles. That is, HR professionals must guarantee that a 10 be achieved for each role, but they don't have to do all the work to make that 10 happen. Depending on the process established for reaching the goal, the work may be shared by line managers, outside consultants, employees, technology, or other delivery mechanisms for doing HR work.

In many cases, responsibility for delivering the four roles is shared, as indicated by an allocation of points. Figure 2.4 indicates one prevailing pattern of allocation. The allocation of points clearly will vary by firm. The distinction, however, between commitment to the outcome (10/10) and delivery of the outcome (sharing responsibility or dividing the 10 points) remains a consistently important point for discussion. HR professionals need to

guarantee the outcome and to help define the shared responsibility for delivering it. As are the roles themselves, delivery processes and allocations are subject to change and trends, some of which are discussed below"

Figure 2.4: HR Role in Building a Competitive Organization: Shared Responsibility



Source: ibid. page 43

Management of employee contribution

The employee contribution HR role has experienced the greatest change in the recent past. Traditionally, HR was allocated 8 out of every 10 points for delivery of employee commitment. Today, many firms are dividing delivery: 2 points for HR, 6 points for line managers, and 2 points for employees. In other words, in many firms, when employees have grievances or concerns, HR's job is not to fix the problem but to ensure that managers have the skills needed to

respond effectively to employees and that employees themselves have the skills to overcome challenges. Over time, many firms hope the employees in high performing teams will have even more responsibility for their own development.

Management of firm infrastructure

For efficient delivery, many firms today put 5 of the 10 points for infrastructure HR services into corporate/shared service organizations. This shift is counterintuitive but has its own logic. In a traditional setting, promotion to the corporate level usually means doing more strategic work. In many modern organizations, however, promotion to the corporate level means becoming part of a shared service organization that performs administrative work in order to remove the administrative burden from the field HR professionals. The remaining 5 points are divided between outsourcing administrative transactions (3 points) and information technology (2 points). Outsourcing HR activities has been an experiment at many firms that are trying to find ways to reduce HR costs while increasing the quality of services. Information technology uses computers to do much of the administrative work of HR; over time that use will probably increase.

Strategic HRM

The responsibility for strategy execution in most firms today is shared between HR professionals and line managers (5 points each). As partners, each brings to the strategy discussion unique skills and talents. Together, they team up to accomplish business goals.

Management of transformation and change

In their responsibilities for culture change, HR professionals are asked to deliver approximately 3 of the 10 points, while line -managers are allocated 4 points and outside consultants the remaining 3. The low allocation of 3 points to HR professionals indicates that many of them are not fully comfortable or competent in the role of change agent. Traditionally, HR professionals have been distant from the change process. In fact, HR work was viewed as antithetical to change, with HR systems providing impediments to, not impetus

for, change. The emerging responsibility for transformation currently rests with external consultants, with many firms delegating responsibility for driving change to external consulting firms. External consultants offer disciplined, objective approaches to transformation, with the competence and confidence to make the change happen.

PARADOXES INHERENT IN MULTIPLE HR ROLES

Strategic Partner versus Employee Champion

Success in the multiple-role framework requires that HR professionals balance the tension inherent in being a strategic partner on the one hand and an employee champion on the other. As strategic partners with managers, HR professionals partner with managers and are seen as part of management. Taken to an extreme, this may alienate employees from both HR and management. Employees at one company that was moving its HR function into strategic partnership saw the HR professionals, whom they felt provided the only channel through which their concerns were voiced to management, participating in more management meetings, becoming active in strategic planning, and becoming synonymous with management. As a result, the employees felt betrayed and rated the HR function as not meeting their needs.

As employee champions in partnership with managers and employees, HR professionals ensure that the concerns and needs of employees are voiced to management. Taken to an extreme, this may alienate the HR function from management, who may not want to work with HR people whom they see as insensitive to business realities and advocates of employees.

Resolving this conflict requires that all parties-HR, management, and employees recognize that HR professionals can both represent employee needs and implement management agendas, be the voice of the employee and the voice of management, act as partner to both employees and managers. A classic example of a successful response to this paradox is provided by Doug Fraiser, who joined the Chrysler board of directors in the

late 1970s as part of a plan for employee investment in the firm. When union members challenged Fraiser's new "management" commitment, he retorted with something like, "How can I better meet your needs than by sitting with and influencing management?" To be a successful partner to both employees and management requires that both sides trust the HR professional to achieve a balance between the needs of these potentially competing stakeholders.

When HR professionals are not called on to represent employees' concerns to management, uninformed decisions may be made. It is not uncommon, for example, for merger and acquisition decisions to be made based solely on financial and product/strategic analyses that demonstrate the value of the venture; only after the decision is made is HR asked to weave the two companies together. Sadly, more ventures fail because of cultural and human differences than because of product and strategic differences. Where HR professionals are asked to represent employee and organizational concerns during pre-merger diagnosis, more informed decisions are made about all costs of merger activities, including the merger of cultures and people.

Change Agents versus Administrative Experts

HR professionals must also balance the need for change, innovation, and transformation with the need for continuity, discipline, and stability. This tension between their roles as change agents and as administrative experts yields a number of paradoxes that must be managed. Businesses must balance stability and change. A business must have stability to ensure continuity in products, services, and manufacturing. Businesses that change constantly loses identify and chase mythical successes that never materialize. On the other hand, businesses that fail to change in the end simply fail.

Businesses must balance the past and the future. A business must honor its past but also move beyond it. It must recognize that past successes ensure current survival but that only by letting go of the past will the future arrive. Old cultures should ground new cultures, nor become impediments to change.

Businesses must balance the benefits of free agency and control. A business needs to encourage free agency and autonomy in making decisions, sharing information, and soliciting ideas. Conversely, a business requires discipline among employees to make the value of the whole greater than that of the parts, to forge individual efforts into team accomplishment, and to create boundaries for freedom.

Businesses must balance efficiency and innovation. New ideas and programs require risk capital, both economic and human. HR professionals need to encourage risk and innovation while maintaining efficiency. Thus, risks need to be bounded, nor haphazard.

To resolve these and other paradoxes, HR professionals dealing with cultural change need to be both cultural guardians of the past and architects of the new cultures. In practice, this means that in discussions with those who want to move slowly, HR professionals need to drive for dramatic change. On the other hand, in discussions with those who want to demolish history and tradition, HR professionals need to be advocates of moderation and respect for earned wisdom. It means that when working to create new cultures, HR professionals should simultaneously consider the impact of the new culture on administrative processes (for example, how to hire, train, and reward employees in a manner consistent with the new culture) and recognize the hold that the old culture retains over both employees and company practices.

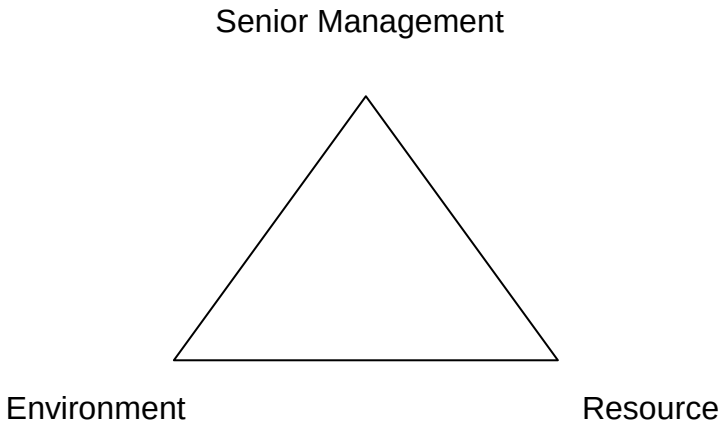
This balancing act requires that new cultures lead to new administrative practices and that administrative practices support culture change. Sometimes, advocates of dramatic culture change, not realizing the infrastructure required to support the change, may make bold statement that stretch credibility and exceed a business's capacity for implementation. Part of the role of the HR professional as change agent is to moderate such statements. The administrative infrastructure may be the last thing to change as companies forge ahead in new strategic directions.

2.3 Strategic Management

Over the past decade, HR researchers and practitioners have focused their attention on other important questions. First, what determines whether an organization adopts a strategic approach to HRM, and how is HR strategy formulated? Of interest is which organizations are most likely to adopt a strategic approach to HRM. Is there, for example, a positive association with a given set of external and internal characteristics or contingencies and the adoption of SHRM? Another area of interest concerns the policies and practices making up different HR strategies. Is it possible to identify a cluster or 'bundle' of HR practices with different strategic competitive models? Finally, much research productivity in recent years has been devoted to examining the relationship between different clusters of HR practices and organizational performance. Does HR strategy really matter? For organizational practitioners who are looking for ways to gain a competitive advantage, the implication of HR strategic choices for company performance is certainly the key factor.

The word 'strategy', deriving from the Greek noun strategus, meaning 'commander in chief', was first used in the English language in 1656. The development and usage of the word suggests that it is composed of stratos (army) and agein (to lead). In a management context, the word 'strategy' has now replaced the more traditional term - 'long-term planning' - to denote a specific pattern of decisions and actions undertaken by the upper echelon of the organization in order to accomplish performance goals. Wheelen and Hunger (1995, p. 3)[16] define strategic management. as 'that set of managerial decisions and actions that determines the long-run performance of a corporation'. Hill and Jones (2001, p. 4)[17] take a similar view when they define strategy as 'an action a company takes to attain superior performance'. Strategic management is considered to be a continuous activity that requires a constant adjustment of three major interdependent poles: the values of senior management, the environment, and the resources available (Figure 2.5)

Figure 2.5: The three traditional poles of a strategic plan



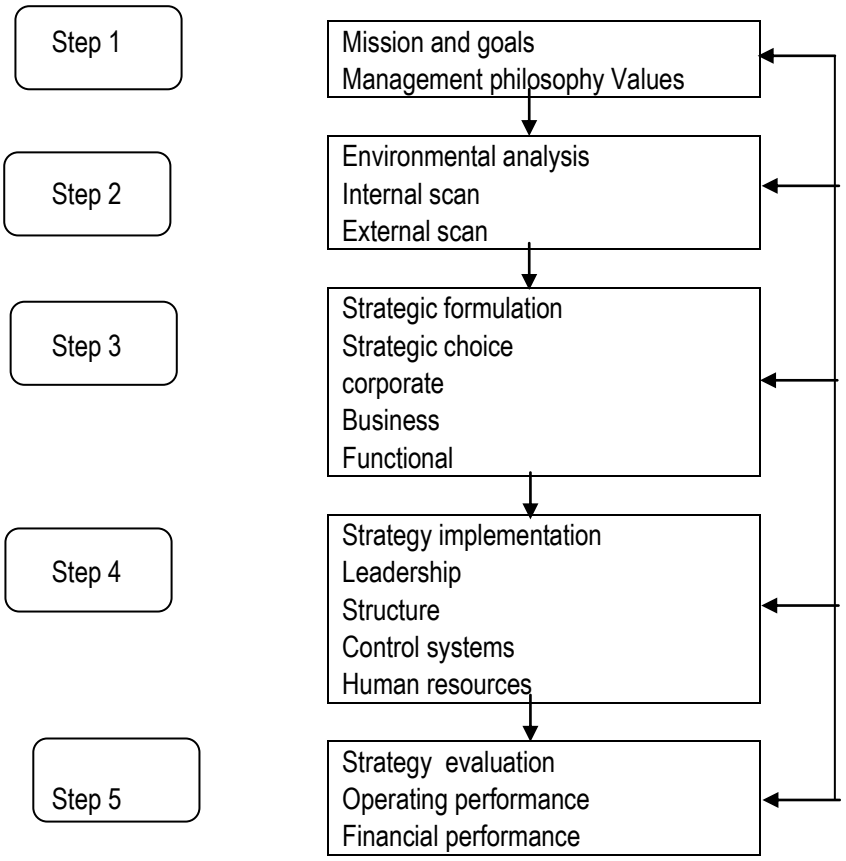
Source: Adapted from Aktouf (1996) Traditional manager and beyond Paris: Morin publication page 91.

Mode of Strategic Management

In the descriptive and prescriptive management texts, strategic management appears as a cycle in which several activities follow and feed upon one another. The strategic management process is typically broken down into five steps:

1. Mission and goals
2. Environmental analysis
3. Strategy formulation
4. Strategy implementation
5. Strategy evaluation.

Figure 2.6: The strategic management model



Source: Daft, R. (2001), organization theory and design, Western college publishing.

Figure 2.6 illustrates how the five steps interact. At the corporate level, the strategic management process includes activities that range from appraising the organization's current mission and goals to strategic evaluation.

The first step in the strategic management model begins with senior managers evaluating their position in relation to the organization's current mission and goals. The mission describes the organization's values and aspirations; it is the organization's raison d'être and indicates the direction in which senior management is going. Goals are the desired ends sought through the actual operating procedures of the organization and typically describe short-term measurable outcomes (Daft, 2001) [18].

Environmental analysis looks at the internal organizational strengths and weaknesses and the external environment for opportunities and threats. The factors that are most important to the organization's future are referred to as strategic factors and can be summarized by the acronym SWOT - Strengths, Weaknesses, Opportunities and Threats.

Strategic formulation involves senior managers evaluating the interaction between strategic factors and making strategic choices that guide managers to meet the organization's goals. Some strategies are formulated at the corporate, business and specific functional levels. The term 'strategic choice' raises the question of who makes decisions and why they are made. The notion of strategic choice also draws attention to strategic management as a 'political process' whereby decisions and actions on issues are taken by a 'power-dominant' group of managers within the organization. Child (1972)[19], affirms this interpretation of the decision-making process when he writes:

When incorporating strategic choice in a theory of organizations, one is recognizing the operation of an essentially political process, in which constraints and opportunities are functions of the power exercised by decision-makers in the light of ideological values.

In a political model of strategic management, it is necessary to consider the distribution of power within the organization. According to Purcell and Ahlstrand (1994, p. 45)[20], we must consider 'where power lies, how it comes to be there, and how the outcome of competing power plays and coalitions within senior management are linked to employee relations'. The strategic choice perspective on organizational decision-making makes the discourse on strategy 'more concrete' and provides important insights into how the employment relationship is managed.

Strategy implementation is an area of activity that focuses on the techniques used by managers to implement their strategies. In particular, it refers to activities that deal with leadership style, the structure of the organization, the information and control systems, and the management of human resources.

Influential management consultants and academics (for example Champy, 1996; Kotter, 1996)[21] emphasize that leadership is the most important and difficult part of the strategic implementation process

Strategy evaluation is an activity that determines to what extent the actual change and performance match the desired change and performance.

The strategic management model depicts the five major activities as forming a rational and linear process. It is, however, important to note that it is a normative model, that is, it shows how strategic management should be done rather than describing what is actually done by senior managers (Wheelen & Hunger, 1995). As we have already noted, the notion that strategic decision-making is a political process implies a potential gap between the theoretical model and reality.

Hierarchy of strategy:

Another aspect of strategic management in the multidivisional business organization concerns the level to which strategic issues apply. Conventional wisdom identifies different levels of strategy - a hierarchy of strategy.

1. Corporate
2. Business
3. Functional.

Corporate level strategy

Corporate-level strategy describes a corporation's overall direction in terms of its general philosophy towards the growth and the management of its various business units. Such strategies determine the types of business a corporation wants to be involved in and what business units should be acquired, modified or sold. This strategy addresses the question, 'What business are we in'?' Devising a strategy for a multidivisional company involves at least four types of initiative:

- establishing investment priorities and steering corporate resources into the most attractive business units

- initiating actions to improve the combined performance of those business units with which the corporation first became involved

- finding ways to improve the synergy between related business units in order to increase performance

- making decisions dealing with diversification.

Business level strategy

Business-level strategy deals with decisions and actions pertaining to each business unit, the main objective of a business-level strategy being to make the unit more competitive in its marketplace. This level of strategy addresses the question, 'How do we compete'?' Although business-level strategy is guided by 'upstream', corporate-level strategy, business unit management must craft a strategy that is appropriate for its own operating situation. In the 1980s, Porter (1980, 1985)[22] made a significant contribution to our understanding of business strategy by formulating a framework that described three competitive strategies: cost leadership, differentiation and focus.

The low- cost strategy attempts to increase the organization's market share by having the lowest unit cost and price compared with competitors. The simple alternative to cost leadership is differentiation strategy. This assumes that managers distinguish their services and products from those of their competitors in the same industry by providing distinctive levels of service, product or high quality such that the customer is prepared to pay a premium price. With the focus strategy, managers focus on a specific buyer group or regional market. A market strategy can be narrow or broad, as in the notion of niche markets being very narrow or focused. This allows the firm to choose from four generic business-level strategies - low-cost leadership, differentiation, focused differentiation and focused low-cost leadership in order

to establish and exploit a competitive advantage within a particular competitive scope (Figure 2.7)

Figure 2.7: Porter's competitive strategies

		Competitive Advantage	
		Low Cost	**Uniqueness**
Competitive Scope	Broad target	**Low Cost leadership** e.g. Wal- Mart	**Differentiation** e.g. Tommy Hilfiger's apparel
	Narrow target	**Focused low – cost leadership** e.g. Rent A Wreck cars	**Focused differentiation** e.g. Mountain Equipment Co-operative

Source: Adapted from Porter (1985) competitive Advantage, New York: Free press page 12

Miles and Snow (1984)[23] have identified four modes of strategic orientation: defenders, prospectors, analyzers and reactors. Defenders are companies with a limited product line and a management focuses on improving the efficiency of their existing operations. Commitment to this cost orientation makes senior managers unlikely to explore new areas. Prospectors are companies with fairly broad product lines that focus on product innovation and market opportunities. These sales orientation makes senior managers emphasize 'creativity over efficiency- Analyzers are companies that operate in at least two different product market areas, one stable and one variable. In this situation, senior managers emphasize efficiency in the stable areas and innovation in the variable areas. Reactors are companies that lack a consistent strategy-structure-culture relationship. In this reactive orientation, senior management's responses to environmental changes and pressures thus tend to be piecemeal strategic adjustments. Competing companies within a single industry can choose anyone of these four types of strategy and adopt a corresponding combination of structure, culture and processes consistent with that strategy in response to the environment. The different competitive strategies influence the 'downstream' functional strategies.

Functional-level strategy

Functional-level strategy pertains to the major functional operations within the business unit, including research and development, marketing, manufacturing, finance and HR. This strategy level is typically primarily concerned with maximizing resource productivity and addresses the question, 'How do we support the business-level competitive strategy?' Consistent with this, at the functional level, HRM policies and practices support the business strategy goals.

These three levels of strategy - corporate, business and functional - form a hierarchy of strategy within large multidivisional corporations. In different corporations, the specific operation of the hierarchy of strategy might vary between 'top-down' and 'bottom-up' strategic planning. The top-down approach resembles a 'cascade' in which the 'downstream' strategic decisions are dependent on higher 'upstream' strategic decisions (Wheelen & Hunger, 1995). The bottom-up approach to strategy making recognizes that individuals 'deep' within the organization might contribute to strategic planning. Mintzberg (1978)[24] has incorporated this idea into a model of 'emergent strategies', which are unplanned responses to unforeseen circumstances by non-executive employees within the organization. Strategic management literature emphasizes that the strategies at different levels must be fully integrated. Thus strategies at different levels need to inter-relate. The strategy at corporate level must build upon the strategies at the lower levels in the hierarchy. However, at the same time, all parts of the business have to work to accommodate the overriding corporate goals. (EA. Maljers, Chairman of the Board of Unilever, quoted by Wheelen & Hunger, 1995, p. 20)

The need to integrate business strategy and HRM strategy has received much attention from the HR academic community,

2.4 Strategic Human Resource Management

The SHRM literature is rooted in 'manpower' planning, but it was the work of influential management gurus (for example Ouchi, 1981; Peters & Waterman,

1982)[25], affirming the importance of the effective management of people as a source of competitive advantage, that encouraged academics to develop frameworks emphasizing the strategic role of the HR function (for example Beer et al., 1985; Fombrun et al., 1984) and attaching the prefix 'strategic' to the term 'human resource management'. Interest among academics and practitioners in linking the strategy concept to HRM can be explained from both the 'rational choice' and the 'constituency-based' perspective. There is a managerial logic in focusing attention on people's skills and intellectual assets to provide a major competitive advantage when technological superiority, even once achieved, will quickly erode. From a 'constituency-based' perspective, it is argued that HR academics and HR practitioners have embraced SHRM as a means of securing greater respect for HRM as a field of study and, in the case of HR managers, of appearing more 'strategic', thereby enhancing their status within organizations.

