Chapter two

Strategic human resource management

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Strategic human resource management is the process of linking the human resource function with the strategic objectives of the organization in order to improve performance.

'If a global company is to function successfully, strategies at different levels need to inter-relate.'[1]

'An organization's [human resource management] policies and practices must fit with its strategy in its competitive environment and with the immediate business conditions that it faces.'[2]

'The [human resources–business strategy] alignment cannot necessarily be characterized in the logical and sequential way suggested by some writers; rather, the design of an HR system is a complex and iterative process.'[3]

Chapter outline

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Chapter objectives

After studying this chapter, you should be able to:

1. Explain the meaning of strategic management and give an overview of its conceptual framework
2. Describe the three levels of strategy formulation and comment on the links between business strategy and human resource management (HRM)
3. Explain three models of human resources (HR) strategy: control, resource and integrative
4. Comment on the various strategic HRM themes of the HR–performance link: re-engineering, leadership, work-based learning and trade unions
5. Outline some key aspects of international and comparative HRM

Introduction

In the first chapter, we examined the theoretical debate on the nature and significance of the human resource management (HRM) model; in this chapter we explore an approach to HRM labelled ***strategic* human resource management**, or SHRM. By a strategic approach to HRM, we are referring to a managerial process requiring human resource (HR) policies and practices to be linked with the strategic objectives of the organization. Just as the term 'human resource management' has been contested, so too has the notion of SHRM. One aspect for debate is the lack of conceptual clarity (Bamberger & Meshoulam, 2000). Do, for example, the related concepts of SHRM and **HR strategy** relate to a process or an outcome?

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.

Before, however, we look at some of the issues associated with the SHRM debate, we need first to examine the strategic management process. This chapter also examines whether it is possible to speak of different 'models' of HR strategy and the degree to which these types of HR strategy systematically vary between organizations. We then consider some issues associated with SHRM, including international and comparative SHRM. As for the question of whether there is a positive association between different HR strategies and organizational performance, we are of the opinion that, given the importance and volume of the research surrounding this issue, the topic warrants an extended discussion (Chapter 13). In the current chapter, we address a number of questions, some essential to our understanding of how work organizations operate in the early 21st century work and the role of HRM therein. How do 'big' corporate decisions impact on HRM? Does the evidence suggest that firms adopting different competitive strategies adopt different HR strategies? How does HRM impact on the 'bottom line'? There is a common theme running through this chapter, much of the HR research pointing out that there are fundamental structural constraints that attest to the complexity of implementing different HRM models.

Strategic management

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

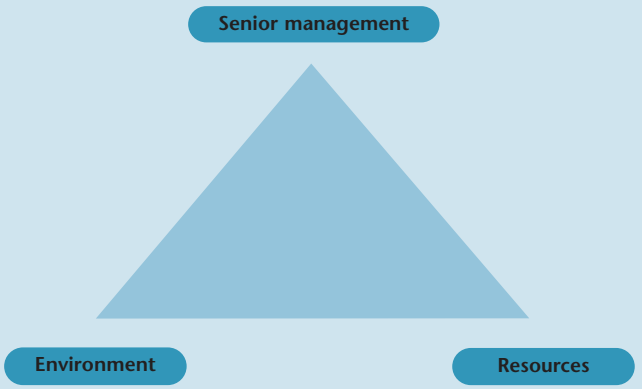

Figure 2.1 The three traditional poles of a strategic plan
Source: Adapted from Aktouf (1996)

undertaken by the upper echelon of the organization in order to accomplish performance goals. Wheelen and Hunger (1995, p. 3) 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) 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 2.1).

HRM IN PRACTICE 2.1

STRATEGY PLANNING HAS SUDDENLY GOT SEXY

GORDON PITT. THE INS AND OUTS OF MANAGEMENT TOOLS. *GLOBE AND MAIL*, 1998, JANUARY 8

In the past decade, the North American workplace, as those in Europe, has seen a constant parade of management fads and fashions. In 1993, the top three most popular management techniques were mission statements, customer satisfaction measurement, and total quality management. In 1996, strategic planning, mission statements and benchmarking were the top three management techniques. Of the 409 North American companies surveyed, 89 per cent reported using strategic planning in 1996. As one business observer (Pitt, 1998) commented: 'Strategic planning has always been around [but] it suddenly got sexy.'

Model 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. strategic formulation
4. strategy implementation
5. strategy evaluation.

Figure 2.2 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).

Environmental analysis looks at the internal organizational strengths and weak-

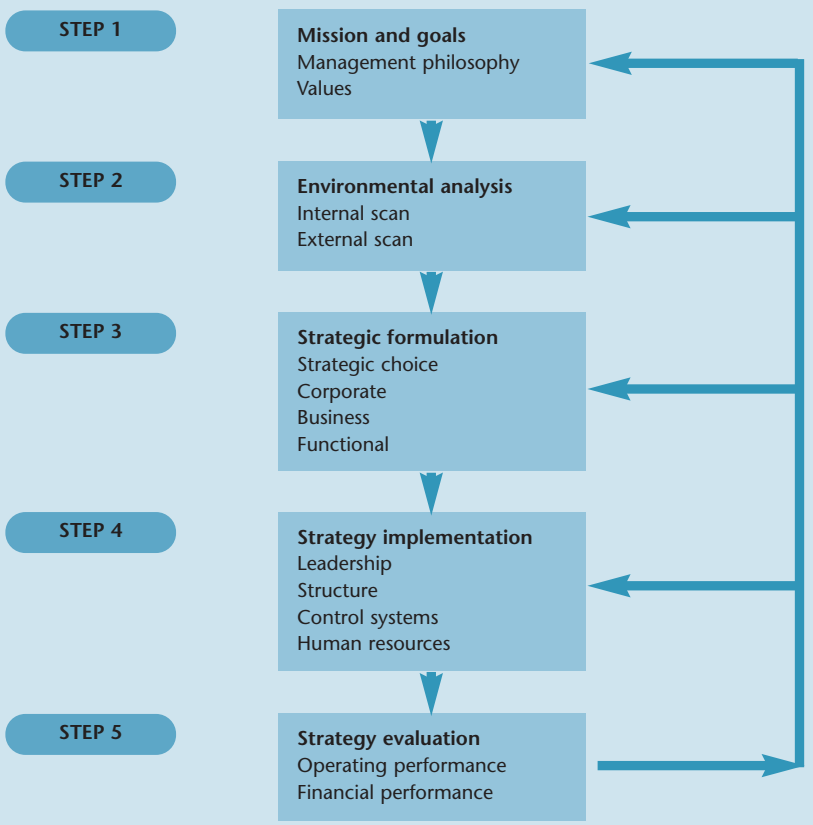

Figure 2.2 The strategic management model

nesses 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 – **S**trengths, **W**eaknesses, **O**pportunities and **T**hreats.

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 (McLoughlin & Clark, 1988). 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, quoted in McLoughlin & Clark, 1988, p. 41) affirms this interpretation of the decision-making process when he writes:

> [W]hen 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), 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 (see Figure 1.2 above). Influential management consultants and academics (for example Champy, 1996; Kotter, 1996) 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** (Figure 2.3):

1. corporate
2. business
3. functional.