Concept of models

In spite of the increasing volume of research and scholarship, the precise meaning of strategic HRM and HR strategy remains problematic. It is unclear, for example, which one of these two terms relates to an outcome or a process (Bamberger &. Meshoulam, 2000)[26]. Strategic HRM is an outcome: 'as organizational systems designed to achieve sustainable competitive advantage through people'. For others, however, SHRM is viewed as a process, 'the process of linking HR practices to business strategy' (Ulrich, 1997, p. 89)[27]. Similarly, Bamberger and Meshoulam (2000, p. 6) describe SHRM as 'the process by which organizations seek to link the human, social, and intellectual capital of their members to the strategic needs of the firm'. According to Ulrich (1997, p.190) 'HR strategy' is the outcome: 'the mission, vision and priorities of the HR function'. Consistent with this view, Bamberger and Meshoulam (2000, p. 5) conceptualize HR strategy as an outcome: 'the pattern of decisions regarding the policies and practices associated with the HR system'. The authors go on to make a useful distinction between senior management's 'espoused' HR strategy and their 'emergent' strategy. The espoused HR strategy refers to the pattern of HR-related decisions made but not necessarily implemented, whereas the emergent HR strategy refers to the

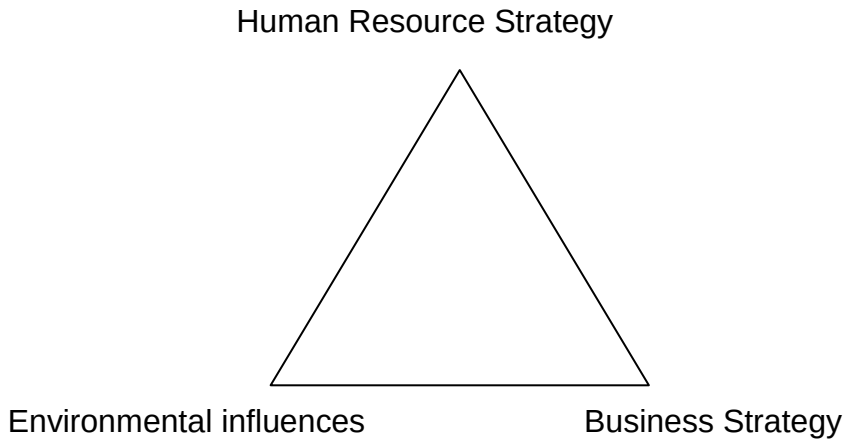
pattern of HR-related decisions that have been applied in the workplace. Thus, 'espoused HR strategy is the road map and emergent HR strategy is the road actually traveled' (Bamberger &. Meshoulam, 2000, p. 6).

A range of business HRM links has been classified in terms of a proactive-reactive continuum (Kydd &. Oppenheim, 1990)[28] and in terms of environment-human resource strategy-business strategy linkages (Bamberger &. Phillips 1991)[29]. In the 'proactive' orientation, the HR professional has a seat at the strategic table and is actively engaged in strategy formulation.

At the other end of the continuum is the 'reactive' orientation, which sees the HR function as being fully subservient to corporate and business-level strategy, and organizational-level strategies as ultimately determining HR policies and practices. Once the business strategy has been determined, an HR strategy is implemented to support the chosen competitive strategy. This type of reactive orientation would be depicted in Figure 2.8 below by a one-way downward at TOW from business- to functional-level strategy. In this sense, a HR strategy is concerned with the challenge of matching the philosophy, policies, programmes, practices and processes - the 'five Ps' - in a way that will stimulate and reinforce the different employee role behaviours appropriate for each competitive strategy (Schuler, 1989, 1992)[29].

The importance of the environment as a determinant of HR strategy has been incorporated into some models. Extending strategic management concepts, Bamberger and Phillips' (1991) model depicts links between three poles: the environment, human resource strategy and the business strategy (Figure 2.8). In the hierarchy of the strategic decision-making model, the HR strategy is influenced by contextual variables such as markets, technology, national government policies, European Union policies and trade unions. Purcell and Ahlstrand (1994) argue, however, that those models which incorporate contextual influences as a mediating variable of HR policies and practices tend to lack 'precision and detail in terms of the precise nature of the environment linkages, and that 'much of the work on the linkages has been developed at an abstract and highly generalized level' (p. 36).

Figure 2.8 Environment as a mediating variable for human resource management strategies



Source: Bamberger and Phillips (1991) Organizational Environment and Business Strategy, Human Resource Management, Vol.30 (2)

In the late 1980's, Purcell made a significant contribution to research on business-HRM strategy. Drawing on the literature on 'strategic choice' in industrial relations (for example Kochan et al., 1986; Thurkey & Wood, 1983)[30] and using the notion of a hierarchy of strategy, Purcell (1989)[31] identified what he called, 'upstream' and 'downstream' types of strategic decision. The upstream or 'first-order' strategic decisions are concerned with the long-term direction of the corporation. If a first order decision is made to take over another enterprise, for example a French company acquiring a water company in southern England, a second set of considerations applies concerning the extent to which the new operation is to be integrated with or separate from existing operations. These are classified as downstream or 'second order', strategic decisions. Different HR strategies are called 'third-order' strategic decisions because they establish the basic parameters for managing people in the workplace. Purcell (1989, p. 71) wrote, '[in theory] strategy in human resources management is determined in the context of first-order, long-run decisions on the direction and scope of the firm's activities and purpose ... and second-order decisions on the structure of the firm'.

In a major study of HRM in multidivisional companies, Purcell and Ahlstrand (1994) argue that what actually determines HR strategy will be determined by decisions at all three levels and by the ability and leadership style of local managers to follow through goals in the context of specific environmental conditions. Case study analysis has, however, highlighted the problematic nature of strategic choice model building. The conception of strategic choice might exaggerate the ability of managers to make decisions and take action independent of the environmental contexts in which they do business (Colling, 1995)[32].

Another part of the strategic HRM debate has focused on the integration or 'fit' of business strategy with HR strategy. This shift in managerial thought, calling for the HR function to be 'strategically integrated', is depicted in Beer et al.'s (1984) model of HRM. The authors espoused the need to establish a close two-way relationship or 'fit' between the external business strategy and the elements of the internal HR strategy:

'An organization's HRM policies and practices must fit with its strategy in its competitive environment and with the immediate business conditions that it faces' (Beer et al., 1984, p. 25). The concept of integration has three aspects:

- the linking of HR policies and practices with the strategic management process of the organization

- the internalization of the importance of HR on the part of line managers

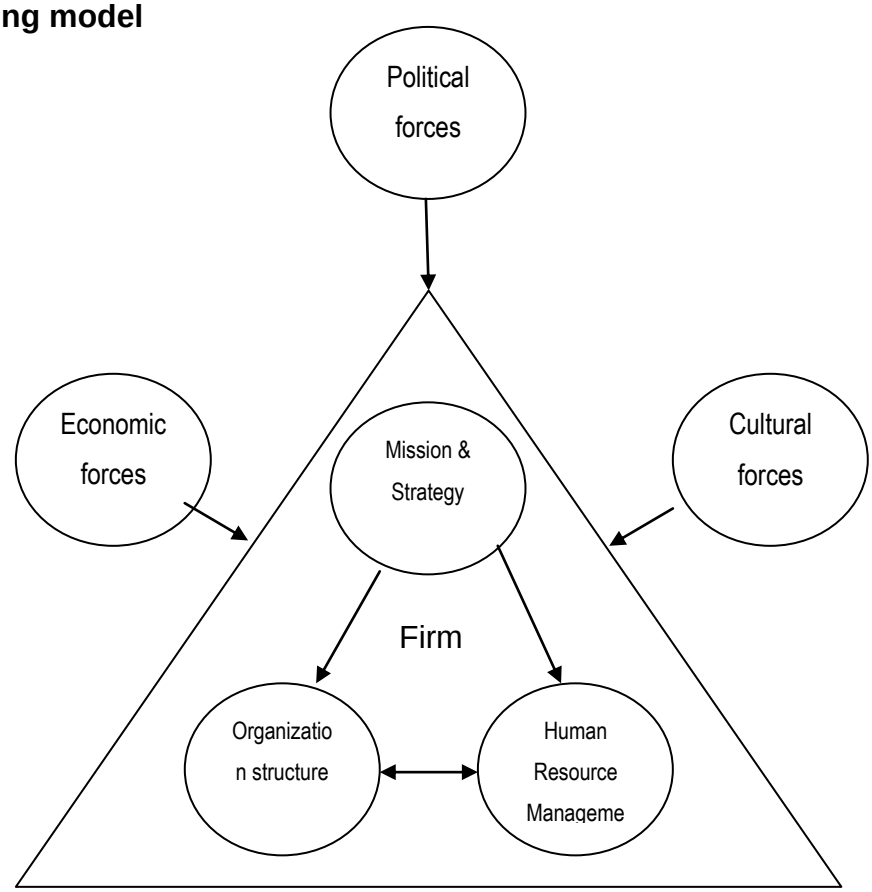
- the integration of the workforce into the organization to foster commitment or an 'identity of interest' with the strategic goals.

Not surprisingly, this approach to SHRM has been referred to as the 'matching' model.

The matching model

Early interest in the 'matching' model was evident in Devanna et al.'s (1984)[33] work: 'HR systems and organizational structure should be managed in a way that is congruent with organizational strategy' (p. 37). This is close to Chandler's (1962)[34] distinction between strategy and structure and his often-quoted maxim that 'structure follows strategy'. In the Devanna et al. model, HRM-strategy-structure follow and feed upon one another and are influenced by environmental forces (Figure 2.9).

Figure 2.9 Devanna et al.'s strategic human resource management matching model



Source: Devanna et al. (1984) Strategic Human Resource Management New York: John Wiley.

Similarly, the notion of 'fit' between an external competitive strategy and the internal HR strategy is a central tenet of the HRM model advanced by Beer et al. (1984,). The authors emphasize the analysis of the linkages between the

two strategies and how each strategy provides goals and constraints for the other. There must be a 'fit between competitive strategy and internal HRM strategy and a fit among the elements of the HRM strategy' (Beer et al., 1984, p. 13). The relationship between business strategy and HR strategy is said to be 'reactive' in the sense that HR strategy is subservient to 'product market logic' and the corporate strategy. The latter is assumed to be the independent variable (Boxall, 1992; Purcell & Ahlstrand, 1994). As Miller (1987, cited in Boxall, 1992, p. 66) emphasizes, 'HRM cannot be conceptualized as a stand-alone corporate issue. Strategically speaking it must flow from and be dependent upon the organization's (market oriented) corporate strategy'. There is some theorization of the link between product markets and organizational design, and approaches to people management. Thus, for example, each Porterian competitive strategy involves a unique set of responses from workers, or 'needed role behaviours', and a particular HR strategy that might generate and reinforce a unique pattern of behaviour (Cappelli & Singh, 1992)[25]. HRM is therefore seen to be 'strategic by virtue of its alignment with business strategy and its internal consistency (Boxall, 1996).

Human Resource Strategy Models

We now examine the link between organization/business strategy and HR strategy. 'Human resource strategies' are here taken to mean the patterns of decisions regarding HR policies and practices used by management to design work and select, train and develop, appraise, motivate and control workers. Studying HR strategies in terms of typologies is appealing to academics because conceptual frameworks or models give HR researchers the ability to compare and contrast the different configurations or clusters of HR practices and further develop and test theory (Bamberger & Meshoulam, 2000).

To appreciate the significance of 'typologies', it is useful to recall the work of Max Weber. This sociologist built his theory through the use of abstractions he called 'ideal types', such as 'bureaucracy'. 'Weber warned, however, that these abstractions or ideal types never actually exists in the real world; they are simply useful fictions to help us understand the more complex and messy

realities found in work organizations. The same is true of HR typologies - they are abstractions that do not necessarily exist in the workplace, but they help the student of management to understand the nature of HR strategies.

Since the early 1990s, academics have proposed at least three models to differentiate between 'ideal types' of HR strategies. The first model examined here, the control-based model, is grounded in the way in which management attempts to monitor and control employee role performance. The second model, the resource based mode:, is grounded in the nature of the employer-employee exchange and, more specifically, in the set of employee attitudes, in behaviours and in the quality of the manager-subordinate relationship. A third approach creates an integrative model that combines resource-based and control-based typologies.

The control - based model

The first approach to modelling different types of HR strategy is based on the nature of workplace control and more specifically on managerial behaviour to direct and monitor employee role performance. According to this perspective, management structures and HR strategy are instruments and techniques to control all aspects of work to secure a high level of labour productivity and a corresponding level of profitability. This focus on monitoring and controlling employee behaviour as a basis for distinguishing different HR strategies has its roots in the study of 'labour process' by industrial sociologists.

The starting point for this framework is Marx's analysis of the capitalist labour process and what he referred to as the 'transformation of labour power into labour'. Put simply, when organizations hire people, they have only a potential or capacity to work. To ensure that each worker exercises his or her full capacity, managers must organize the tasks, space, movement and time within which workers operate. But workers have divergent interests in terms of pace of work, rewards and job security, and engage in formal (trade unions) and informal (restrictions of output or sabotage) behaviours to counteract management job controls. Workers' own counter management behaviour then causes managers to control and discipline the interior of the organization. In

an insightful review, Thompson and McHugh (2002, p. 1(4)[36] comment that, 'control is not an end in itself, but a means to transform the capacity to work established by the wage relation into production'.

What alternative HR strategies have managers used to render employees and their behaviour predictable and measurable'? Edwards identified successive dominant modes of control that reflect changing competitive conditions and worker resistance. An early system of individual control by employers exercising direct authority was replaced by more complex structural forms of control: bureaucratic control and technical control. Bureaucratic control includes written rules and procedures covering work. Technical control includes machinery or systems - assembly line, surveillance cameras - that set the pace of work or monitor employees' behaviour in the workplace. Edwards also argued that managers use a 'divide and rule' strategy, using gender and race, to foster managerial control.

Friedman (1977)[37] structured his typology of HR strategies - direct control and responsible autonomy - around the notion of differing logics of control depending upon the nature of the product and labour markets. Another organizational theorist, Burawoy (1979)[38], categorized the development of HR strategies in terms of the transition from despotic to hegemonic regimes. The former was dominated by coercive manager subordinate relations; the latter provided an 'industrial citizenship' that regulated employment relations through grievance and bargaining processes. The growth of employment in new call centers has recently given rise to a renewed focus of interest on the use of technical control systems: the electronic surveillance of the operator's role performance (Callaghan & Thompson, 2001)[39]

The choice of HR strategy is governed by variations in organizational form (for example size, structure and age), competitive pressures on management and the stability of labour markets, mediated by the interplay of manager-subordinate relations and worker resistance (Thompson & McHugh, 2002)[40]. Moreover, the variations in HR strategy are not random but reflect two management logics (Bamberger & Meshoulam, 2000).

The first is the logic of direct, process-based control, in which the focus is on efficiency and cost containment (managers needing within this domain to monitor and control workers' performance carefully), whereas the second is the logic of indirect outcomes-based control, in which the focus is on actual results (within this domain, managers needing to engage workers' intellectual capital, commitment and cooperation). Thus, when managing people at work, control and cooperation coexist, and the extent to which there is any ebb and flow in intensity and direction between types of control will depend upon the 'multiple constituents' of the management process.

Implicit in this approach to managerial control is that the logic underlying an HR strategy will tend to be consistent with an organization's competitive strategy. We are thus unlikely to find organizations adopting a Porterian cost-leadership strategy with an HR strategy grounded in an outcome-based logic. Managers will tend to adopt process-based controls when means-ends relations are certain (as is typically the case among firms adopting a cost - leadership strategy), and outcomes-based controls when means-ends are uncertain (for example differentiation strategy). These management logics result in different organizational designs and variations in HR strategy, which provide the source of inevitable structural tensions between management and employees. It is posited, therefore, that HR strategies contain inherent contradictions (Hyman, 1987; Storey, 1995; Thompson &: McHugh, 2002)[41].

The resource-based mode

This second approach to developing typologies of HR strategy is grounded in the nature of the reward-effort exchange and, more specifically, the degree to which managers view their human resources as an asset as opposed to a variable cost. Superior performance through workers is underscored when advanced technology and other inanimate resources are readily available to competing firms. The sum of people's knowledge and expertise, and social relationships, has the potential to provide non-substitutable capabilities that serve as a source of competitive advantage (Cappelli & Singh, 1992). The various perspectives on resource-based HRM models raise questions about

the inextricable connection between work related learning, the 'mobilization of employee consent through learning strategies and competitive advantage. Given the upsurge of interest in resource-based models & in particular the new workplace learning discourse, we need to examine this model in some detail.

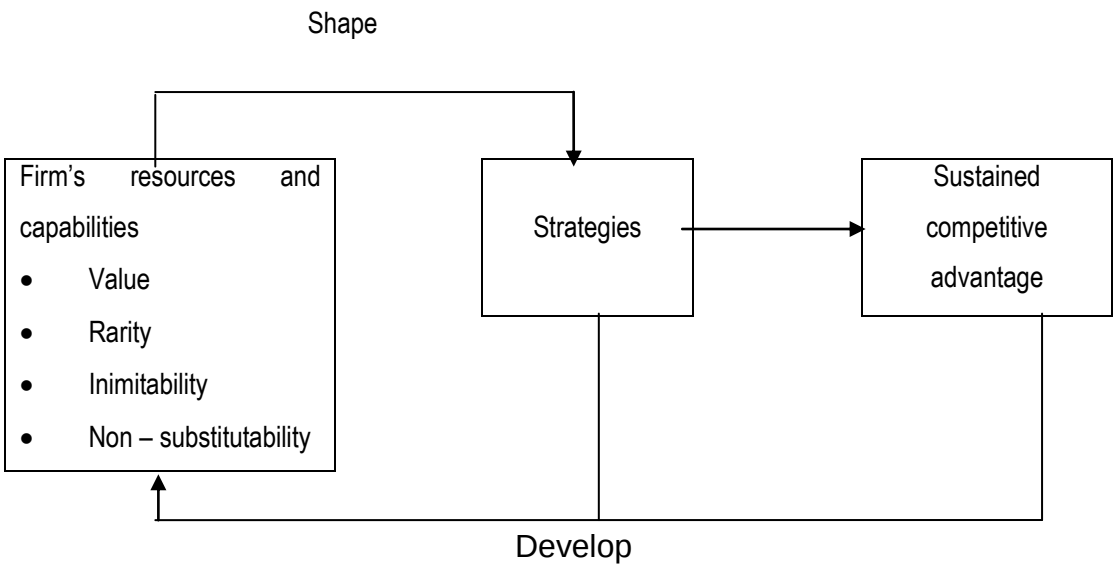
The genesis of the resource-based model can be traced back to Selznick (1957)[42], who suggested that work organizations each possess 'distinctive competence' that enables them to outperform their competitors, and to Penrose (1959), who conceptualized the firm as a 'collection of productive resources'. She distinguished between 'physical' and 'human resources', and drew attention to issues of learning, including the knowledge and experience of the management team. Moreover, Penrose emphasized what many organizational theorists take for granted that organizations are heterogeneous (Penrose, 1959)[43]. More recently, Barney (1991)[44] has argued that 'sustained competitive advantage' (emphasis added) is achieved not through an analysis of a firm's external market position but through a careful analysis of its skills and capabilities, characteristics that competitors find themselves unable to imitate. Putting it in terms of a simple SWOT analysis, the resource-based perspective emphasizes the strategic importance of exploiting internal 'strengths' and neutralizing internal 'weaknesses' (Barney, 1991).