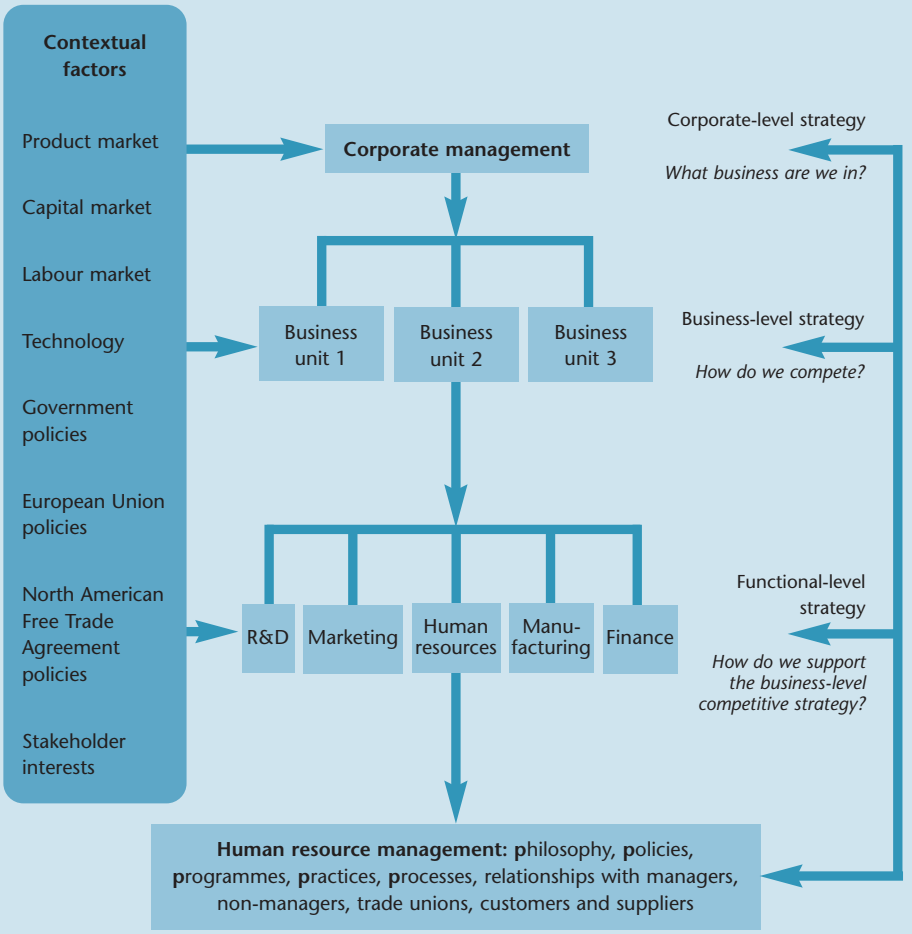

Figure 2.3 Hierarchy of strategic decision making

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) 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 leadership** 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 2.4).

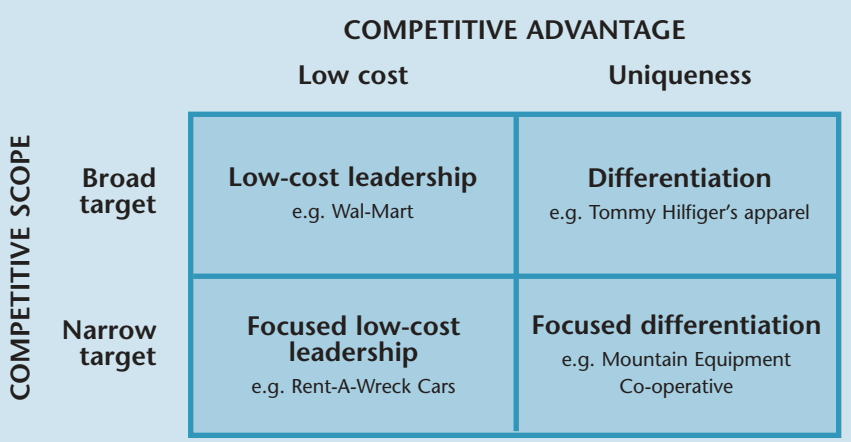

Figure 2.4 Porter's competitive strategies
Source: Adapted from Porter (1985)

Miles and Snow (1984) have identified four modes of strategic orientation: defenders, prospectors, analysers and reactors. *Defenders* are companies with a limited product line and a management focus 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. This sales orientation makes senior managers emphasize 'creativity over efficiency'. *Analysers* 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 any one 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) 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. (F.A. 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, and it is to this discourse that we now turn.

HRM IN PRACTICE 2.2

SENIOR HR EXECUTIVES DECRY LACK OF STRATEGIC INPUT

HR MAGAZINE, 1999, JANUARY, PP. 21–2

Though many HR management gurus have championed the evolving and expanding strategic role of HR professionals, a recent report from the Conference Board of Canada seems to indicate that most HR executives feel they aren't very involved with their companies' strategic plans. The recent survey of 155 senior-level HR executives found that 63 per cent of the respondents felt that 'HR is never, rarely or only sometimes' a major part of their companies' overall strategy. The remaining 37 per cent did feel that HR plays a significant role in their companies' strategic planning. According to researchers with the Conference Board, employees at companies that encourage HR participation in strategic planning have a stronger understanding of their functions within the organization. 'There is a strong correlation between those companies that say HR is always linked to the strategic process, and how well the companies' employees understand where the company wants to go', says Brian Hackett, a senior HR specialist with the board.

Strategic human resource management

The SHRM literature is rooted in 'manpower' (sic) planning, but it was the work of influential management gurus (for example Ouchi, 1981; Peters & Waterman, 1982), 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 (Barney, 1991; Pfeffer, 1994, 1998a). 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 (Bamberger & Meshoulam, 2000; Pfeffer & Salancik, 1977; Powell & DiMaggio, 1991; Purcell & Ahlstrand, 1994; Whipp, 1999).

REFLECTIVE QUESTION

Why have academics and HR professionals embraced SHRM? Is there a strong business case for the strategic approach to HRM, or is it more the case that academics and HR professionals have embraced SHRM out of self-interest? What do you think of these arguments?

Concepts and 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). For Snell et al., (1996, p. 1996) '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). 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). Purcell (2001) has also portrayed HR strategy as 'emerging patterns of action' that are likely to be much more 'intuitive' and only 'visible' after the event.

We begin the discussion of SHRM and HR strategy with a focus on the link between organizational strategy formulation and strategic HR formulation. A range of business–HRM links has been classified in terms of a proactive–reactive continuum (Kydd & Oppenheim, 1990) and in terms of environment–human resource strategy–business strategy linkages (Bamberger & Phillips, 1991). In the 'proactive' orientation, the HR professional has a seat at the strategic table and is actively engaged in strategy formulation. In Figure 2.3 above, the two-way arrows on the right-hand side showing both downward and upward influence on strategy depict this type of proactive model.

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 2.3 above by a *one-way downward arrow* from business- to functional-level strategy. In this sense, a HR strategy is concerned with the challenge of matching the **p**hilosophy, **p**olicies, **p**rogrammes, **p**ractices and **p**rocesses – the 'five Ps' – in a way that will stimulate and reinforce the different employee role behaviours appropriate for each competitive strategy (Schuler, 1989, 1992).

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 2.5). In the hierarchy of the strategic decision-making model (see Figure 2.3 above), 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

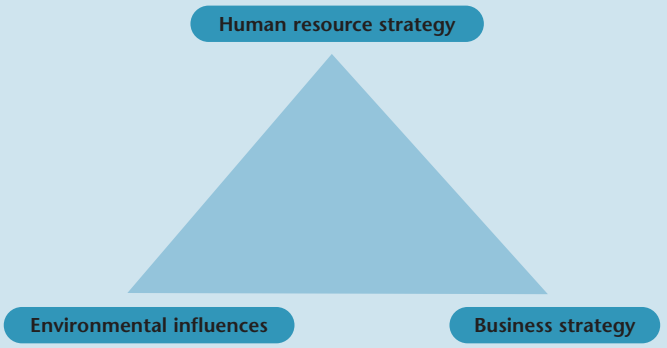

Figure 2.5 Environment as a mediating variable for human resource management strategies
Source: Bamberger and Phillips (1991)

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).

In the late 1980s, 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; Thurley & Wood, 1983) and using the notion of a hierarchy of strategy, Purcell (1989) 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).

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) 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) 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 2.6).

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,

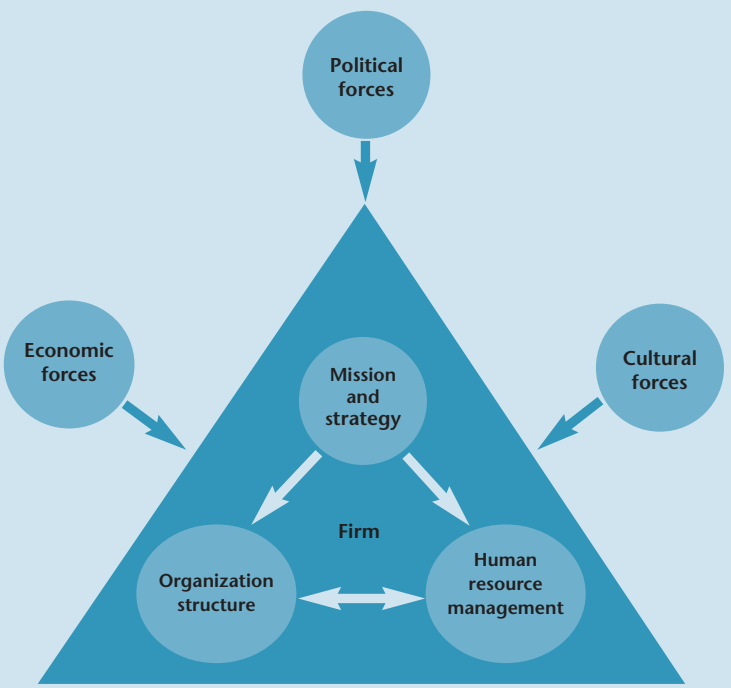

Figure 2.6 Devanna et al.'s strategic human resource management 'matching' model
Source: Devanna et al. (1984)

see Figure 1.5). 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; Schuler & Jackson, 1987). 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

This section examines 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 exist 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 model**, 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 countermanagement behaviour then causes managers to control and discipline the interior of the organization. In an insightful review, Thompson and McHugh (2002, p. 104) comment that, 'control is not an end in itself, but a means to transform the capacity to work established by the wage relation into profitable production'.