The resource-based approach exploits the distinctive competencies of a work organization: its resources and capabilities. An organization's resources can be divided into tangible (financial, technological. physical and human) and intangible (brand-name, reputation and know-how) resources. To give rise to a distinctive competency, an organization's resources must be both unique and valuable. By capabilities, we mean the collective skills possessed by the organization to coordinate effectively the resources. According to strategic management theorists, the distinction between resources and capabilities is critical to understanding what generates a distinctive competency (see, for example, Hill & Jones, 2001). It is important to recognize that a firm may not need a uniquely endowed workforce to establish a distinctive competency as long as it has managerial capabilities that no competitor possesses. This

observation may explain why an organization adopts one of the control-based HR strategies.

Barney argues that four characteristics of resources and capabilities - value, rarity, inimitability and non-substitutability - are important in sustaining competitive advantage. From this perspective, collective learning in the workplace on the part of managers and non-managers, especially on how to coordinate workers' diverse knowledge and skills and integrate diverse information technology, is a strategic asset that rivals find difficult to replicate. In other words, leadership capabilities are critical to harnessing the firm's human assets. Amit and Shoemaker (1993, p. 37)[45] make a similar point when they emphasize the strategic importance of managers identifying, ex ante, and marshalling 'a set of complementary and specialized resources and capabilities which are scarce, durable, not easily traded, and difficult to imitate' in order to enable the company to earn 'economic rent' (profits). Figure 2.10 summarizes the relationship between resources and capabilities, strategies, and sustained competitive advantage.

Figure 2.10 The relationship between resource endowments, strategies and sustained competitive advantage



Source: Hill, C Jones G (2001), Strategic Management: An integrated approach, Boston: Houghton Mifflin

The integrative model

Bamberger and Meshoulam (2000) integrate the two main models of HR strategy, one focusing on the strategy's underlying logic of managerial control, the other focusing on the reward-effort exchange. Arguing that neither of the two dichotomous approaches (control- and resource-based models) provides a framework able to encompass the ebb and flow of the intensity and direction of HR strategy, they build a model that characterizes the two main dimensions of HR strategy as involving 'acquisition and development' and the 'locus of control'.

Acquisition and development are concerned with the extent to which the HR strategy develops internal human capital as opposed to the external recruitment of human capital. In other words, organizations can lean more towards 'making' their workers (high investment in training) or more towards 'buying' their workers from the external labour market (Rousseau, 1995)[46]. Bamberger and Meshoulam (2000) call this the 'make-or-buy' aspect of HR strategy.

Locus of control is concerned with the degree to which HR strategy focuses on monitoring employees' compliance with process-based standards as opposed to developing a psychological contract that nurtures social relationships, encourages mutual trust and respect, and controls the focus on the outcomes (ends) themselves. This strand of thinking in HR strategy can be traced back to the ideas of Walton (1987), who made a distinction between commitment and control strategies (Hutchinson et al., 2000)[47]. As Figure 2.10 shows, these two main dimensions of HR strategy yield four different 'ideal types' of dominant HR strategy:

- Commitment
- Collaborative
- Paternalistic
- Traditional.

Figure 2.11 Categorizing human resource management strategies

Source: Bamberger and Meshoulam (2000) Human Resource Strategy, Thousand Oak: sage

The commitment HR strategy is characterized as focusing on the internal development of employees' competencies and outcome control. In contrast, the traditional HR strategy, which parallels Bamberger and Meshoulam's 'secondary' HR strategy, is viewed as focusing on the external recruitment of competencies and behavioural or process-based controls. The collaborative HR strategy, which parallels Bamberger and Meshoulam's 'free agent' HR strategy, involves the organization subcontracting work to external independent experts (for example consultants or contractors), giving extensive autonomy and evaluating their performance primarily in terms of the end results. The patemalistic HR strategy offers learning opportunities and internal promotion to employees for their compliance with process-based control mechanisms. Each HR strategy represents a distinctive HR paradigm, or set of beliefs, values and assumptions, that guide managers. Similar four-cell grids have been developed by Lepak and Snell (1999)[48]. Based upon emprical evidence, Bamberger and Meshoulam suggest that the HR strategies in the diagonal quandrants 'commitment' and 'traditional' are likely to be the most prevalent in (North American) work organizations.

It is argued that an organization's HR strategy is strongly related to its competitive strategy. So, for example, the traditional HR strategy (bottom right quantrant) is most likely to be adopted by management when there is certainty over how inputs are transformed into outcomes and/or when

employee performance can be closely monitored or appraised. This dominant HR strategy is more prevalent in firms with a highly routinized transformation process, low-cost priority and stable competitive environment. Under such conditions, managers use technology to control the uncertainty inherent in the labour process and insist only that workers enact the specified core standards of behaviour required to facilitate undisrupted production. Managerial behaviour in such organizations can be summed up by the managerial edict 'You are here to work, not to think!' Implied by this approach is a focus on process-based control in which 'close monitoring by supervisors and efficiency wages ensure adequate work effort' (MacDuffie, 1995, quoted by Bamberger & Meshoulam, 2002, p. 60). The use of the word 'traditional' to classify this HR strategy and the use of a technological 'fix' to control workers should not be viewed as a strategy only of 'industrial' worksites. Case study research on call centres, workplaces that some organizational theorists label 'post-industrial', reveal systems of technical and bureaucratic control that closely monitor and evaluate their operators (Sewell, 1998; Thompson & McHugh, 2002).

The other dominant HR strategy, the commitment HR strategy (top left quantrant), is most likely to be found in workplaces in which management lacks a full knowledge of all aspects of the labour process and/or the ability to monitor closely or evaluate the efficacy of the worker behaviours required for executing the work (for example single batch, high quality production, research and development, and health care professionals). This typically refers to 'knowledge work'. In such workplaces, managers must rely on employees to cope with the uncertainties inherent in the labour process and can thus only monitor and evaluate the outcomes of work. This HR strategy is associated with a set of HR practices that aim to develop highly committed and flexible people, internal markets that reward commitment with promotion and a degree of job security, and a 'participative' leadership style that forges a commonality of interest and mobilizes consent to the organization's goals (Hutchinson et al. 2000). In addition, as others have noted, workers under such conditions do not always need to be overtly controlled because they may effectively 'control themselves' (Thompson, 1989; Thompson &: McHugh, 2002). To develop cooperation and common interests an effort-reward

exchange based upon investment in learning, internal promotion and internal equity is typically used (Bamberger & Meshoulam, 2000). In addition, such workplaces 'mobilize' employee consent through culture strategies, including the popular notion of the 'learning organization'. (Bratton, 2001, p. 341) [49]:

Evaluating strategic human resources management and models of human resources strategy

A number of limitations to current research on SHRM and HR strategy have been identified: the focus on strategic decision-making, the absence of internal strategies and the conceptualization of managerial control

Existing conceptualizations of SHRM are predicated upon the traditional rational perspective to managerial decision-making - definable acts of linear planning, choice and action - but critical organizational theorists have challenged these assumptions, arguing that strategic decisions are not necessarily based on the output of rational calculation. The assumption that a firm's business-level strategy and HR system have a logical, linear relationship is questionable given the evidence that strategy formulation is informal, politically charged and subject to complex contingency factors. As such, the notion of consciously aligning business strategy and HR strategy applies only to the 'classical' approach to strategy. Those who question the classical approach to strategic management argue that the image of the manager as a reflective planner and strategist is a myth. Managerial behaviour is more likely to be uncoordinated, frenetic, ad hoc and fragmented.

The political perspectives on strategic decision-making make the case that managerial rationality is limited by lack of information, time and 'cognitive capacity' as well as that strategic management is a highly competitive process in which managers fiercely compete for resources, status and power. Within such a management milieu, strategies can signal changes in power relationships among managers. Rather than viewing strategic choices as the outcome of rational decision making, Johnson (1987, cited in Purcell, 1989, p. 72), among others, argues that 'Strategic decisions are characterized by the political hurly-burly of organizational life with a high incidence of bargaining...

all within a notable lack of clarity in terms of environmental influences and objectives.'

Alternatively, strategic decision-making may be conceptualized as a 'discourse' or body of language-based communication that operates at different levels in the organization. Thus, Hendry (2000)[50] persuasively argues that a strategic decision takes its meaning from the discourse and social practice within which it is located, so a decision must be not only effectively communicated, but also 'recommunicated' until it becomes embodied in action. This perspective reaffirms the importance of conceptualizing management in terms of functions, contingencies and skills and the leader-ship competence of managers. Whatever insights the different perspectives afford on the strategic management process critical organizational theorists have suggested that 'strategic' is no longer fashionable in management thought and discourse, having gone from 'buzzword to boo-word' (Thompson & McHugh, 2002, p. 110).

A second limitation of SHRM and HR strategy theory is the focus on the connection between external market strategies and HR function. It is argued that contingency analysis relies exclusively on external marketing strategies (how the firm competes) and disregards the internal operational strategies (how the firm is managed) that influence HR practices and performance (Purcell, 1999). In an industry in which a flexible, customized product range and high quality are the key to profitability, a firm can adopt a manufacturing strategy that allows, via new technology and self-managed work teams, for far fewer people but ones who are functionally flexible, within a commitment HR strategy regime. This was the strategy at Flowpak Engineering. Microelectronics and the use of plastic changed the firm's manufacturing strategy from their being a manufacturer of packaging machinery to an assembler. The technology and manufacturing strategy in this case became the key intervening variable between overall business strategy and HRM.

The major limitation of a simple SHRM model is that it privileges only one step in the full circuit of industrial capital. To put it another way, the SHRM

approach looks only at the realization of surplus value within product markets rather than at complex contingent variables that constitute the full transformation process. As Purcell (1999, p. 37) argues, 'we need to be much more sensitive to processes of organizational change and avoid being trapped in the logic of rational choice'.

Another limitation of most current studies examining SHRM is the conceptualization of managerial control. The basic premise of the typologies of HR strategy approach is that a dominant HR strategy is strongly related to a specific competitive strategy. Thus, the commitment HR strategy is most likely to be adopted when management seek to compete in the marketplace by using a generic differentiation strategy. This might be true, but the notion that a commitment HR strategy follows from a real or perceived 'added-value' competitive strategy is more problematic in practice. Moreover, it is misleading to assume that managerial behaviour is not influenced by the indeterminacy of the employment contract and by how to close the' gap' between an employee's potential and actual performance level. Reflecting on this problem, Colling (1995, p. 29) correctly emphasizes that '"added-value" [differentiation] strategies do not preclude or prevent the use of managerial control over employees few companies are able to operationalize added-value programmes without cost-constraints and even fewer can do so for very long'. Others have gone beyond the 'organizational democracy' rhetoric and acknowledge that 'It is utopian to think that control can be completely surrendered' in the 'post modern' work organization (Cloke & Goldsmith, 2002, p. 162)[51].

Consistent with our earlier definition of strategy - as a specific pattern of decisions and actions - managers do act strategically, and strategic patterns do emerge over a period of time (Thompson & McHugh, 2002; Watson, 1999). One strategic decision and action might, however, undermine another strategic goal. In a market downturn or recession, for example, there is a tendency for corporate management to improve profitability by downsizing and applying more demanding performance outcomes at the unit level. This pattern of action constitutes a strategy even though manifesting a disjunction

between organizational design and employer-employee relations. As Purcell (1989, 1995) points out, an organization pursuing a strategy of acquisition and downsizing might 'logically' adopt an HR strategy that includes the compulsory layoff of non-core employees and, for the identifiable core of employees with rare attributes, a compensation system based on performance results. In practice, the resource-based approach predicts a sharp differentiation within organizations 'between those with key competencies, knowledge and valued organizational memory, and those more easily replaced or disposed of (Purcell, 1999, p. 36). In such a case, the business strategy and HR strategy might 'fit', but, as point out, these HR policies and practices 'although consistent with such a business strategy, are unlikely to generate employee commitment'. Thus, achieving the goal of 'close fit' of business and HR strategy can contradict the goal of employee commitment and cooperation.

It is important to emphasize that however committed a group of managers might be to a particular HR strategy (for example the commitment HR strategy), there are external conditions and internal 'structural contradictions' at work that will constrain management action. The kind of analysis explored here is nicely summed up by Hyman's pessimistic pronouncement that 'there is no "one best way" of managing these contradictions, only different routes to partial failure' (1987, quoted in Thompson & McHugh, 2002, p. 108).

Dimensions of strategic human resource management

In addition to focusing on the validity of the matching SHRM model and typologies of HR strategy, researchers have identified a number of important themes associated with the notion of SHRM.

Human Resource Management Practices and performance

Although most HRM models provide no clear focus for any test of the HRM performance link, the models tend to assume that an alignment between business strategy and HR strategy will improve organizational performance and competitiveness. During the past decade, demonstrating that there is indeed positive link between particular sets or 'bundles' of HR practices and

business performance has become 'the dominant research issue' (Guest, 1997, p. 264)[52]. The dominant empirical questions on this topic ask 'What types of performance data are available to measure the HRM-performance link?' and 'Do "high-commitment-type" HRM systems produce above-average results compared with "control-type" systems?' A number of studies have found that, in spite of the methodological challenges, bundles of HRM practices are positively associated with superior organization performance.

Re-engineering and Strategic human resource management

All normative models of HRM emphasize the importance of organizational design. As previously discussed, the 'soft' HRM model is concerned with job designs that encourage the vertical and horizontal compression of tasks and greater worker autonomy. The redesign of work organizations has been variously labeled 'high performing work systems' (HPWS), 'business process re-engineering' and 'high commitment management'. The literature emphasizes core features of this approach to organizational design and management, including a 'flattened' hierarchy, decentralized decision-making to line managers or work teams, 'enabling' information technology, 'strong' leadership and a set of HR practices that make workers' behaviour more congruent with the organization's culture and goals.

Leadership and strategic human resource management

The concept of managerial leadership permeates and structures the theory and practice of work organizations and hence how we understand SHRM. Most definitions of managerial leadership reflect the assumption that it involves a *process* whereby an individual exerts influence upon others in an organizational context. Within the literature, there is a continuing debate over the alleged differences between a manager and a leader: managers develop *plans* whereas leaders create a *vision* (Kotter, 1996). Much of the leadership research and literature tends to be androcentric in nature and rarely acknowledges the limited representation of ethnic groups and women in senior leadership positions (Townley, 1994)[53]. The current interest in alternative leadership paradigms variously labelled 'transformational

leadership' and 'charismatic leadership' may be explained by understanding the prerequisites of the resource-based SHRM model. Managers are looking for a style of leadership that will develop the firm's human endowment and, moreover, cultivate commitment, flexibility, innovation and change.

A number of writers (for example Agashae & Bratton, 2001[54]; make explicit links between learning, leadership and organizational change. It would seem that a key constraint on the development of a resource-based SHRM model is leadership competencies. Apparently, 'most re-engineering failures stem from breakdowns in leadership' (Hamme & Champy, 1993, p. 107)[55] and the 'engine' that drives organizational change is 'leadership, leadership, and still more leadership' (Kotter, 1996, p. 32). In essence, popular leadership models extol to followers the need for working beyond the economic contract for the 'common' good. In contemporary parlance, the 'transformational' leader is empowering workers. To go beyond the rhetoric, however, such popular leadership models shift the focus away from managerial control processes and innate power relationships towards the psychological contract and the individualization of the employment relationship.

Workplace learning and strategic human resource management

Within most formulations of SHRM, formal and informal work-related learning has come to represent a key lever that can help managers to achieve the substantive HRM goals of commitment, flexibility and quality (Beer et al., 1984; Keep, 1989). As such, this growing field of research occupies centre stage in the 'soft' resource-based SHRM model. From a managerial perspective, formal and informal learning can, it is argued, strengthen an organization's 'core competencies' and thus act as a lever to sustainable competitive advantage - having the ability to learn faster than one's competitors is of the essence here. There is a growing body of work that has taken a more critical look at workplace learning. Some of these writers, for example, emphasize how workplace learning can strengthen 'cultural control' (Legge, 1995), strengthen the power of those at the 'apex of the organization' and be a source of conflict when linked to productivity or flexibility bargaining and job control (Bratton, 2001).

Trade union and Strategic human resource management

The notion of worker commitment embedded in the HRM model has led writers from both ends of the political spectrum to argue that there is a contradiction between the normative HRM model and trade unions. In the prescriptive management literature, the argument is that the collectivist culture, with its 'them and us' attitude, sits uncomfortably with the HRM goal of high employee commitment and the individualization of the employment relationship. The critical perspective also presents the HRM model as being inconsistent with traditional industrial relations, albeit for very different reasons. Critics argue that 'high-commitment' HR strategies are designed to provide workers with a false sense of job security and to obscure underlying sources of conflict inherent in capitalist employment relations. Other scholars, taking an 'orthodox pluralist' perspective, have argued that trade unions and the 'high-performance-high-commitment' HRM model cannot only coexist but are indeed necessary if an HPWS is to succeed. What is apparent is that this part of the SHRM debate has been strongly influenced by economic, political and legal developments in the USA and UK over the past two decades

International and comparative strategic human resource management

The assumption that SHRM is a strategically driven management process points to its international potentialities. The employment relationship is shaped by national systems of employment legislation and the cultural contexts in which it operates. Thus, as the world of business is becoming more globalized, variations in national regulatory systems, labour markets and institutional and natural contexts are likely to constrain or shape any tendency towards 'convergence' or a 'universal' model of best HRM practice. This section addresses aspects of the international scene to help us place the discourse on the SHRM model into a wider global context. In doing so, we make a distinction between international HRM and comparative HRM. The subject matter of the former revolves around the issues and problems associated with the globalization of capitalism. Comparative HRM, on the other hand, focuses on providing insights into the nature of, and reasons for, differences in HR practices across national boundaries.

International Human Resource Management

The majority of international HRM research has focused on issues associated with the cross-national transfer of people such as how to select and manage expatriate managers in international job assignments. A decade ago, it was suggested that much of this work tended to be descriptive and lacked analytical rigour but research and scholarship have made considerable progress over the past 10 years. Recent studies have recognized the importance of linking international HRM with the strategic evolution of the firm, and theoretical models of international HRM have been developed. International HRM has been defined as 'HRM issues, functions and policies and practices that result from the strategic activities of multinational enterprises and that impact the international concerns and goals of those enterprises' (Scullion, 1995, p. 356)[56]. International HRM tends to emphasize the subordination of national culture and national employment practices to corporate culture and HRM practices (Boxall, 1995).

The issue of transplanting Western HR practices and values into culturally diverse environments needs to be critically researched. Early 21st century capitalism, when developing international business strategy, faces the perennial difficulty of organizing the employment relationship to reduce the indeterminacy resulting from the unspecified nature of the employment contract (Townley, 1994). If we adopt Townley's approach to international HRM, the role of knowledge to render people in the workplace 'governable' is further complicated in culturally diverse environments. For example, it behoves researchers to examine whether managers and workers in Mexico, Chile, India, Pakistan, South Africa and elsewhere will accept the underlying ideology and embrace the HRM paradigm. In addition, although there is an awareness of the importance of international HRM, further research is needed into the barriers facing women seeking international assignment - the 'glass border'

Comparative Human Resource Management

As with international HRM the growth of interest in comparative HRM is linked to the globalization of business. Of considerable interest to HR academics and practitioners is the question of the extent to which an HR strategy that works effectively in one country and culture can be transplanted to others. Recent comparative research suggests that there are significant differences between Asian, European and North American companies with regard to HR strategies (Brewster, 2001; Kidd et al., 2001; Scullion, 2001). Drawing upon Bean's (1985)[57] work on comparative industrial relations, comparative HRM is defined here as a systematic method of investigation relating to two or more countries that has analytical rather than descriptive implications. On this basis, comparative HRM should involve activities that seek to explain the patterns and variations encountered in cross-national HRM rather than being simply a description of HRM institutions and HR practices in selected countries. Simple description, what can be called the 'tourist approach', in which 'the reader is presented with a diverse selection of exotic ports of call and left to draw his own conclusion about their relevance to each other and to the traveller himself [sic]' (Shalev, 1981, quoted by Bean, 1985, p. ii), lacks academic rigour. The case for the study of comparative HRM has been made by a number of HR scholars. In terms of critical research, comparative HRM is relatively underdeveloped.