What alternative HR strategies have managers used to render employees and their behaviour predictable and measurable? Edwards (1979) 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) 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), 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 centres 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; Sewell, 1998).

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). 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 (for example Schuler & Jackson, 1987). 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).

REFLECTIVE QUESTION

What do you think of the argument that each type of competitive strategy requires a different HR strategy? Thinking about your own work experience, reflect upon the way in which managers attempted to control your behaviour at work. Was each task closely monitored, or was the focus on actual outcome? To what extent, if at all, were different *types* of managerial control related to the firm's product or service?

The resource-based model

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, and 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), 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, cited in Boxall, 1996, pp. 64–5). More recently, Barney (1991) 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.

HRM WEB LINKS

An increasing number of US companies are establishing 'corporate' universities to help to build 'core' competencies. Examples of US corporate universities are Intel University (www.wiche.edu/telecom/resources/sharinginformation), Dell University (www.dell.com/careers) and Motorola University (www.mot.com/MU).

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) 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 2.7 summarizes the relationship between resources and capabilities, strategies, and sustained competitive advantage.

REFLECTIVE QUESTION

Based upon your own work experience, or upon your studies of organizations, is continuous learning at the workplace more or less important for some organizations than others? If so, why?

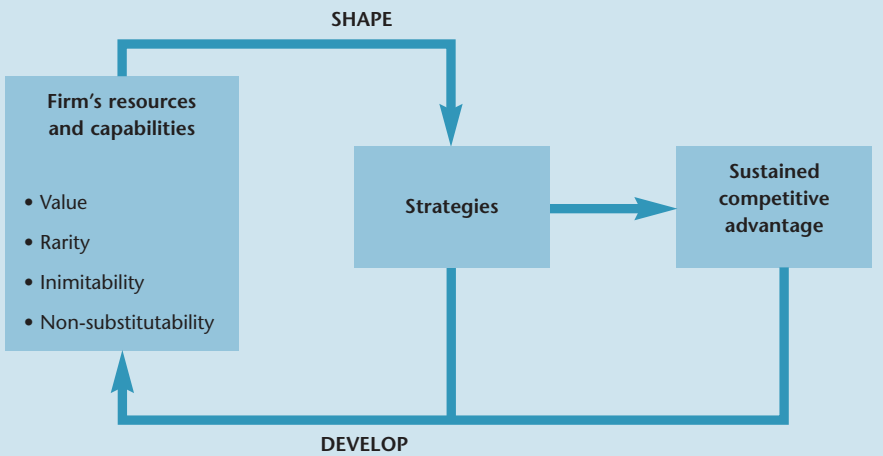

Figure 2.7 The relationship between resource endowments, strategies and sustained competitive advantage

Source: Based on Barney (1991) and Hill and Jones (2001)

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). 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). As Figure 2.8 shows, these two main dimensions of HR strategy yield four different 'ideal types' of dominant HR strategy:

- commitment
- collaborative
- paternalistic
- traditional.

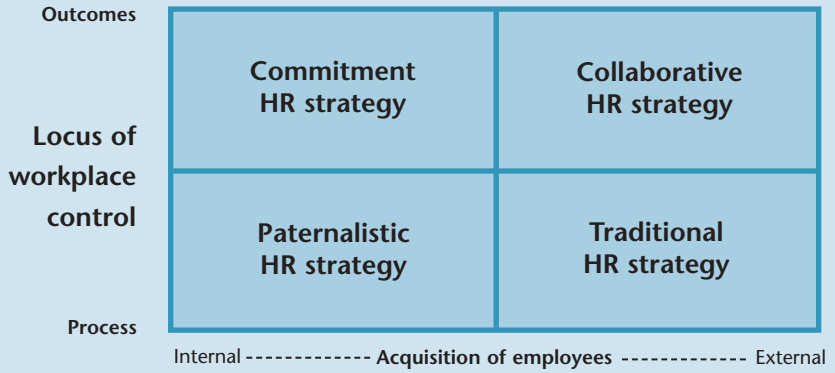

Figure 2.8 Categorizing human resource management strategies
Source: Based on Bamberger and Meshoulam (2000)

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 *paternalistic 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). 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 bureacratic 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'. As one of us has argued elsewhere (Bratton, 2001, p. 341):

> For organizational controllers, workplace learning provides a compelling ideology in the twenty-first century, with an attractive metaphor for mobilizing worker commitment and sustainable competitiveness … [And] the learning organization paradigm can be construed as a more subtle way of shaping workers' beliefs and values and behaviour.