There is, of course, an intellectual challenge and intrinsic interest in comparative studies. They may lead to a greater understanding of the contingencies and processes that determine different, approaches to managing people at work. The common assumption found in many undergraduate textbooks is that 'best' HR practice has 'universal' application, but an assumption is untenable since HRM phenomena reflect different cultural milieu (Boxall, 1995). Comparative HRM studies can provide the basis for reforms in a country's domestic public policy by offering 'lessons' from offshore experience. Furthermore, they can promote a wider understanding of, and foster new insights into, HRM, either by reducing what might appear to be specific and distinctive national characteristics by providing evidence of

their occurrence elsewhere or, equally well, by demonstrating what is unique about any set of national HR arrangements. The potential benefits of studying comparative and international HRM have been recognized by both academics and HR practitioners and thus 'can no longer be considered a marginal area of interest'.

Using comparative analysis, Brewster has examined the HRM paradigm from a European perspective. Drawing upon the data from a 3-year survey of 14 European countries, Brewster puts forward the notion of a new 'European HRM model' that recognizes State and trade union involvement in the regulation of the employment relationship. According to Brewster, the European HRM model has a greater potential for 'partnership' between labour and management because, in most European Union states, 'the unions are not seen, and do not see themselves, as "adversaries". Adopting a 'systemic view' of European national work systems, Clark and Pugh (2000)[58] have argued that, despite economic and political pressures towards convergence, differences in cultural and institutional contexts continue to produce divergent employment relationships. Thus, the Dutch 'feminine' culture encourages the antipathy of Dutch workers towards 'hard' HRM whereas 'Sweden's strong collectivist culture counters the development of an individualistic orientation to the employment relationship' (Clark & Pugh, 2000, p. 96).

Inherent in controversies surrounding the notion of a European model, Asian model or North American model are questions of the limitations and value of cross national generalizations in HRM. Despite the economic and political pressures from globalization, as it is loosely called, the national diversity of HRM systems remains and is particularly sharp between the developed and the developing world. We have also to recognize that those factors which maintain differences in approaches to managing the employment relationship will continue, albeit with decreasing power (Clark & Pugh, 2000)

2.5 FORMULATING AND IMPLEMENTING HR STRATEGY

The primary role of strategic HRM may be to promote a fit with the demands of a dynamic and competitive environment, but it is not easy. A strategic

process of human-resource management may be desirable but there are no obvious ways of doing it successfully.

However, although there are many difficulties, a strategic approach is desirable in order to give a sense of direction and purpose and as a basis for the development of relevant and coherent HR policies and practices. As Dyer and Holder (1988)[59] remark, strategic HRM should provide 'unifying frameworks which are at once broad, contingency based and integrative'.

The formulation and implementation of HRM strategies is discussed under the following headings:

- fundamental process considerations - approaches to the development of HR strategies;
- strategic frameworks - the overriding strategic thrusts that will influence particular strategies;
- models for the development of HR strategies;
- approaches to addressing key business issues concerning fit, flexibility and the achievement of coherence;
- implementing HR strategies.

FUNDAMENTAL PROCESS CONSIDERATIONS

When considering approaches to the formulation of HR strategy it is necessary to underline the interactive (not unilinear) relationship between business strategy and HRM, as have Hendry and Pettigrew (1990)[60]. They emphasize the limits of excessively rationalistic models of strategic and HR planning. The point that HR strategies are not necessarily developed formally and systematically but may instead evolve and emerge has been made by Tyson (1997)[61]:

The process by which strategies come to be realized is not only through formal HR policies or written directions: strategy realization can also come from actions by managers and others. Since actions provoke reactions

(acceptance, confrontation, negotiation, etc) these reactions are also part of the strategy process.

Strategy formulation propositions

Boxall (1993) has drawn up the following propositions about the formulation of HR strategy from the literature:

- there is typically no single HR strategy in a firm, although research conducted by Armstrong and Long (1994)[62] showed that a number of the firms contacted did have an overall strategic approach within which there were specific HR strategies;
- business strategy may be an important influence on HR strategy but it is only one of several factors and the relationship is not unilinear;
- implicit (if not explicit) in the mix of factors that influence the shape of HR strategies is a set of historical compromises and trade-offs from stakeholders;
- management may seek to shift the historical pattern of HR strategy significantly in response to major contextual change, but not all managements will respond in the same way or equally effectively;
- the strategy formation process is complex, and excessively rationalistic models that advocate formalistic linkages between strategic planning and HR planning are not particularly helpful to our understanding of it;
- descriptions of the dimensions that underpin HR strategies are critical to the development of useful typologies but remain controversial, as no one set of constructs has established an intellectual superiority over the others.

It is also necessary to stress that coherent and integrated HR strategies are only likely to be developed if the top team understand and act upon the strategic imperatives associated with the employment, development and motivation of people. This will be achieved more effectively if there is an HR director who is playing an active and respected role as a business partner. A further consideration is that the effective implementation of HR strategies

depends on the involvement, commitment and cooperation of line managers and staff generally. Finally, there is too often a wide gap between the rhetoric of strategic HRM and the reality of its impact, as Gratton et al (1999) emphasize. Good intentions can too easily be subverted by the harsh realities of organizational life. For example, strategic objectives such as increasing commitment by providing more security and offering training to increase employability may have to be abandoned or at least modified because of the short-term demands made on the business to increase shareholder value.

Many different routes may be followed when formulating HR strategies there is no one right way. On the basis of their research in 30 well-known companies, Tyson and Witcher (1994) commented that: 'The different' approaches to strategy formation reflect different ways to manage change and different ways to bring the people part of the business into line with business goals' .

In strategic HRM, process may be as important as content. Tyson and Witcher (1994) also noted from their research that:

The process of formulating HR strategy was often as important as the content of the strategy ultimately agreed. It was argued that by working through strategic issues and highlighting points of tension, new ideas emerged and a consensus over goals was found.

Levels of strategic decision-making

Ideally, the formulation of HR strategies is conceived as a process that is closely aligned to the formulation of business strategies. HR strategy can influence as well as be influenced by business strategy. In reality, however, HR strategies are more likely to flow from business strategies that will be dominated by product / market and financial considerations. But there is still room for HR to make a useful, even essential contribution at the stage when business strategies are conceived, for example, by focusing on resource issues. This contribution may be more significant if strategy formulation is an emergent or evolutionary process - HR strategic issues will then be dealt with

as they arise during the course of formulating and implementing the corporate strategy.

A distinction is made by Purcell (1989) and Purcell and Ahlstrand (1994) between:

- 'upstream' first-order decisions which are concerned with the long-term direction of the enterprise or the scope of its activities;
- 'downstream' second-order decisions which are concerned with internal operating procedures and how the firm is organized to achieve its goals;
- 'downstream' third-order decisions which are concerned with choices on human resource structures and approaches and are strategic in the sense that they establish the basic parameters of employee relations management in the firm.

It can indeed be argued that HR strategies, like other functional strategies such as product development, manufacturing and the introduction of new technology, will be developed within the context of the overall business strategy, but this need not imply that HR strategies come third in the pecking order. Observations made by Armstrong and Long (1994) during research into the strategy formulation processes of 10 large UK organizations suggested that there were only two levels of strategy formulation. First, there is the corporate strategy relating to the vision and mission of the organization but often expressed in terms of marketing and financial objectives. Second, there are specific strategies within the corporate strategy concerning product-market development, acquisitions and divestments, human resources, finance, new technology, organization, and such overall aspects of management as quality, flexibility, productivity, innovation and cost reduction.

The development process

The process of developing HR strategies involves generating strategic HRM options and then making appropriate strategic choices. These choices should, so far as possible:

- relate to but also anticipate the needs of the business;
- be congruent with the present or desired culture of the organization;
- have the capacity to change the character and direction of the business;
- equip the organization to deal effectively with the external pressures and demands affecting it
- focus on areas of critical need;
- answer fundamental questions such as: 'What is constraining us?', 'What is stopping us from delivering business results?';'
- be founded on detailed analysis and study, not just wishful thinking;
- incorporate the experienced and collective judgment of top management;
- take account of the needs of line managers and employees generally as well as those of the organization and its other stakeholders;
- anticipate the problems of implementation that may arise if line managers are not committed to the strategy and/or lack the skills and time to play their part;
- anticipate any problems that may arise because of the hostility or indifference of employees or trade unions;
- ensure that the organization has the resources required to implement the strategy;
- provide for the acquisition and development of people with the skills needed to manage and sustain the organization in the future to meet organizational objectives;
- consist of components that fit with and support each other;
- be capable of being turned into actionable programmes.

STRATEGIC FRAMEWORKS

The formulation of coherent HR strategies is more likely if the overall approaches the organization intends to adopt to managing its human resources are understood. These can then serve as the framework within which specific strategies can evolve. The most common approaches are:

- the development of resource capability;
- high-commitment management;
- high-performance management;
- best practice.

Resource capability

The resource capability approach regards the firm as a bundle of tangible and intangible resources and capabilities required for product/market competition (Kamoche, 1996)[63]. Human resources are seen as a major source of competitive advantage.

As expressed by Kamoche, the basis of this approach to HR strategy is the acknowledgement of the 'stock of know-how' in the firm. The capability-based framework is concerned with the actions, processes and related behavioural efforts required to attain a competitive position.

Within this framework, firms attempt to gain competitive advantage using human resources through developing distinctive capabilities (competencies) that arise from the nature of the firm's relationships with its suppliers, customers and employees.

Kamoche describes the resource capability view of the firm as one that 'builds on and provides a unifying framework for the field of strategic human resource management'.

A resource capability approach is concerned with the acquisition, development and retention of human or intellectual capital. It will focus on how added

value can be obtained by treating people as strategic assets in the sense that they perform activities that create advantage in particular markets. This is in accord with the fundamental principle of economics that wealth is created when assets are moved from lower-value to higher-value uses.

The high-commitment management approach

The high-commitment management as originally described by Walton (1985) is based on the assumption that higher levels of performance from people, and a belief that the organization is worth working for, are more likely when employees are not tightly controlled. Instead, they should be given broader responsibilities, encouraged to contribute and helped to achieve satisfaction in their work.

This approach involves treating employees as partners in the enterprise, whose interests are respected, who have a voice on matters that concern them and whose opinions are sought and listened to. It is concerned with communication and involvement. It creates a climate in which a continuing dialogue between managers and the members of their teams takes place to define expectations and share information on the organization's mission, values and objectives. This establishes mutual understanding of what is to be achieved and a framework for managing and developing people to ensure that it will be achieved.

The high-performance management approach

The high-performance management aims to raise the performance of the organization through its people. High-performance management practices involve the development of resourcing, employee development, performance management and reward processes that focus on the delivery of added value.

The best practice approach

This approach is based on the questionable assumption that there is a set of best HRM practices and that adopting them will inevitably lead to superior organizational performance. Most commentators agree that best fit is more important than best practice, but when formulating HR strategies, many

people continue to seek the 'holy grail' of a range of ideal approaches to HRM. But views will always differ on what constitutes best practice, as is illustrated in Table 2.2

Table 2.2 Views on HR best practices

Best practice	Storey (1992a)	Pfeffer (1994)	Wood (1995)	Huselid (1995)
Sophisticated selection	*	*	*	*
Flexibility / team working	*	*	*	
Internal promotion		*	*	
Employment security		*	*	
Employee involvement	*	*	*	
Employee voice				*
Commitment to learning	*	*	*	*
Performance-related reward	*	*	*	*
Harmonization	*	*	*	
Employee ownership				

Source: Armstrong, M. (2003), A hand book of strategic human resource Management New Delhi, Crest publishing house pp.80

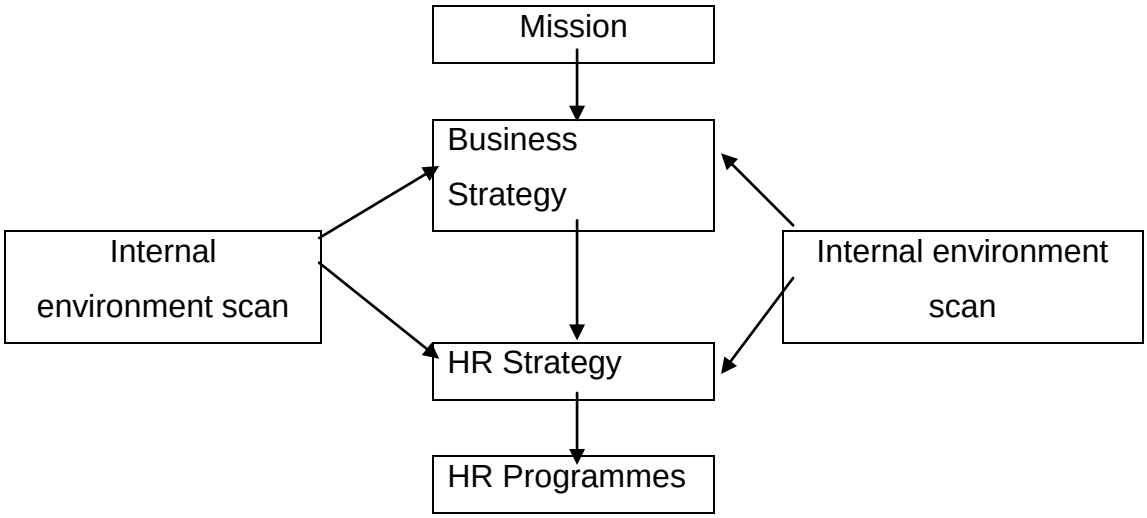
MODELS FOR DEVELOPING HR STRATEGIES

Essentially, the formulation of HR strategy requires answers to just three questions:

1. Where are we now?
2. Where do we want to be in one, two or three years' time?
3. How are we going to get there?

But it is more complicated than that and the process could be modeled as shown in Figure 2.12.

Figure 2.12 A sequential strategic HRM model



Source: ibid pp.80

A systematic approach

There is much to be said for adopting a systematic approach to formulating HR strategies that considers all the relevant business and environmental issues, and a methodology for this purpose was developed by Dyer and Holder (1988) as follows:

1. **Assess feasibility -** from an HR point of view, feasibility depends on whether the numbers and types of key people required to make the proposal succeed can be obtained on a timely basis and at a reasonable cost, and whether the behavioural expectations assumed by the strategy are realistic (e.g. retention rates and productivity levels).

2. **Determine desirability -** examine the implications of strategy in terms of sacrosanct HR policies (e.g. a strategy of rapid retrenchment would have to be called into question by a company with a full employment policy).

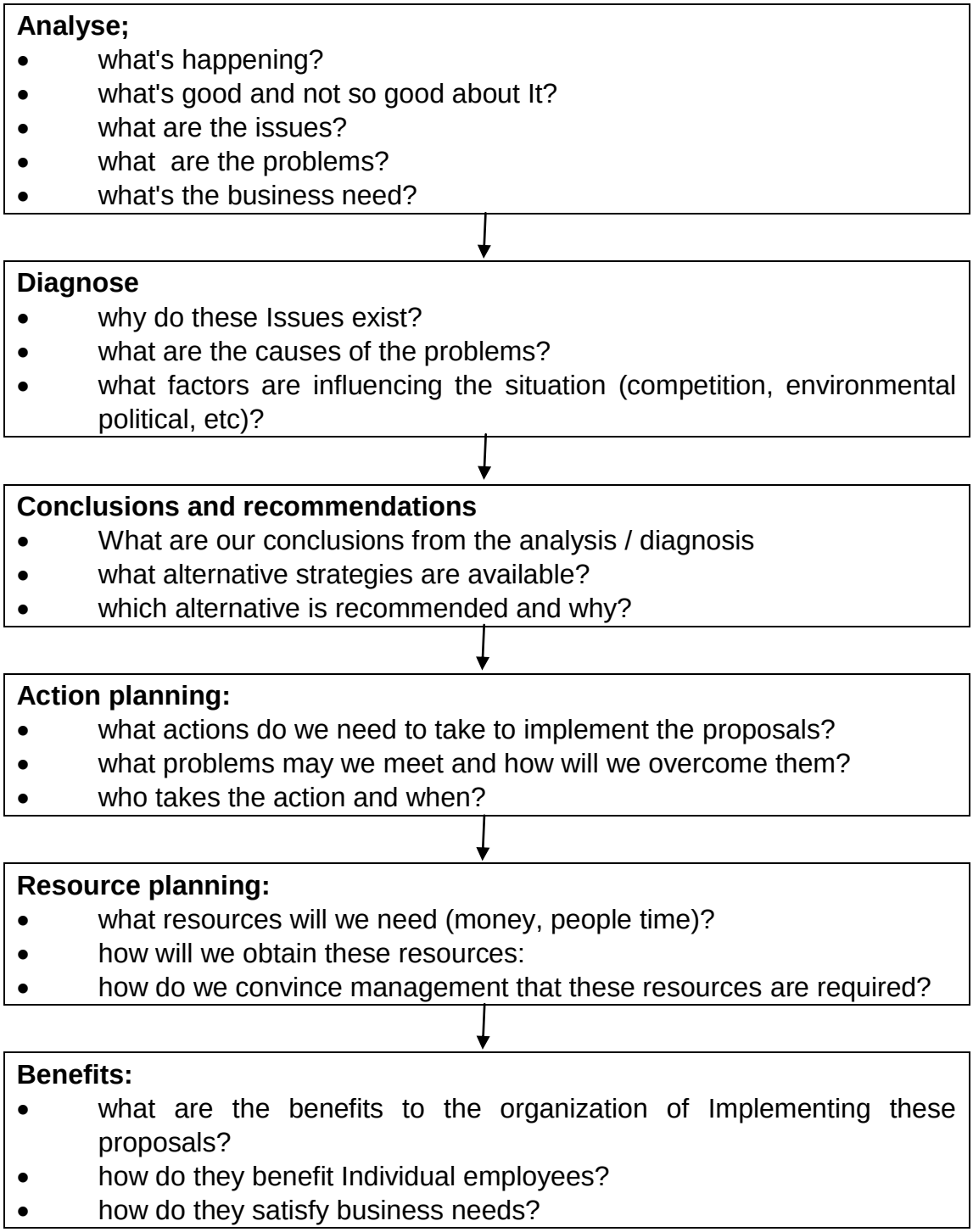
3. **Determine goals -** these indicate the main issues to be worked on and they derive primarily from the content of the business strategy. For example, a strategy to become a lower-cost producer would require the reduction of labour costs. This in turn translates into two types of HR goals: higher performance standards (contribution) and reduced head counts (composition).

4. **Decide means of achieving goals -** the general rule is that the closer the external and internal fit, the better the strategy, consistent with the need to adapt flexibly to change. External fit refers to the degree of consistency between HR goals on the one hand and the exigencies of the underlying business strategy and relevant environmental conditions on the other. Internal fit measures the extent to which HR means follow from the HR goals and other relevant environmental conditions, as well as the degree of coherency or synergy among the various HR means.

In addition, the HR strategist should take pains to understand the levels at which business strategies are formed and the style adopted by the company in creating strategies and monitoring their implementation. It will then be easier to focus on those corporate or business unit issues that are likely to have HR implications.

The sequence of the HR strategy is as shown in figure 2.13

Figure 2.13 The sequence of HR strategy formulation



The sequence of strategy formulation

A sequence of questions for formulating strategy is illustrated in Figure 2.12. In reality, of course, the process of developing HR strategies does not follow this sequence so neatly. The analysis may be incomplete or out-of-date as soon as it is made. The diagnosis may be superficial in the face of rapidly evolving factors that are difficult to pin down. The alternatives may not be easy to evaluate and iteration is required to optimize the solution. Action plans may look good on paper but are hard to put into practice, and it may be difficult to estimate costs and the need for other resources. But an attempt is worth making and this framework is useful when putting a strategy proposal together.

General issues affecting the formulation of HR strategies

Although systematic approaches such as those described above are desirable, it should be remembered that strategic HRM is more of an attitude of mind than a step-by-step process that takes you inexorably from a mission statement to implementation.

Strategic HR planning is usually a much less orderly affair than the models suggest. This is entirely understandable if it is borne in mind that strategic HRM is as much about the management of change in conditions of uncertainty as about the rigorous development and implementation of a logical plan.

Perhaps the best way to look at the reality of strategic HRM is to remember the statement made by Mintzberg et al (1988) that strategy formulation is about 'preferences, choices, and matches' rather than an exercise 'in applied logic'. It is also desirable to follow Mintzberg's analysis and treat HR strategy as a perspective rather than a rigorous procedure for mapping the future. Moore (1992)[64] has suggested that Mintzberg has looked inside the organization, indeed inside the heads of the collective strategists, and come to the conclusion that, relative to the organization, strategy is analogous to the personality of an individual. As Mintzberg sees them, all strategies exist in the minds of those people they make an impact upon. What is important is that

people in the organization share the same perspective 'through their intentions and/ or by their actions'. This is what Mintzberg calls the 'collective mind', and reading that mind is essential if we are 'to understand how intentions... become shared and how action comes to be exercised on a collective yet consistent basis'.

No one else has made this point so well as Mintzberg and what the research conducted by Armstrong and Long (1994) revealed is that strategic HRM is being practiced in the Mintzbergian sense in the organizations they visited. In other words intentions are shared amongst the top team and this leads to actions being exercised on a collective yet consistent basis. In each case the shared intentions emerged as a result of strong leadership from the chief executive, with the other members of the top team acting jointly in pursuit of well-defined goals. These goals indicated quite clearly the critical success factors of competence, commitment, performance, contribution and quality that drive the HR strategy.

Against this background the specific issues that have to be addressed comprise:

1) The business issues facing the organization,
2) Achieving integration vertical fit,
3) Approaches to achieving horizontal integration or fit - ie coherence through 'bundling', and
4) Achieving flexibility.

KEY BUSINESS ISSUES

The Key business issues that may impact on HR strategies include:

- intentions concerning growth or retrenchment, acquisitions, mergers, divestments, diversification, product/market development;
- proposals on increasing competitive advantage through innovation leading to product / service differentiation, productivity gains, improved quality / customer service, cost reduction (downsizing);
- the felt need to develop a more positive, performance-oriented culture;

- any other culture management imperatives associated with changes in the philosophies of the organization in such areas as gaining commitment, mutuality, communications, involvement, devolution and team working.

  Business strategies in these areas may be influenced by HR factors although not excessively so HR strategies are, after all, about making business strategies work. But the business strategy must take into account key HR opportunities constraints.

Business strategy sets the agenda for HR strategy in the following areas:

- HR mission;
- values, culture and style;
- organizational philosophy and approach to the management of people; top management as a corporate resource;
- resourcing;
- skills acquisition and development;
- high-commitment management;
- high-performance management.

Achieving vertical integration and fit

Vertical integration comes in two forms: 1) integration with the culture of the organization, and 2) fit with the business strategy.

Culture integration

HR strategies need to be congruent with the existing culture of the organization or designed to produce cultural change in specified directions. This will be a necessary factor in the formulation stage but could be a vital factor when it comes to implementation. In effect, if what is proposed is in line with 'the way we do things around here' then it will be more readily accepted. However, in the more likely event that it changes 'the way we do things around here', then careful attention has to be given to the real problems that may occur in the process of trying to embed the new initiative in the organization.

It is therefore necessary to analyse the existing culture to provide information on how HR strategies will need to be shaped. The analysis may cover the following 12 points listed by Cooke and Lafferty (1989)[65] in their organizational culture inventory:

1. **Humanistic-helpful -** organizations managed in a participative and person-centred way.
2. **Affiliative -** organizations that place a high priority on constructive relationships.
3. **Approval -** organizations in which conflicts are avoided and interpersonal relationships are pleasant, at least superficially.
4. **Conventional -** conservative, traditional and bureaucratically controlled organizations.
5. **Dependent -** hierarchically controlled and non-participative organizations.
6. **Avoidance -** organizations that fail to reward success but punish mistakes.
7. **Oppositional -** organizations in which confrontation prevails and negativism is rewarded.
8. **Power -** organizations structured on the basis of the authority inherent in members' positions.
9. **Competitive -** a culture in which winning is valued and members are rewarded for out-performing one another.
10. **Competence / perfectionist -** organizations in which perfectionism, persistence and hard work are valued.
11. **Achievement -** organizations that do things well and value members who set and accomplish challenging but realistic goals.
12. **Self-actualization -** organizations that value creativity, quality over quantity, and both task accomplishment and individual growth.

Achieving vertical fit - integrating business and HR strategies

When considering how to integrate business and HR strategies it should be remembered that business and HR issues influence each other and in turn

influence corporate and business unit strategies. It is also necessary to note that in establishing these links, account must be taken of the fact that strategies for change have also to be integrated with changes in the external and internal environments. Fit may exist at a point in time but circumstances will change and fit no longer exists. An excessive pursuit of 'fit' with the status quo will inhibit the flexibility of approach that is essential in turbulent conditions. This is the 'temporal' factor in achieving fit identified by Gratton et al (1999). An additional factor that will make the achievement of good vertical fit difficult is that the business strategy may not be clearly defined - it could be in an emergent or evolutionary state. This would mean that there could be nothing with which to fit the HR strategy.

Making the link

However, an attempt can be made to understand the direction in which the organization is going, even if this is not expressed in a formal strategic plan. All businesses have strategies in the form of intentions although these may be ill formed and subject to change. The ideal of achieving a link in rigorous terms may be difficult to attain. Cooke and Armstrong (1990) suggested that one approach might be to find a means of quantifying the additional resources required by HR overall and at the level of each element of HR strategy, and measuring and comparing the marginal return on investing in each element. But it is highly unlikely that this approach would be practicable.

The link must therefore be judgmental, but it could still be fairly rigorous. Conceptually, the approach would be to develop a matrix as illustrated in Table 2.3, which for each of the key elements of business strategy identifies the associated key elements of HR strategy.

Table 2.3 A conceptual approach to linking business and HR strategies

	Market development	Product development	New technology mergers	Acquisitions/ divestments
Organization				
Resourcing				
HRD				
Performance				
management				
Reward				
Employee				
relations				

Source: Armstrong M (200) A hand book of strategic HRM, New Delhi, Crest publishing house pp.87.

Even if the approach cannot be as rigorous as this, the principle of considering each key area of business strategy and, reciprocally, the HR implications, provides a possible basis for integration.

An alternative framework for linking business and HR strategies is the competitive strategy approach. This identifies the different HR strategies that can relate to the firm's competitive strategies, including those listed by Porter (1985)[66]. An illustration of how this might be expressed is given in Table 2.4.

- knowledge of the skills and behaviour necessary to implement the strategy;
- knowledge of the HRM practices necessary to elicit those skills and behaviours;
- the ability to quickly implement the desired system of HRM practices.

The link between HR and competitive strategy is as shown in Table 2.4

Table 2.4 Linking HR and competitive strategies

Competitive Strategy	HR Strategy		
	Resourcing	HR Development	Reward
Achieve competitive advantage through innovation	Recruit and retain high-quality people with innovative skills and a good track record in innovation	Develop strategic capability and provide encouragement and facilities for enhancing innovative skills	Provide financial incentives and rewards for successful innovations
Achieve competitive advantage through quality	Use sophisticated selection procedures to recruit people who are likely to deliver quality and high levels of customer service	Encourage the development of a learning organization and support total quality and customer care initiatives with focused training	Link rewards to quality performance and the achievement of high standards of customer service
Achieve competitive advantage through cost-leadership	Develop core / periphery employment structures; recruit people who are likely to add value; if unavoidable, plan and manage downsizing humanely	Provide training designed to improve productivity; inaugurate just-in-time training that is closely linked to immediate business needs and can generate measurable improvements in cost-effectiveness	Review all reward practices to ensure that they provide value for money and do not lead to unnecessary expenditure
Achieve competitive advantage by employing people who are better than those employed by competitors	Use sophisticated recruitment and selection procedures based on a rigorous analysis of the special capabilities required by the organization	Develop organizational learning processes; encourage self-managed learning through the use of personal development plans as part of a performance management process	Develop performance management processes that enable both financial and non- financial rewards to be related to competence and skills; ensure that pay levels are competitive

Source: ibid pp.88

Achieving horizontal fit and coherence

Horizontal fit is achieved when the various HR strategies cohere and are mutually supporting. This can be attained by the process of 'bundling', ie the use of complementary HR practices, also known as 'configuration'.

Bundling implies the adoption of an holistic approach to the development of HR strategies and practices. No single aspect of HR strategy should be considered in isolation. The links between one area and other complementary areas need to be established so that the ways in which they can provide mutual support to the achievement of the overall strategy can be ascertained. The synergy that can result from this process means that the impact of the whole bundle on organizational effectiveness can be greater than the sum of its parts. Thus, a job family pay structure can be associated with competence frameworks and profiles and the definition of career paths as a basis for identifying and meeting development needs. The message provided by the pay structure that rewards follow from career progression is much more powerful if is linked to processes that enable people to develop their capabilities and potential.

How to bundle

The process of bundling is driven by the needs of the business. It involves six steps:

1. An analysis of what the needs of the business are.
2. An assessment of how HR strategy can help to meet them.
3. The identification of the capabilities and behaviours required of employees if they are to make a full contribution to the achievement of strategic goals.
4. A review of appropriate HR practices, followed by the grouping together (bundling) of them in ways that are likely to ensure that people with the required capabilities are attracted to and developed by the organization and which will encourage appropriate behaviours.
5. An analysis of how the items in the bundle can be linked together so that they become mutually reinforcing and therefore coherent. This

may mean identifying integrating practices such as the use of competence based processes and performance management.

6. The formulation of programmes for the development of these practices, paying particular attention to the links between them.

Approaches to selecting the right bundle, the use of integrative processes and the development of complementary practices are discussed below.

Selecting the right bundle

There have been a number of attempts at producing universally applicable lists of best practices which, it is assumed, will be effective in improving performance. A good example is the list of seven practices of successful organizations produced by Pfeffer (1994)[67]: employment security, selective hiring, self managed teams, high performance-contingent pay, training, reduction of status differentials and sharing information.

However, there is no evidence that a particular bundle is superior to any other bundle in all circumstances. Delaney and Huselid (1996)[68] failed to find any positive impact for specific combinations of practices as opposed to the total number of HR practices. As noted by Guest (1997), a number of researchers have shown that the more high-performance HRM practices that are used, the better the performance as indicated by productivity, labour turnover or financial indicators. These high-performance practices as defined by the US Department of Labor (1993) include:

- careful and extensive systems for recruitment, selection and training;
- formal systems for sharing information with the individuals who work in the organization;
- clear job design;
- high-level participation processes;
- monitoring of attitudes;
- performance appraisals;
- properly functioning grievance procedures;

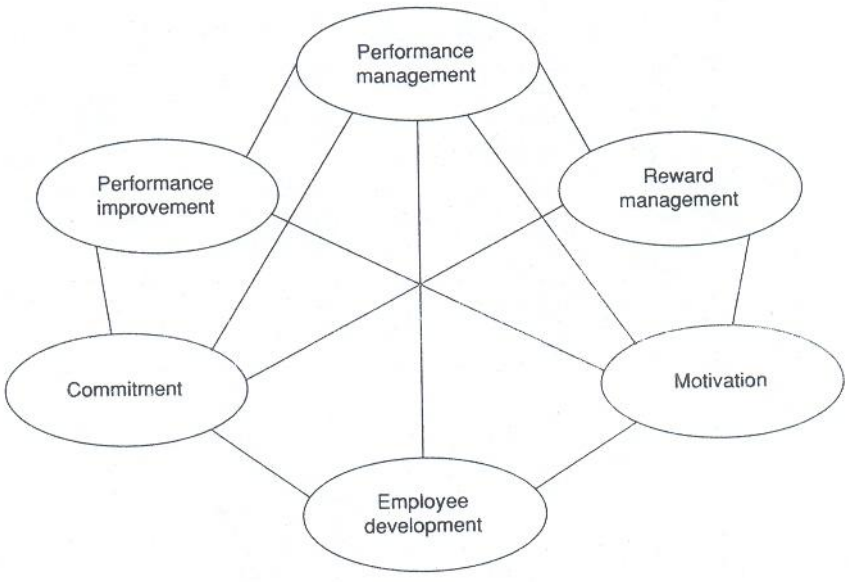
- promotion and compensation schemes that provide for the recognition and reward of high-performing members of the workforce.

The choice of what is the best bundle for an organization from this shopping list and the others that have been published (see Table 2.2) will depend upon its business needs and strategy and its culture. In other words, a contingency (best fit) approach rather than a best practice approach is likely to be most appropriate. And whatever combination of practices is adopted it is still necessary to consider how to achieve coherence and mutual support by the use of integrative processes and by linking different practices together.

The use of integrative processes

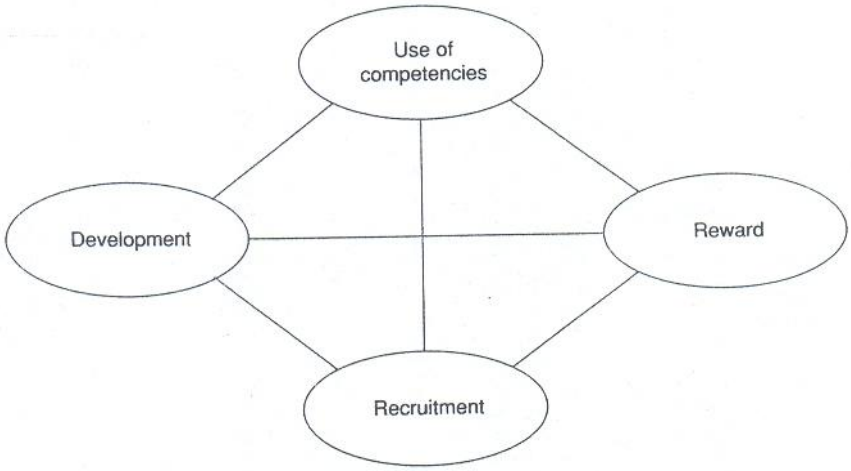
The two main integrative processes are performance management and the use of competencies. The ways in which they can provide the 'glue' between different HR practices are illustrated in Figures 2.14 and 2.15

Figures 2.14 Performance management as an integrating force



Source: ibid, pp 91

Figures 2.15 Use of competencies as an integrating force



Source: ibid, pp 91

Linking HR practices

Bundling is not just a pick-and-mix process. The aim should be first to establish overriding areas of HR practice that need to be applied generally and second, to examine particular practices to establish links or common ground between them so that they provide mutual support.

The overriding areas of HR practice will be concerned with organization development, the management of change, creating a positive employment relationship, developing mutual commitment policies, communicating with employees, and giving employees a voice (involvement and participation). These should be taken into account generally and their relevance should be considered when introducing any practices concerned with resourcing, human resource development and reward management. It is necessary to take specific steps in the latter areas to achieve coherence.

Achieving coherence

To achieve coherence the following approaches are necessary:

- never consider any innovation in isolation;

- seek synergy - look for ways in which one practice can support another practice;
- identify common requirements that can be met by initiatives in different areas of HR practice, as long as they are deliberately linked - examples of how this may happen are given in Table 2.5.

Achieving flexibility

Strategic flexibility is about the ability of the firm to respond and adapt to changes in its competitive environment. Fit is concerned with aligning business and HR strategy. it has been argued that these concepts of flexibility and fit are incompatible: 'fit' implies a fixed relationship between the HR strategy and business strategy, but the latter has got to be flexible.

Table 2.5 Common elements in HR strategy areas

Overall HR Strategy	HR Strategy		
	Resourcing	HR Development	Reward
Improve performance	Competence-based recruiting; assessment centres	Competence-based training; development centres	Competence related pay
Extend skills base	Identify skills development needs of recruits.	Skills analysis; focused training in identified needs; accreditation of skills	Skills-based pay
Provide for competence and career development	Develop competency frameworks and profiles; identify competence levels and potential through performance management processes	Use performance management and personal development plans as basis for defining and meeting learning needs; establish broad career development bands for mapping lateral development paths; identify career ladders in job families defined in competence terms	Develop broad-banded or job family structures defined in competence terms and which clearly indicate 'aiming points' (competence requirements in different roles within or outside job family; institute systems of career development pay for lateral progression through bands

Overall HR Strategy	HR Strategy		
	Resourcing	**HR Development**	**Reward**
Provide for employability	Develop a positive psychological contract based on an undertaking to identify and develop transferable skills; provide scope for job enlargement/ enrichment and opportunities to move into new roles	Identify skills development needs through personal development planning; institute programmes for developing transferable skills	Develop broad- banded/job family structures that identify competence levels for roles or job families and provide a basis for identifying learning needs
Increase commitment	Analyse characteristics of committed employees; use sophisticated selection methods to identify candidates who have these characteristics and are likely to be committed to the organization; define and communicate organizational core values	On the basis of the analysis.of the characteristics of committed employees, provide learning experiences that enhance understanding and acceptance of organizational core values and encourage value-driven behaviour	Reinforce value- driven behaviour by providing rewards that are based on evidence that core values are being upheld
Increase motivation	Analyses characteristics of well-motivated employees and structure selection interviews to obtain evidence of how well-motivated candidates are likely to be	Provide learning opportunities that reinforce characteristics of well-motivated employees and offer non-financial rewards	Use performance management processes as a basis for providing non-financial rewards related to opportunities for development and growth

The main components of the flexibility strategy could be to:

- develop HR systems that can be adapted flexibly;
- develop a human capital pool with a broad range of skills;
- select people who have the ability to train and adapt;
- promote behavioural flexibility by, for example, training to extend

- behavioural repertoire';
- use performance management and reward systems that encourage flexible behaviour;
- bundle these with participative work systems that give employees opportunities to contribute their discretionary behaviours;
- consider other ways to extend organizational and role flexibility,

IMPLEMENTING HR STRATEGIES

As strategies tend to be expressed as abstractions, they must be translated into programmes with clearly stated objectives and deliverables. But getting strategies into action is not easy. The term 'strategic HRM' has been devalued in some quarters, sometimes to mean no more than a few generalized ideas about HR policies, at other times to describe a short-term plan, for example, to increase the retention rate of graduates. It must be emphasized that HR strategies are not just programmes, policies, or plans concerning HR issues that the HR department happens to feel are important. Piecemeal initiatives do not constitute strategy.

The problem with strategic HRM as noted by Gratton et al (1999) is that too often there is a gap between the rhetoric of the strategy and the reality of what happens to it. As they put it:

One principal strand that has run through this entire book is the disjunction between rhetoric and reality in the area of human resource management, between HRM theory and HRM practice, between what the HR function says it is doing and how that practice is perceived by employees, and between what senior management believes to be the role of the HR function, and the role it actually plays.

The factors identified by Gratton et al which contribute to creating this gap included:

- the tendency of employees in diverse organizations only to accept initiatives they perceive to be relevant to their own areas;

- the tendency of long-serving employees to cling to the status quo;
- complex or ambiguous initiatives may not be understood by employees or will be perceived differently by them, especially in large, diverse organizations;
- it is more difficult to gain acceptance of non-routine initiatives;
- employees will be hostile to initiatives if they are believed to be in conflict with the organization's identity, e.g. downsizing in a culture of 'job-for-life' ;
- the initiative is seen as a threat;
- inconsistencies between corporate strategies and values;
- the extent to which senior management is trusted;
- the perceived fairness of the initiative;
- the extent to which existing processes could help to embed the initiative;
- a bureaucratic culture that leads to inertia.

Barriers to the implementation of HR strategies

Each of the factors listed by Gratton et al can create barriers to the successful implementation of HR strategies. Other major barriers that can be met by HR strategists when attempting to implement strategic initiatives are:

- failure to understand the strategic needs of the business with the result that HR strategic initiatives are seen as irrelevant, even counter-productive;
- inadequate assessment of the environmental and cultural factors that affect the content of the strategies;
- the development of ill-conceived and irrelevant initiatives, possibly because they are current fads or because there has been an ill-digested analysis of best practice that does not fit the organization's requirements;
- the selection of one initiative in isolation without considering its implications on other areas of HR practice or trying to ensure that a coherent, holistic approach is adopted;

- failure to appreciate the practical problems of getting the initiative accepted by all concerned and of embedding it as part of the normal routines of the organization;
- inability to persuade top management actively to support the initiative;
- inability to achieve ownership among line managers;
- inability to gain the understanding and acceptance of employees;
- failure to take into account the need to have established supporting processes for the initiative (e.g. performance management to support performance pay);
- failure to recognize that the initiative will make new demands on the commitment and skills of the line managers who may have to play a major part in implementing it (for example, skills in setting objectives, providing feedback and helping to prepare and implement personal development plans in performance management processes);
- failure to ensure that the resources (finance, people and time) required to implement the initiative will be available; these include the HR resources needed to provide support to line managers, conduct training programmes and communicate with and involve employees;
- failure to monitor and evaluate the implementation of the strategy and to take swift remedial action if things are not going according to plan.

Overcoming the barriers

To overcome these barriers it is necessary to carry out the following steps:

1. **Conduct analysis -** the initial analysis should cover business needs, corporate culture and internal and external environmental factors. The framework could be a SWOT analysis of strengths, weaknesses, opportunities and threats facing the organization, or a PESTLE analysis (the political, economic, social, technological, legal and environmental contexts within which the organization operates). The checklist at the end of this chapter sets out a number of questions that should be answered at the analysis stage.

2. **Formulate strategy -** the formulation should set out the rationale for the strategy and spell out its aims, cost and benefits.

3. **Gain support -** particular care needs to be taken to obtain the support of top managers (for whom a business case must be prepared), line managers, employees generally and trade unions. This means communication of intentions and their rationale and the involvement of interested parties in the formulation of strategic plans.

4. **Assess barriers -** an assessment is required of potential barriers to implementation, especially those relating to indifference, hostility (resistance to change) and lack of resources. Unless and until a confident declaration can be made that the initiative will receive a reasonable degree of support (it could be too much to expect universal acclamation) and that the resources in terms of money, people, time and supporting processes will be available, it is better not to plunge too quickly into implementation.

5. **Prepare action plans -** these should spell out what is to be done, who does it and when it should be completed. A project plan is desirable, indicating the stages of the implementation programme, the resources required at each stage, and the stage and final completion dates. The action plan should indicate the consultation, involvement, communication and training programmes that will be required. It should also state how progress will be monitored and the criteria for measuring success against objectives.

6. **Project-manage implementation -** this should be conducted by reference to the action or project plan and involves monitoring progress and dealing with problems as they arise.

7. **Follow up and evaluate -** nothing can be taken for granted. It is essential to follow up and evaluate the results of the initiative. Follow-up can take place through interviews, focus groups and, desirably,

attitude surveys. The evaluation should point the way to action in the form of amendments to the original proposals, the provision of supporting processes, additional support to line managers, intensified communication and training, or getting more resources. .

Setting out the strategy

The following are the headings under which a strategy and the plans for implementing it could be set out:

1. Basis
   - ♦ business needs in terms of the key elements of the business strategy;
   - ♦ environmental factors and analysis (SWOT/PESTLE);
   - ♦ cultural factors - possible helps or hindrances to implementation.

2. Content - details of the proposed HR strategy.

3. Rationale - the business case for the strategy against the background of business needs and environmental/ cultural factors.

4. Implementation plan
   - ♦ action programme;
   - ♦ responsibility for each stage;
   - ♦ resources required;
   - ♦ proposed arrangements for communication, consultation, involvement and training;
   - ♦ project-management arrangements.

5. Costs and benefits analysis - an assessment of the resource implications of the plan (costs, people and facilities) and the benefits that will accrue, for the organization as a whole, for line managers and for individual employees. (So far as possible these benefits should be quantified in terms of value added.)

However, there is no standard model; it all depends on the circumstances of the organization. Here is how a large voluntary organization set out its approach to developing HR strategies.

H R Strategic Review

A major strategic review has taken place and a new Chief Executive and other members of the senior management team have been appointed within the last two years. In essence, the review led to a business strategy which:

- redefined the purpose of the organization;
- emphasized that the core purpose will continue to be given absolute priority;
- set out the need to secure the future of activities outside its core purpose and importantly,
- made proposals designed to shape and secure the financial future.

HR issues emerging from the strategic review

The key HR issues emerging from the strategic review are that:

- Effectively, it declares an intention to transform the organization.
- This involves major cultural changes, for example:
  - some change in the focus to activities other than the core activity;
  - a move away from a paternalistic, command-and-control organization;
  - introducing processes that enable the organization to operate more flexibly;
  - clarifying expectations, but simultaneously gaining commitment to managing and carrying out activities on the basis of increased self regulation and decision-making at operational level rather than pressures or instructions from above;
  - more emphasis on managerial as distinct from technical skills for managers;

- greater concentration on the financial requirement to balance income and expenditure while continuing to develop and improve service delivery.

- A significant change in the regional organization and the roles of the management team and regional controllers/managers is taking place; this means that new skills will have to be used, which some existing managers may not possess.
- From a human resource planning viewpoint, decisions will have to be made on the capabilities required in the future at managerial and other levels, and these may involve establishing policies for recruiting new managerial talent from outside the organization rather than relying on promotion from within.
- Difficult decisions may have to be made on retaining some existing managers in their posts who have not been successful in applying for new regional posts or who lack the required skills, and there may be a requirement to reduce staff numbers in the future.
- More positively, management development and career planning activities will need to be introduced, which reflect the changing culture and structure of the organization and the different roles managers and others will be expected to play.

The provision of the core HR services such as recruitment and training is not an issue.

Steps to address the issues

Steps have already been taken to address these issues, for example:

- major communication initiatives introduced by the Chief Executive;
- a review of the pay system, which will no doubt bear in mind the unsatisfactory experience of the organization in applying performance management/pay procedures a few years ago;
- decisions on the shape of the regional organization;
- an analysis and diagnosis has taken place on cultural issues, i.e. what the

- present culture is and what it should become.

Future strategy

Against this background, it is necessary to build on the steps already taken by:

- adopting a systematic approach to the achievement of culture change, bearing in mind that this can be a long haul because it involves changing behaviour and attitudes at all levels and is difficult if not impossible to attain simply by managerial dictation;
- developing an HR strategy which, as a declaration of intent, will provide a framework for the development of HR processes and procedures that address the issues referred to above; this involves:
    - strategic integration, matching HR policies and practices to the business strategy,
    - a coherent approach to the development of these processes so that HR activities are interrelated and mutually reinforcing,
    - a planned approach, but one that is not bureaucratic,
    - an emphasis on the needs to achieve flexibility, quality and cost-effectiveness in the delivery of HR services;
- focusing on the activities that will not only deal with the HR issues but will also help to achieve culture change, namely:
- resourcing: deciding what sort of people are required and ensuring that they are available,
- human resource development: identifying the skills required, auditing the skills available, taking' steps to match skills to present and future business requirements and initiating processes for enhancing organizational and individual learning related to business needs,
- reward: using reward processes to ensure that people are valued according to their contribution and to convey messages about the behaviour, capabilities and results expected of them,

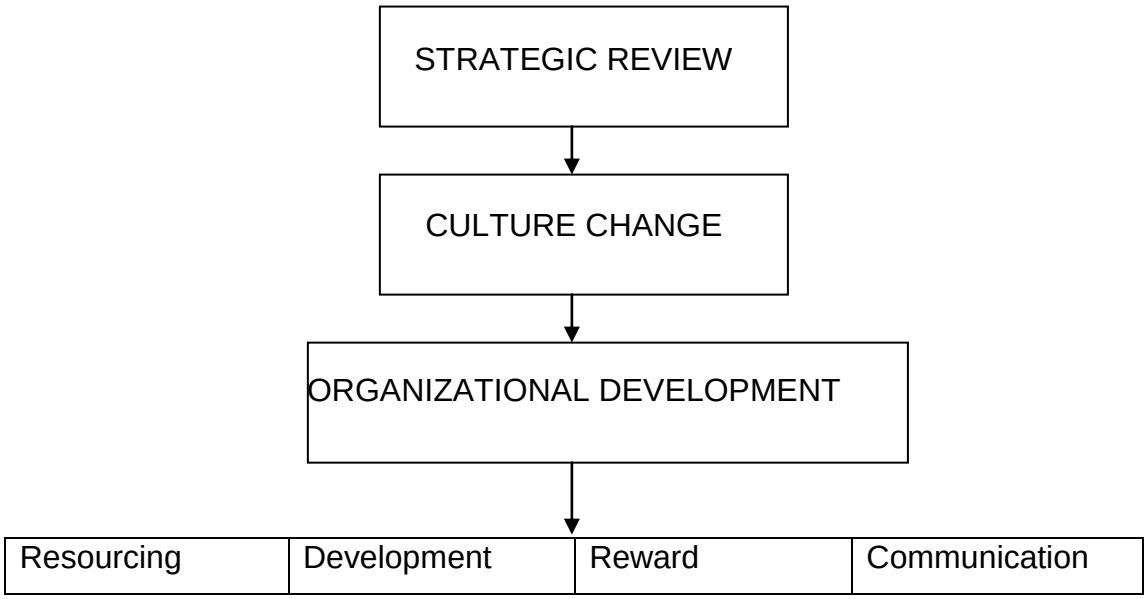
- employee relations: building on the steps already taken to communicate to employees and to involve them in decision-making processes on matters that concern them.

The HR strategy will have to establish priorities. Because the thrust of the strategic review initially makes most impact on managers, the priority may well be given to people at this level but without neglecting the needs of the rest of the staff.

HR strategic review model

A model for the strategic review is set out in Figure 2.16

Figure 2.16 A model for the strategic review



Source: ibid, pp 91

STRATEGIC HRM CHECKLIST

The questions to which answers are required when formulating HR strategies are:

1. What are the key components of the business strategy?
2. How can HR strategies support the achievement of the business strategy?

3. What are the strengths and weaknesses of the organization and the opportunities and threats it faces?
4. What are the implications of the political, economic, social, technological, legal and environmental contexts in which the organization operates? '
5. To what extent is the organization in a stable or dynamic (turbulent) environment and how will this affect our strategies?
6. What is the nature of the corporate culture? Does it help or hinder the achievement of the organization's goals?
7. What needs to be done to define or redefine our values in such areas as quality, customer service, innovation, team working and the responsibility of the organization for its employees?
8. What do we need to do to increase commitment? How do we communicate our intentions and achievements to employees and what steps do we take to give them a voice - obtaining feedback from them and involving them in the affairs of the organization?
9. To what extent do we need to pursue a strategy of high-performance or high-commitment management, and what would be the main features of such a strategy?
10. How in general can we increase the resource capability of the organization?
11. To what extent do existing HR practices meet future business needs? What needs to be done about any gaps or inadequacies?
12. In the light of this gap analysis, what specific aspects of HRM (processes and practices) do we need to focus on when formulating strategy?
13. How can we best 'bundle' together the various HR practices?
14. How can we achieve coherence in developing the different HR practices?
15. How can we achieve the flexibility required to cope with change?
16. What kind of skills and behaviours do we need now and in the future?
17. Are performance levels high enough to meet demands for increased profitability, higher productivity, better quality and improved customer service?

18. Will the organization's structure and systems be able to cope with future challenges in their present form?
19. Are we making the best use of the skills and capabilities of our employees?
20. Are we investing enough in developing those skills and capabilities?
21. Are there any potential constraints in the form of skills shortages or employee relations problems?
22. Are our employment costs too high?
23. Is there likely to be any need for de-layering or downsizing?

The answers to these and similar questions define the areas in which HR strategies need to be developed. The important thing is to give an overall sense of purpose to HR activities by linking them explicitly to the needs of the business and its employees.

2.6 HR'S STRATEGIC ROLES

When it comes to how involved HR managers should be in strategic planning, there is often a disconnect between what CEOs say and do. One writer says HR professionals' input is crucial: They identify problems that are critical to their companies' business strategy, and forecast potential obstacles to success. When Rick Wagner took over as CEO of General Motors, he organized a senior executive committee (the "Automotive Strategies Board"). It included GM's chief financial officer, chief information officer, and vice president of global human resources. As Wagner says, "I seek [the HR vice president's] counsel and perspective constantly. She has demonstrated a tremendous capacity to think and act strategically, which is essential to our HR function and what we want to achieve in making GM a globally competitive business."

A study from the University of Michigan concluded that high-performing companies' HR professionals should be part of the firm's strategic planning executive team. These professionals identify the human issues that are vital to business strategy and help establish and execute strategy. They provide alternative insights and are involved in creating responsive and market-driven

organizations. They conceptualize and execute organizational change. Another study by Mercer Consulting concluded that 39% of CEOs surveyed see HR as more of a partner than a cost center: Yet another study, of 447 senior HR executives, focused on the extent to which HR had been involved in executing mergers for their companies. Mergers in which top management asked HR to apply its expertise consistently outperformed those in which HR was less involved.

Yet one recent survey of 1,310 HR professionals found that, in practice, only about half said senior HR managers are involved in developing their companies' business plans. A survey by the University of Southern California found that about one-fourth of large U.S. businesses appointed managers with no HR experience as top HR executives. Reasons given include the fact that they may find it easier to give the firms HR efforts a strategic emphasis. They may also sometimes be better equipped to integrate the firm's HR efforts with the rest of the business. So in practice, HR managers don't appear to be as involved in strategizing as perhaps they should be.

As HR managers do assume more strategic planning responsibilities, they will have to acquire new HR skills. This does not just mean technical skills relating to activities like selection and training. HR managers will need "an in-depth understanding of the value creating proposition of the firm." How does the company make money? What activities and processes are most critical for wealth creation as defined by customers and capital markets? Who in the firm executes these activities successfully?

HR's Strategy Execution Role

Today's HR managers fulfill two basic strategic planning roles: strategy execution and strategy formulation. Strategy execution is traditionally the heart of the HR manager's strategic planning job. Top management formulates the company's corporate and competitive strategies. Then, it formulates broad functional strategies and policies. Like the riverbanks for a boat steaming up a waterway, the firm's functional strategies and policies set the broad limits that determine what the functional manager can and cannot

do, and provide a set of signposts that the (HR or other) functional managers can use to decide the precise form the department's specific policies and activities should take. The company's HR (or other functional) strategies should thus derive directly from its company wide and competitive strategies.

Here, the basic rule is this: The HR department's strategies, policies, and activities must make sense in terms of the company's corporate and competitive strategies, and they must support those strategies. Dell's human resource strategies-the Web-based help desk, its centralized intranet HR service bureau-help the firm better execute Dell's low-cost strategy. FedEx's HR strategies-supporting communication and employee development, for instance--help FedEx differentiate itself from its competitors by offering superior customer service.

HR management supports strategic implementation in other ways. For example, HR guides the execution of most firms' downsizing and restructuring strategies, throughout placing employees, instituting pay-for-performance plans, reducing health care costs, and retraining employees. When Wells Fargo acquired First Interstate Bancorp a few years ago, HR played a strategic role in implementing the merger-in merging two "wildly divergent" cultures and in dealing with the uncertainty and initial shock that rippled through the organizations when the merger was announced.

HR's Strategy Formulation Role

While execution is important, HR increasingly plays an expanded strategic planning role today. In recent years, HR's traditional role in executing strategy has expanded to include working with top management to formulate the company's strategic plans. (HR has "a seat at the strategy planning table" is how some HR writers put this.) This expanded strategy formulation role reflects the reality most firms face today', Globalization means more competition, more competition means more performance, and most firms are gaining that improved performance in whole or part by boosting the competence and commitment levels of their employees. That makes HR's input crucial.

HR helps top management formulate strategy in a variety of ways. For example, formulating a company's strategic plan requires identifying, analyzing, and balancing the company's external opportunities and threats, on the one hand, and its internal strengths and weaknesses, on the other. Hopefully, the resulting strategic plans capitalize on the firm's strengths and opportunities, and minimize or neutralize its threats and weaknesses. Externally, HR management is in a unique position to supply competitive intelligence that may be useful in the strategic planning process. Details regarding competitors' incentive plans, opinion survey data from employees that elicit information about customer complaints and information about pending legislation such as labor laws and mandatory health insurance are some examples.

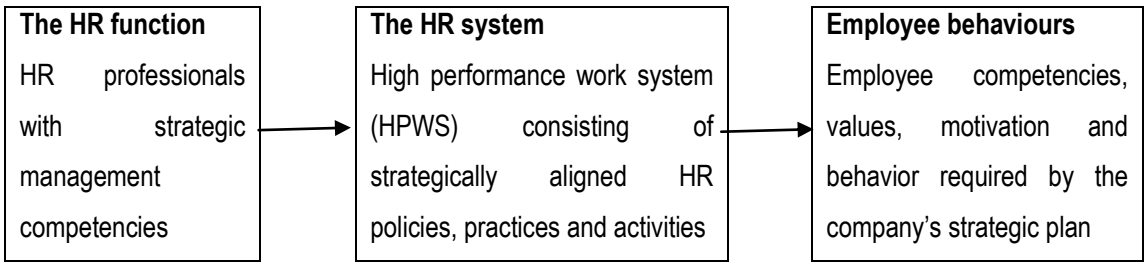
As another example, HR participates in the strategy formulation process by supplying information regarding the company's internal human strengths and weaknesses. For example, IBM's decision in the 1990s to buy Lotus Software was prompted in part by the conclusion that its own human resources were insufficient to enable the firm to reposition itself as an industry leader in networking systems, or at least to do so fast enough. Some firms, thanks to HR's input, build new strategies around human resource strengths. For example, in the process of automating its factories, farm equipment manufacturer John Deere developed a workforce that was exceptionally talented and expert in factory automation. This in turn prompted the firms establish a new-technology division to offer automation services to other companies.

But, for a growing number of employers, HR is even more extensively involved in the strategy formulation process. By working closely with top management, HR is able to build a persuasive case that shows how-in specific and measurable terms-the firm's HR activities can and do contribute to creating value for the company, for instance in terms of higher profits and market value. A big part building that case is to create a strategy - oriented HR system.

CREATING A STRATEGY-ORIENTED HR SYSTEM

We can think of an HR process as consisting of three basic components. There are the HR professionals who have the strategic and other skills required to build a strategy-oriented HR system. There are the HR policies and activities (such as how the company recruits, selects, and trains and rewards employees) that comprise the HR system itself and there are the employee behaviors and competencies that the company's strategy requires, and that hopefully emerge from the actions and policies of the firm's strategy-supporting HR system. Some HR experts refer to these three elements (the HR professionals, the HR system, and the resulting employee behaviors) as a company's basic HR architecture (see Figure 2.17)

Figure 2.17 : The Basic Architecture of HR



Source: Brian Becker et al, (2001), The HR scorecard, Boston: Harvard Business School press pp.12

Ideally, the HR professionals should design the HR system in such a way that it helps to produce the employee competencies and behaviors the company needs to achieve its strategic goals. It obviously does little good to design, say, training practices that produce a workforce incapable of using the company's new computerized machines.

Creating a strategy-oriented HR system requires new skills on the part of HR professionals. They must have the competencies required to create HR systems that produce strategically relevant employee behaviors. They need to understand the strategy formulation process. They must be adept at identifying the workforce implications and requirements of the new strategy

and at crafting HR policies and practices that produce those workforce requirements. They must have a sufficiently wide breadth of business knowledge to be able to understand how the company creates value, and to see how the firm's HR system can contribute to that value-creation process. The HR professional has to understand how businesses operate. Just understanding the nitty-gritty of recruiting, selecting, and training is no longer sufficient.

The High-Performance Work system

In today’s competitive environment, the manager can't leave the nature of the HR system the actual HR policies and practices-to chance. Managers usually try to create high-performance work systems (HPWS). The HPWS is a set of HR policies and practices that maximize the competencies, commitment, and abilities of the firm's employees. In practice, this means that each HPWS HR activity produces measurable superior results. For example, review Table 2.6 Note how much more extensively the high-performing companies structure their recruiting activities so as to produce qualified recruits. And, how much more extensively high-performing firms hire employees based on selection tests, and provides training to new employees. The bottom line is that management can't leave their HR systems unmanaged. Based on an ongoing research program with over 2,800 corporations, firms that use HPWS policies and practices do perform at a significantly higher level than those that do not. The evidence suggests that "high performance HR practices, [particularly] combined with new techno produce better productivity, quality, sales, and financial performance."

Table 2.6 Comparison of HR Practices in High-Performance and Low-Performance Companies.

	Low-Performance Company HR System Bottom 10% (42 firms)	High-Performance Company HR System Top 10% (43 firms)
Sample HR System HR Practices		
Number of qualified applicants per position (Recruiting)	8.24	36.55
Percentage hired based on a validated selection test	4.26	29.67
Percentage of jobs filled from within	34.90	61.46
Percentage in a formal HR plan including recruitment, development and succession	4.79	46.72
Number of hours of training for new employees (less than 1 year)	35.02	116.87
Number of hours of training for experienced employees	13.40	72.00
Percentage of employees receiving a regular performance appraisal	41.31	95.17
Percentage of workforce whose merit increase or incentive pay is tied to performance	23.36	87.27
Percentage of workforce who received performance feedback from multiple sources (360)	3.90	51.67
Target percentile for total compensation (market rate = 50%)	43.03	58.67
Percentage of the workforce eligible for incentive pay	27.83	83.56
Percentage of difference in incentive pay between a low-performing and high-performing employee	3.62	6.2\
Percentage of the workforce routinely working in a self-managed, cross-functional, or project team	10.64	42.28
Percentage of HR budget spent on outsourced activities (e.g., recruiting, benefits. payroll)	13.46	26.24
Number of employees per HR professional	253.88	139.51

	Low-Performance Company HR System Bottom 10% (42 firms)	High-Performance Company HR System Top 10% (43 firms)
Percentage of the eligible workforce covered by a union contract	30.00	8.98
Firm Performance		
Employee turnover	34.09	20.87
Sales per employee	$158,101	$617,576
Market value to book value	3.64	11.06
*Each of the variables in the "HR Out Comes" section is scaled from 1 to 6, Where 1 = "not at all" and 6 = "to a very great extent."		

Source: ibid pp16-17

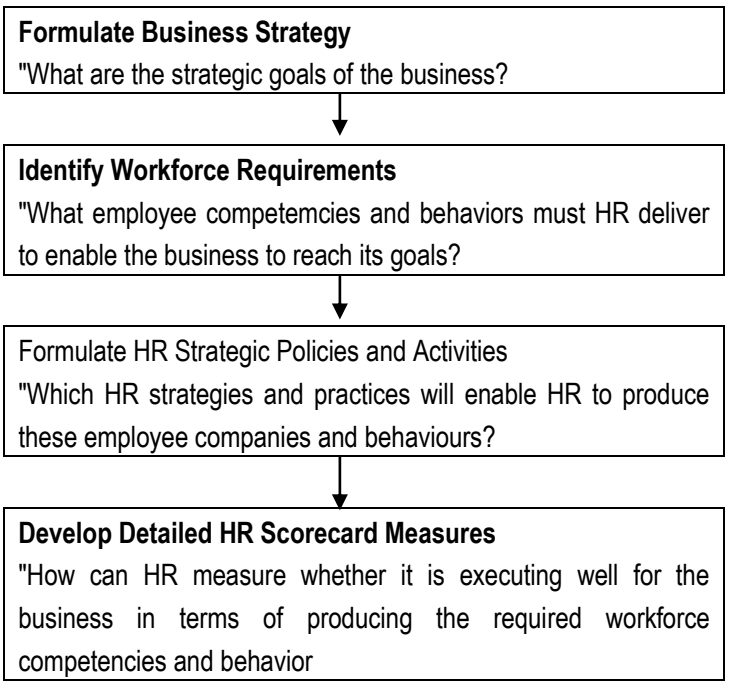
Table 2.6 also helps to illustrate another aspect of high-performance work systems, namely that they have a definite bias toward helping and encouraging workers to manage themselves. The high-performing firms generally emphasize placing employees in self-managing, cross-functional teams. In fact, the whole thrust of the HPWS's superior recruiting, screening, training, and other HR practices is to build the sort of highly trained, empowered, self-governing, and flexible workforce that companies today need as a competitive advantage.

The need for HPWS became apparent as global competition intensified in the 1990s. Companies needed a way to better utilize their human resources as they strove to improve quality, productivity, and responsiveness. In the early 1990s, the U.S. Department of Labor identified several characteristics of high-performance work organizations: multiskilled work teams; empowered front-line workers; more training; labor management cooperation; commitment to quality; and customer satisfaction.30 HR practices like those in Table 2.6 foster these characteristics.

Translating Strategy into HR Policy and practice

The HR manager needs a way to translate the firm's new strategy into specific, actionable HR policies and practices. The basic process, as outlined in Figure 2.20, is simple and logical. Management formulates a strategic plan. That strategic plan implies certain workforce requirements, in terms of the employee skills, attributes, and behaviors that HR must deliver to enable the business to achieve its strategic goals. (For example, must our employees dramatically improve the level of customer service? Do we need more computer-literate employees to run our new machines?) Given these workforce requirements, HR management formulates HR strategies, policies, and practices aimed at achieving the desired workforce skills, attributes, and behaviors. (These may take the form of new selection, training, and compensation policies and practices, for instance.) Ideally, HR management then identifies "Scorecard" metrics it can use to measure the extent to which its new HR initiatives are supporting management's strategic goals.

Figure 2.18 Basic Model of how to align HR strategy and actions with business strategies



Source: Garrett Walker et.al (2001). Designing and implementing and HR Score card, Human Resources Management Vol. (40)4, pp.370

Given this, Einstein Medicals HR managers could ask, "What specific HR policies and practices would help Einstein create a dedicated, accountable, generative, and resilient workforce, and thereby help it to achieve its strategic goals?" The answer was to implement several new HR programs and practices. One was training and communications programs aimed at assuring that employees clearly understood the company's new vision and what it would require of all employees. Enriching work was another key HR initiative, and involved providing employees with more challenge and responsibility through flexible assignments and team-based work. Through new training and benefits programs, the company promoted personal growth, which meant helping employees take personal responsibility for their own improvement and personal development. Providing commensurate returns was another key HR strategy initiative; it involved tying employees' rewards to organization wide results and providing non monetary rewards (such as more challenging jobs). Finally, improved selection, orientation, and dismissal procedures also helped Einstein build a more dedicated, resilient, accountable, and generative workforce.

THE HR SCORECARD APPROACH

Management ultimately judges the HR function based on whether it creates value for the company, where "value creation" means contributing in a measurable way to achieving the company's strategic goals. HR creates value by engaging in activities that produce the employee behaviors the company needs to achieve these strategic goals. Managers often use an HR Scorecard to measure the HR function's effectiveness and efficiency in producing these employee behaviors and thus in achieving the company's strategic goals. The HR Scorecard is a concise measurement system. It shows the quantitative standards or "metrics" the firm uses to measure HR activities, and to measure the employee behaviors resulting from these activities, and to measure the strategically relevant organizational outcomes of those employee behaviors. In so doing, it highlights, in a concise but comprehensive way, the causal link between the HR activities, and the emergent employee behaviors. and the resulting firm wide strategic outcomes and performance.

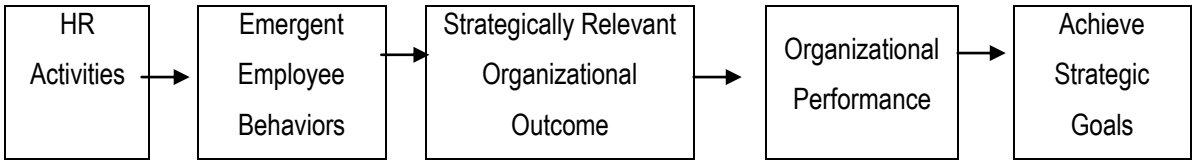
Becker, Huselid, and Ulrich explain the need for such a measurement system this way:

In our view, the most potent action HR managers can take to ensure their strategic contribution is to develop a measurement system that convincingly showcases HR's impact on business performance. To design such a measurement system, HR managers must adopt a dramatically different perspective, one that focuses on how human resources can play a central role in implementing the firm's strategy. With a properly developed strategic HR architecture, managers throughout the firm can understand exactly how people create value and how to measure the value creation process.

Information for Creating an HR Scorecard

To create an HR Scorecard, the manager needs three types information. First, he or she must know what the company's strategy is, because the strategy will determine what the important employee behaviors and strategically important organizational outcomes are, and how the firm will measure organizational performance. Second, the manager must understand the causal links between the HR activities, the employee behaviors, the organizational outcomes, and the organization's performance. Figure 2.19 summarizes the basic relationships involved. Third, the manager must have metrics he or she can use to measure all the activities and results involved, specifically the HR activities, the emergent employee behaviors, the strategically relevant organizational outcomes, and the organizational performance.

Figure 2.19 The basic HR Scorecard Relationship



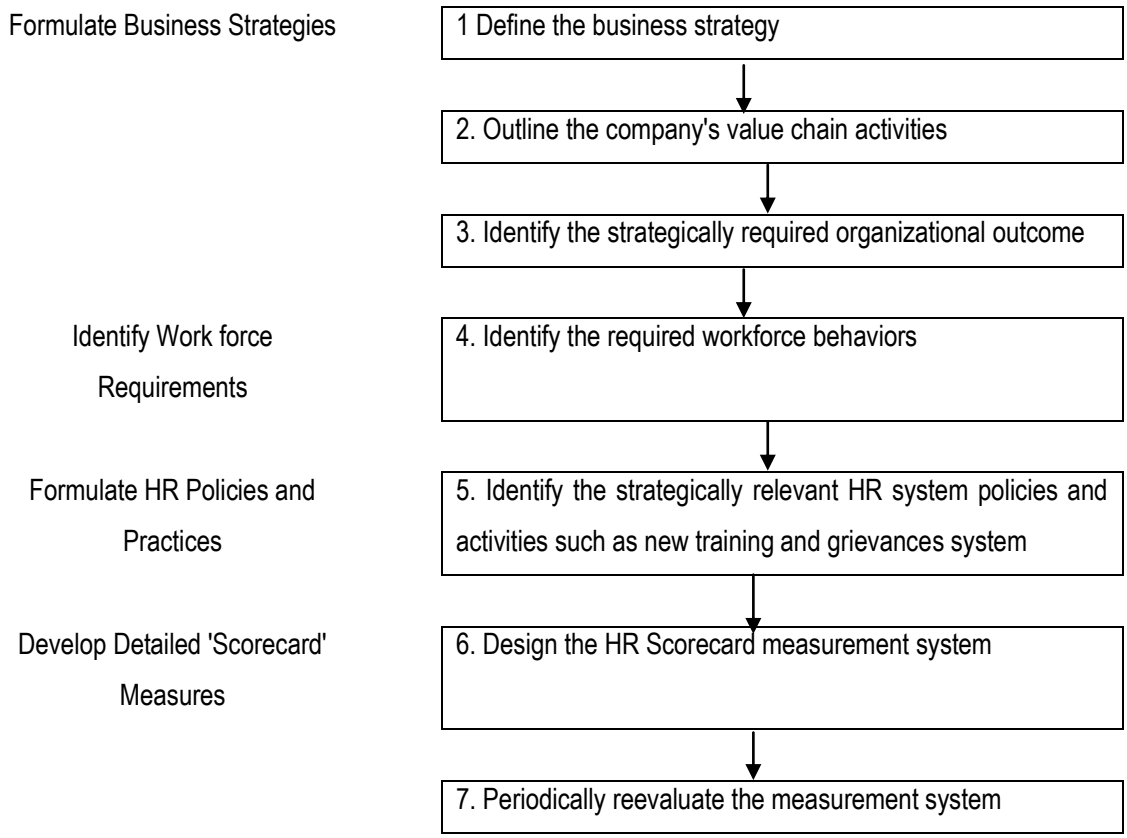
Source: Garry Dessler. (2007), Human Resource Management, Singapore. Pearson education, pp.88

Using the HR Scorecard Approach

There are seven steps in using HR Scorecard approach to create a strategic results oriented HR system. The seven steps are as follows:

Step 1: **Define the Business Strategy:** Creating a strategy-oriented HR system starts by defining what the company's strategic plans are (such as, for Einstein Medical, expanding services and becoming a comprehensive health care network). Ideally, senior HR leaders' insights regarding the human resources in their own company and in those of the competition provide valuable planning input. Similarly, their insights regarding how HR practices and deliverable can improve the firm's performance can help top management develop a superior strategic plan. Toward the end of this stage, management translates its broad strategic plans into specific, actionable strategic goals.

Figure 2.20 : The Seven Steps in the HR Scorecard Approach to Formulating HR Policies, Activities, and Strategies



Source: ibid pp.88

Step 2: **Outline the Company's Value Chain:** To achieve its strategic goals, any business must engage in certain strategically required activities. For example, Einstein Medical must devise and introduce new medical services. Microsoft must write new computer programs. Each such activity requires certain employee behaviors. Einstein Medical needs employees who have the expertise to help it devise new medical services, for instance. The point is this: any manager who wants to understand what employee behaviors are essential for his or her firm's success must first understand what the firm's required activities are.

For this, value chain analysis can be useful. The company's value chain "identifies the primary activities that create value for customers and the related support activities." We can think of any business as consisting of a chain of crucial activities. Each activity is part of the process of designing, producing, marketing, and delivering the company's product or service. These activities might include bringing supplies and materials into the company's warehouse; bringing these materials to the shop floor and designing the product to customers' specifications; and the various marketing, sales, and distribution activities that attract customers and get the company's product to them. Outlining the company's value chain shows the chain of essential activities. This can help managers better understand the activities that drive performance in their company. In other words, it is a tool for identifying, isolating, visualizing, and analyzing the firm's most important activities and strategic costs.

Value chain analysis is more than just a tool for identifying the ways things are done now. It prompts questions such as: "How do our costs for this activity compare with our competitors?" "Is there some way we can gain a competitive advantage with this activity?" "Is there a more efficient way for us to deliver these services?" And, "Do we have to perform these services in-house?" Outlining

and analyzing the company's value chain can also help the HR manager create an HR system that makes sense in terms of the firm's strategy. For example, it can help him or her identify the organizational outcomes the company absolutely must achieve if it is to achieve its strategic goals. (For example, at Einstein Medical, delivering new services was so critical to what they had to accomplish, it was obvious it had to be a core value chain activity.) This in turn can help the HR manager better understand what employee behaviors and competencies are required, and what HR policies and activities (HR system) would produce these behaviors and competencies.

Consider another example. At Dell Computer, "phone technicians competently and courteously assisting Dell customers with problems" is a crucial (or "core") value chain activity; indeed, it is a big part of what Dell has built its reputation on. The critical nature of this activity would be apparent from any outlining of Dell's value chain. Given this, Dell HR might well decide that, one way HR could add value is by improving phone technicians' performance through the use of special computerized job aids that show technicians what series of questions to ask when customers call in with problems.

Step 3: **Identify the Strategically Required Organizational Outcomes:** Every company must produce critical, strategically relevant outcomes if it is to achieve its strategic goals. At Einstein Medical, a new service delivered was one such required organizational outcome. At Dell, receiving quick, competent, and courteous technical advice by phone is one such outcome. Based on his or her understanding of how the company operates, and perhaps an analysis of the firm's value chain, the manager, in this step, now identifies and specifies the strategically relevant organizational outcomes.

Step 4: **Identify the Required Workforce Competencies and Behaviors:** The question here is, "What employee competencies and behaviors must our employees exhibit if our company is to produce the strategically relevant organizational outcomes, and thereby achieve its strategic goals?" At Einstein Medical, employees had to take personal accountability for their results, and be willing to work pro actively (be "generative") to find new and novel solutions.

Some strategic HR experts, notably Becher, Huselid, and Ulrich, refer to required workforce competencies and behaviors like these as HR deliverables (because the HR system's training and other activities can help to produce or "deliver" them). Competencies and behaviors such as personal accountability, working pro actively, motivation, courteous behavior, and com TIitment produce strategically relevant organizational outcomes, and thereby drive organizational performance.

Step 5: **Identify the Strategically Relevant HR System Policies and Activities:** Once the HR manager knows what the required employee competencies and behaviors are, he or she can turn to the task of identifying the HR activities and policies that will help to produce these employee competencies and behaviors. At Einstein Medical, a new service delivered was one strategically relevant organizational outcome. To produce this outcome, Einstein's employees had to be willing to work proactively to find new and novel solutions, so this was one strategically relevant workforce competency / behavior. The question in step five is, What HR system policies and activities will enable us to produce those workforce competencies and behaviors?" For Einstein Medical, the answer included special training programs and changing the compensation plan.

In this step, the important thing is to be specific. It is not enough to say, "We need new training programs, or disciplinary processes." Instead, the manager must now ask, "exactly what sorts of new training program to do we need, to produce the sorts of employee competencies and behaviors that we seek?" How and to what end should we change the disciplinary process? In this step, the HR manager must therefore become precise about the actual form and design of the firm's HR system. For example, all high-performing companies tend to use incentive pay. However, what precise form should the incentive plan take in this company? What specific behaviors do we want to encourage? Who will decide if the person gets the incentive pay? What percent of total pay should we base on incentives? In other words, to achieve improved organizational performance, HR management needs to align the HR system-the firm's HR policies and practices with the company's specific strategic needs.

Step 6: **Design the HR Scorecard Measurement System:** After choosing strategically required organizational outcomes, and employee competencies and behaviors, and specific HR system policies and activities, the question is, how shall we measure them all? For example, if we decide to "improve the disciplinary system," how precisely will the company measure such improvement? Perhaps in terms of number of grievances. If "higher morale" is one employee competency / behavior we want to improve, how will we measure higher morale? Perhaps with surveys that measure attitudes regarding satisfaction with supervision, and with pay.

Deciding on the proper measures or metrics requires considerable thought.

In one recent study, 86% of HR professionals who responded said they expected measurement of the HR function to increase over the next two years, 62% said they already used metrics to assess

HR performance and 72% said they benchmark HR activities (particularly compensation and rewards, and equipment and retention, and performance appraisal) by comparing their results to other firms'.

The HR Scorecard is crucial in this measurement process. As noted earlier, it is a visual and/or computerized model that shows the quantitative standards, or "metrics" the firm uses to measure HR activities, and to measure the employee behaviors resulting from these activities, and to measure the strategically relevant organizational outcomes of those employee behaviors. It highlights, in a concise but comprehensive way, the causal links between the HR activities, and the emergent employee behaviors, and the resulting firm wide strategic outcomes and performance. The HR Scorecard thus helps the HR manager demonstrate how HR contributes to the company's strategic and financial success. Several consulting firms provide Web-based services that make it easier to create HR Scorecards, based on metrics from best-practice, world-class firms.

Step 7: **Periodically Evaluate the Measurement System :** The HR manager cannot assume that the HR Scorecard's various measures (metrics) and links will always stay the same. Perhaps reducing grievances is not having the assumed effect on raising morale. Perhaps the company must drop some firm wide employee measures (such as front-desk customer service) and add new ones. Perhaps the measures the HR manager chose (such as number of grievances) are proving too hard to quantify. In any case, the HR manager should periodically evaluate measures and links, to make sure they are still valid.

2.7 HR's Role in Creating Value

The value created by the HR function is frequently questioned by line managers. This reflects how many human resources functions are perceived to be out of step with the needs of business

Research suggests, time and again, that organizational change fails as often as it succeeds. Even where change projects do succeed, delivery of value is rarely as easy as it appeared, at the outset. Why? Too often, emphasizing the business and economic rationale of a project obscures the fact that value, in all of its forms, is actually created by the application of human talent.

But, amidst unprecedented uncertainty, deriving value from human talent is harder than ever. This has placed an increasing responsibility on HR function's to source the scarce human talent which can create the highest value for organizations. HR functions are also required to identify and sustain diverse talent pools which will maximize value creation in rapidly changing market environments.

So how are human resources professionals able to enhance the value creation process? experience suggests that:

- there is no single best way - a 'silver bullet' - of doing things as far as organizational success and productivity is concerned;
- the HR organization, processes and technology need to be integrated and aligned with business strategy to maximize their impact as value creating opportunities;
- engaged employees create more value for the organization; and
- there are many legitimate HR metrics which can measure the contribution that HR makes to value creation in a business.

There is no one single 'best way'

In recent years, there have been numerous new initiatives focused on creating more value out of a business - total quality, total customer satisfaction, customer chains, business process improvement, partnership

etc. These various initiatives have often been accompanied by a hunt for new organizational forms - flatter hierarchies, project-based and virtual structures, network teams, 'no boundary' systems and so on. Organizations are continuously in search of an answer, a solution that will magically solve all the problems.

There is no one single 'best way' of doing things as far as organizational success and productivity is concerned. What works well for one organization could lead to spectacular failure for another. The key to maximizing value from HR is aligning HR strategy and programmes to an organization's business strategy.

Integrating and aligning HR processes with business strategy

Business strategies and drivers should be analysed for their effect on HR and people practices. Different business drivers will suggest different approaches to HR strategy and organizational design. At the micro level, most companies have a business strategy with elements that are completely unique to their own circumstances. When studying business strategies, however, most observers agree that these thousands of discrete strategies can be classified into three or four categories. In his landmark book 'Competitive strategy", Michael Porter used the term 'generic strategies' to refer to alternative strategic positions in an industry. He suggested that companies could compete in one of three ways:

- **Cost leadership -** being the low-cost producer;
- **Differentiation -** having a unique product or service; or
- **Focus -** concentrating special services or products on a specific market niche.

Porter contends that competitive advantage comes from setting up value-creating activities to deliver on a company's particular kind of strategy. This allows the company to erect barriers to entry.

In their best-selling book, The discipline of market leaders. Michael Treacy and Fred Wiersema studied successful companies in different sectors and came to similar conclusions as Porter. They suggest that customers look for one of three sources of value or strategic styles from a company:

- operational excellence - low-cost, reliable and easy to use products or services;
- product leadership - leading edge products; or
- customer intimacy - highly customized solutions and services.

Applying Treacy and Wiersema's concepts of strategic styles to an organization's people requirements we can see how these different strategic styles demand different competencies from employees and thus, different strategies from HR. In 'The talent solution' Ed Gubman characterized these implications for HR. as shown in Table 2.7

Table 2.7 Implications of strategic style for HR management

Strategic style	Work environment	Employee competencies	Lead HR systems
operational excellence	Stable, measurable cost - conscious, team-based continuous improvement.	Process control, teamwork analysis, financial / operational understanding and attention to detail.	Strategic sourcing, HR process improvement, compensation based on highly measurable results.
Product leadership	Experimental learning focused technical, informal, fast-paced, resource rich, speed to market.	Lifelong learning, information-sharing. creativity, breakthrough thinking.	Fluid organization, emphasis on training and development, relatively undifferentiated rewards.
Customer intimacy	Values-driven, dynamic, informal, collegial. service-oriental.	Relationship-building, listening, initiative, collaboration, rapid problem solving.	Selection for fit with values, consistent leadership, balanced emphasis between short -term and long term rewards

Source: Gubmal E. L. (1998), The Talent solution New York: McGraw Hill.

Engage employee to create value

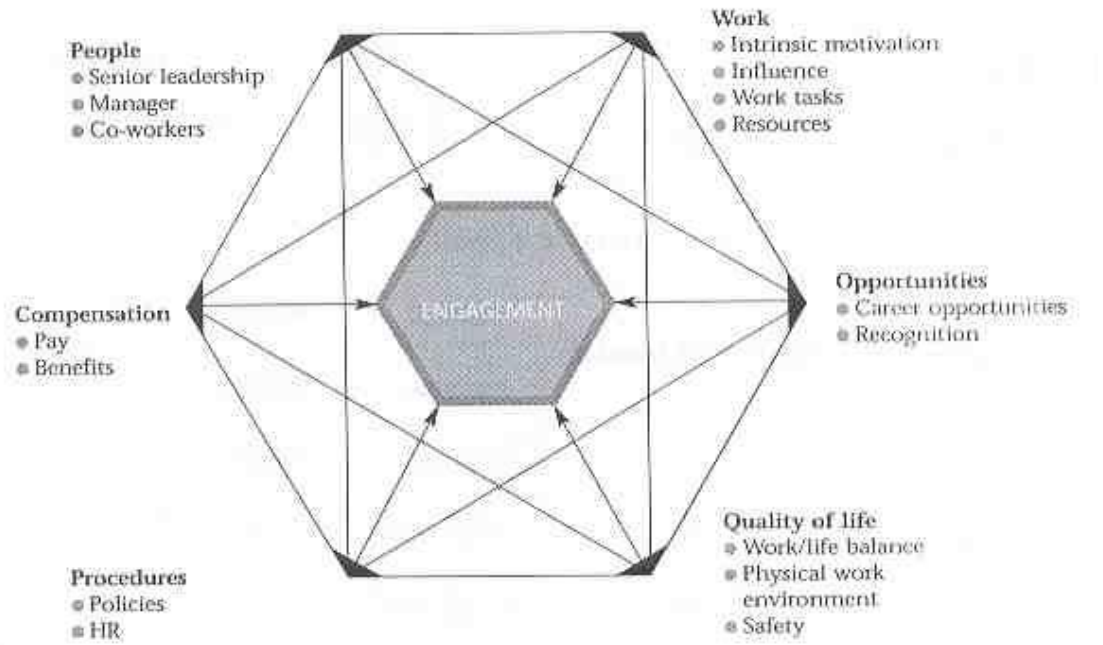
Measuring the connection between employee behaviours and business performance is often difficult. Traditional measures of employee satisfaction and commitment fail to link strongly with developments in business results and often leave the HR professional as a poor cousin when business metrics are used to monitor business performance.

One powerful HR measure which does enable the HR professional to link employee behaviours with business performance is a metric called employee engagement. Using a specialist employee survey tool it is possible to measure the employee behaviours which impact on business performance and identify the key drivers of business performance improvement within a business. Employee engagement:

- differs by company;
- is impacted by at least 16 different drivers in six broad categories;
- not every driver applies to every person;
- does impact financial results; and
- can be measured and managed effectively.

Figure 2.21 highlights the employee engagement model the six broad categories and main areas which can impact engagement.

Figure 2.21 Employee Engagement Model



Source: Halikowa, M. Osgood, p (2003), "Do Human Resource really add value to a business", Management Quarterly ,May 03 pp.24

To address the significance of the value created through employee engagement. US research showed that engaged employees':

- produce $3.600 more profit per annum;
- create $18.600 more market value; and
- deliver $27.000 more sales per annum.

Measuring degrees of employee engagement provides data which enables actions to be taken at the point of business performance. So for example what employee engagement measures might do is help an HR professional to look at all the elements that make up the employment experience and identify which of those elements within the experience motivate employees to stay and which motivate employees to go above and beyond the simple requirements of their job.

Employee engagement measures can also help HR professionals to look at which areas of activity have a greater influence on retention.

Engagement measures can also help explain the difference between top performing units and units which perform less well and thus determine how value can be improved across the business.

Measuring degrees of engagement in staff can help line managers to focus on the areas which will produce the greatest improvement in business performance. If engaged employees and non-engaged employees are compared there are clear differences. Research has shown that engaged sales employees tend to stay longer with organizations, for instance, and tend to be responsible for larger amounts of sales, thus increasing profits per employee and revenues across a business.

Using HR metrics to measure value

A lack of early or sufficient consideration of measures such as employee engagement in business restructuring, denies access to a crucial insights which impact on value. A due diligence or risk assessment process for example that only has a financial orientation or where HR questions are asked only about contracts of employment, misses out a whole range of human capital measures.

So, determining the real business drivers for an organization is often the first and crucial link in defining the HR people and practices which have the greatest impact on value. In the last decade, on the back of increased use of IT solutions, more and more HR teams now have their own process controls and performance metrics. A recent research study found that more than 80% of the companies contacted used some kind of HR measurement system. Of those with measures in place, 44% used balanced scorecards as their organizing framework.

In their book 'The balanced scorecard' Robert Kaplan and David Norton contend that customary financial measures are lagging indicators and can lead to short-term thinking designed to "get the numbers up". Instead, they suggest companies use a balanced portfolio of measures to measure their

progress. Since its publication in the mid-1990s. Many companies have adapted this approach. In their work with HR departments they have found that the balanced scorecard approach is well suited to HR departments that are keen to take the first step in showing the value they add to a business.

The balanced approach to HR measurement answers how HR is adding value from four different perspectives:

- what is our return on our investment in people?
- is our service delivery effective and efficient?
- are our human assets aligned with future needs? and
- are we serving the needs of our customers?

Among those companies in our study that are already using HR measurement, their primary purposes in doing so are to:

- build a common language among HR professionals for communicating HR strategy and results;
- be proactive in identifying workforce trends and offering solutions; and
- strengthen relationships with the lines of business.

The combination of a robust HR measurement system and HRMS framework allows today's HR leaders to make decisions that are grounded in fact and to evaluate the outcome of business investment. It also offers a means to translate ideas about business strategy into behaviours and actions that support the company's future direction by creating culture and implementing talent management practices.

Research conducted by Fulmer, Gehart and Scottargues that companies which adopt HR measures of value realise substantial financial performance advantages over companies with less employee-focused employment strategies. They go on to suggest that companies considering adoption of the types of HRM strategies and measurement processes used by the firms they studied may not have much downside risk, and if their competitors are using these practices, they may even find themselves at a disadvantage.

The search for value creation by HR functions has always been legitimate but in the past has tended to incorporate suspicious elements of self-fulfilling prophecy when compared to the value assures presented by many other disciplines within businesses. In our view, the HR function has often tried in vain to convince others of the value inherent in delivering HR support by reference to esoteric HR centric models. We believe that it is now possible to unlock the value of the 'people quotient' with clear and unambiguous value drivers and measures which connect directly with broader business metrics.

The HR function has a key role to play in helping organizations to understand their sources of value (strategic style) and in blending the work environment, employee competencies and the lead HR systems which support the organization. The analysis and professional skills required to identify and develop value in this area are very much a part of the development of the role of HR as strategic Partner to a business.

Measures such as employee engagement deliver a much closer picture of the link between the people in a business and the overall business performance. An HR function which is able to prioritise its investments in financial human and infrastructure resources and link these investments to improved business performance is placing itself at the heart of value creation.

HR performance metrics are measuring value creation within businesses. More sophisticated HR functions are using these metrics inside and outside of the function to broaden the scope of business management so HR leaders are now using robust data to measure the impact of investments.

For HR professionals the challenge is not so much how quickly they can embrace and deploy these value drivers but more whether they can retain ownership of them before other disciplines claim them for their own. The Human Resource Management in the Information Technology industry is discussed in the next chapter.

References

1) Ulrich D., Lake, D. (1990), *Organisational Capability: Competing from inside out,* New York: John Wiley & Sons.
2) Becker, B.E. Huselind, M.A., pickus, P. A. spratt, M.E. (1997) " HR as a source of shareholder value : Research and Recommendations" Juman Resource Management, Vol. 36(1), pp.39-47
3) Gratton, L et al (1999), *Strategic HRM, Corproate Rheotric and Human Reality,* Oxford : Oxford University Press
4) Mc Greger, D. (1960), *The Human side of Enterprise*, New York: MC Graw Hill.
5) Truss, C. (1999), "Soft and hard model of HRM", In Gratton, V.H., Haily, Stiles, P, Truss, C(Eds.) *Strategic HRM : Corporate rhetoric and human reality*. Oxford: Oxford University Press, pp. 40-58.
6) Walton R. E. (1985) "From control to commitment in the work place", Harvard Business Review, Vol.63, pp.76-84
7) Pascale, R., Athos, A. (1981), *The Art of Japanese Management,* London : Penguin Books
8) Peter, T., Waterman, R. (1982), *In Search of Excellence*, New York: Harper & Row.
9) Guest D. E. (1993) "Current perspectives on human resource management in the United Kingdom". in ed. C Brewster, current trends in Human Resource Management in Europe, London : Kogan page.
10) Fombrun, C. J., Tichy, N. M., Devanna, M.A. (1984) strategic Human Resource Management, New York : Wiley
11) Beer M, Sector B, Lawrence, P, Quinn M.D., Walton R, (1984), Managing Human Assets, New York: The free press
12) Boxall, P. F. (1982), "Strategic HRM : a beginning a new theoretical direction", Human Resource Management Journal, Vol.2(3), pp.61-79
13) Storey, J (1989) "From personnel management to human resource management" in ed Storey J. New perspective on human resource management, London : Routledge.
14) Guest D.E. (1999) "Human Resource Management: the workers verdict", Human Resource Management Journal, vol.9(2) pp.5-25

15) Gennard, J., Judge, G. (1997), *Employee Relations*, Institute of Personnel Management Bohlonde, G.

16) Wheelan, T. L., Hunger, J.D. (1995), *Strategic Management and Business policy*, 5th ed, Reading : Addison - Wesley Longman.

17) Hill, C, Jones, G. (2001), *Strategic Management: An integrated approach* (5th ed), Boston, M.A.: Houghton Mifflin.

18) Daft, R. (2001), *Organisation Theory and Design* (7th ed) Cincinnati: South - Western College Publishing.

19) Child, J. (1972), "Organisational structure, environment and performance: the role of strategic choice" *Sociology*, Vol. 6(3), pp.1-22.

20) Purcell, J, Ahlstrand, B. (1994), *Human Resource Management in the Multidivisional Company*, Oxford: Oxford University Press.

21)a Champy, J, (1996), *Reengineering Management*, New York: Harper Business.

21)b Kotter, J (1996), *Leading Change*, Boston : Harvard Business School Press

22) Porter, M. (1980*), Competitive Strategy: Techniques for Analysing Industries and Competitors*, New York: The Free Paris.

23) Miles, R. Snow, C. (1984), "Designing Strategic Human Resources System", *Organisational Dynamics*, summer, pp.36-52.

24) Mintzberg, H (1978), "Patterns in strategy formulation", *Management science, May ,pp.934-948.*

25) Ouchi, W.G. (1981*), Theory Z: how American business can meet Japanese Challenge*, Reading Addison - Wesley.

26) Bamberger, P, Meshoulam, I. (2000), *Human Resource Strategy: Formulation, Implementation and Impact,* Thousand Oak, CA: Sage.

27) Ulrich, D. (1997), *Human Resource Champions : The Next Agenda for Adding Value and Delivering Results,* Boston: Harvard Business School Press

28) Kydd C. T., Oppenheion, L (1990), "Using human Resource Management to enhance competitiveness: Lessons from four excellent companies", *Human Resources Management* Vol. 29(2), pp. 145-06.

29) Bamberge, P., Philips, B. (1991), "Organisational Environment and business strategy: parallel versus conflicting influence on human

resource strategy in pharmaceutical industry",*Human Resource Management*, Vol. 30 (2), pp. 153-82.

30)a Kochan T.A., H.C. Katz and R. B. McKersie (1986), *The Transformation of American Industrial Relations*, New York: Basic Books.

30)b Thurley, K, Woods, S. (1983), *Industrial Relations and Management Strategy*, Cambridge: Cambridge University Press.

31) Purcell J. (1989) "The impact of corporate strategy on human resource management" in ed Storey J. New perspective on human resource management, London : Routledge.

32) Colling, T. (1995), "Renewal or rigor motis ? union response to contracting in local government, *Industrial relations journal*, Vol. 26(2), pp. 134-145.

33) Devanna, M., Fombrun, C., Tichy, N. (1984), "A framework for strategic Human Resource Management" in Fombrun, C., Tichy, N., Devanna, M. (Eds.), *Strategic Human Resource Management*, New York: John Wiley and Sons, pp. 33-51.

34) Chandler, A.P. (1962), *Strategy and Structure*, Boston: MIT Press.

35) Cappelli, P. Singh, H. (1992), "Integration St. Human Resources and Strategic Management", In Lewin, D., Mitchell, O. S. Sherer, P. (Eds.), Research frontiers in *Industrial Relations and human Resources*: 165-192, Madison: Industrial Relations Research Association.

36) Thompson, P. Mchugh, D (2002), *Work Organisations* (3rd Ed.), Basingstoke: Palgrave.

37) Freidman, M. (1997), "Nobel Lecture: Inflation and Unemployment", *Journal of Political Economy,* Vol. 85(3), pp. 51-72.

38) Burauroy, M, (1979), *Manufacturing Consent - Changes in the labour process under monopoly capitalism,* Chicago: The University of Chicago Press.

39) Callaghan, G., "Thompson, P (2001), "Edwards revisited: technical control in call centres*", Economic and Industrial Democracy*, Vol. 22(1), pp. 13-37.

40) Thompson, P., Mchugh, D. (2002), *Work organizations: A critical introduction,* Basingstoke, Hampshire: Palgrave.

41) Hyman, R. (1987), "Strategy or Structure: Capital, Labour and Control", *Work employment and society,* Vol. 1 (1), pp.25-55.

42) Selznick, P. (1957*), Leadership in Administration*, New York: Harper and Row.

43) Penrose, E (1959), *The theory of the growth of the firm*, Oxford: Blackwell.

44) Barney, J (1991), "Types of Competition and the theory of strategy: towards an integrative approach", *Academy of Management Review*, Vol. 11(4), pp.791-800.

45) Amit, R.,Shoemaker, P.J.H.(1993), "Strategic assets and organizational rent", *Strategic Management Journal*, Vol. 14(1), pp.33-36.

46) Rouseeau, D.M. (1995), *Psychological Contracts in Organisations : Understanding the written and unwritten agreements*, London : Sage.

47) Hutchunson, S., Purcell, J., Kinnie, N. (2000), "Evolving high commitment management and the experience of RAC Call Centre", *Human Resource Management Journal,* Vol.10 (1), pp.63-78.

48) Lepak, D.P., S.A. Snell (1999), "The human resource architecture: Towards a theory of human capital allocation and development", *Academy of Management Review,* Vol. 24(1), pp. 31-48.

49) Bratton J, Gold J, (2001) HRM - Theory and practice, London : Routledge

50) Hendry J. (2000), "Strategic Decision Making, Discourse and strategy as social practice", *Journal of Management Studies*, Vol. 37(7), pp. 955-978.

51) Cloke, K., Goldsmith, J. (2002), *The end of Management and the rise of organizational Democracy*, San Fransisco: Jossey - Bass.

52) Guest, D. (1997), "Human Resource Management and Performance: a review and research agenda" *The international journal of Human Resource Management.*

53) Townley, B (1994), *Reframing Human Resource Management, Power, ethics and subject of work,* London: Sage Publication.

54) Dixon, N (1992) "Organisational learning A review of literature with implications for HRD", *Human Resource Development Quarterly*, Vol. 13(1), pp.29-49.

55) Hamel, G, Champy J (1993), *Re-engineering the corporation, a manifextation for business revolution,* New York: Harper Business.

56) Scullon, H. (2001) International Human Resource Management: In J., Stores (ed) *Human Resource Management: A critical text (2nd ed.),* London: International Thompson Business Press.

57) Bean, R. (1985): *Comparative Industrial Relations: An Introduction to cross National Perspectives,* New York: St. Martine Press.

58) Clark, T., Pugh, D. (2000), "Similarities and Differences in European Conceptions of Human Resource Management", *International Studies of Management and Organisation,* Vol. 29(4), pp. 84-100.

59) Dyer, L., Holder, G.W. (1998), Strategic Human Resource Management and Planning in Dyer, L (Eds) *Human Resource Management: Evolving roles and responsibilities* ,Washington DC: Bureau of National Affair.

60) Hendry, C., Pettigrew, A. (1990), "Human Resource Management: An agenda for the 1990's", *International Journal of Human Resource Management*, Vo. (1) (3) pp.17-43.

61) Tyson, S., Witcher, M. (1994), "Human Resource Strategy Emerging from the recession", *Personnel Management*, August.

62) Armstrong, M., Long, P. (1994), *The Reality of Strategic HRM*, London: Institute of Personnel and Development.

63) Kamoche, K. (1996), "Human Resource Management: A Multipradigmatic Analysis", *Personnel Review*, Vol. 20(4), pp.3-14.

64) Moore, J.I. (1992), Writers on strategic management, Harmondsworth : Penguin.

65) Cooke, R. Lefferty, J. (1989*), Organizational culture inventory*, Plymouth: Human synergistic.

66) Porter, M.E. (1985) Competitive Advantage, New York : Free Press.

67) Pfeffer, J. (1994), *Competitive Advantage through people*, Boston :Harvard Business School Press

68) Delaney J. T, Husleid M. A., (1996) "The impact of Human Resource Management on perceptions of organizational performance", Academy of Management Journal, Vol.39(4), pp.949-969