HRM IN PRACTICE 2.3

AIRLINE HOPES TO CUT COSTS, REGAIN MARKET SHARE

PATRICK BRETHOUR AND KEITH MCARTHUR, *GLOBE AND MAIL*, 2002, APRIL 20, PP. B1, B6

Air Canada unveiled its long awaited discount carrier yesterday, but warned that customers shouldn't expect fares to immediately be lower than those already offered by Air Canada. Steve Smith, president and chief executive officer of Zip Air Inc., said the new airline is being created to cut Air Canada's costs – not to reduce fares. 'Right now, the price is already low, particularly in this market,' he said, adding that prices could fall over time as the new airline reduced expenses.

Observers see the wholly owned subsidiary as a way for Air Canada to lower labour costs and win back market share it has lost in recent years to Calgary-based WestJet Airlines Ltd. Mr Smith said a new business model is emerging in the airline market – as it has in retailing – where lower-cost, no-frills service becomes the norm. He said the full-service model for short flights is 'going the way of the dinosaur.' Zip is aimed at meeting that challenge in the low end of the market, he said.

Zip's costs will be at least 20 per cent lower than those at Air Canada's comparable mainline flights, in part because Zip's employees will be making less money than their counterparts at Air Canada. Mr. Smith said wages will be competitive with Zip's competitors in the low-cost market. 'For the employees, they have to understand that they will be working for zip,' he joked.

Pamela Sachs, president of Air Canada component of the Canadian Union of Public Employees, said the union will mount a legal challenge to Air Canada's attempts to pay so-called B-scale wages to Zip employees. 'Air Canada gives zip by zapping its employees. They are hurting the very people who have worked so hard for them and for so long,' she said.

'They are hurting the very people who have worked so hard for them and for so long ...'

Other cost-cutting measures at Zip include offering snacks instead of meals, providing no in-flight entertainment and operating only one kind of plane. There will also be less room between seats – 32 inches or 33 inches – although the seats will still have more leg room than the smallest seats at WestJet. The reduction, along with the elimination of business-class seats, will allow Zip to add 17 seats to the 100 seats in the Boeing 737-200. (WestJet has 120 seats in its Boeing 737-200s).

The company will operate independently of Air Canada, although it will buy maintenance services from its parent, as well as using the larger company's pilots.

REFLECTIVE QUESTION

How would you describe the HR strategy at Zip Air (HRM in practice 2.3)? How does this HR strategy support the business plan? Do you think that Zip Air will be able to mobilize its employees' competencies and commitment to achieve a competitive advantage?

Evaluating strategic human resource 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 (Bamberger & Meshoulam, 2000; Monks & McMackin, 2001; Whittington, 1993). As such, the notion of *consciously* aligning business strategy and HR strategy applies only to the 'classical' approach to strategy (Legge, 1995). 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 (for example Hales, 1986).

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 (Mintzberg et al., 1998). 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) 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 leadership competence of managers (see Figure 1.3). 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 (Bratton, 1992). 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.

Drawing upon the work of Kelly (1985), 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 'postmodern' work organization (Cloke & Goldsmith, 2002, p. 162).

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 lay-off 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 Legge (1995, p. 126) points out, these HR policies and practices 'although consistent with such a business strategy, are unlikely to generate employee commitment' (1995, p. 126). 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 (Boxall, 1992, 1996; Streeck, 1987). 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).

STUDY TIP

Read Chapter 8, Control: concepts and strategies in Thompson and McHugh's (2002) book, *Work organizations: A critical introduction*, 3rd edition. Why and how do organizational theorists contest theories of management control? To what extent do variations in HR strategy reflect the fundamental tension between management's need to control workers' behaviour while tapping into workers' ingenuity and cooperation?

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 that are discussed briefly here and, with the exception of leadership, more extensively in later chapters. These are:

- HR practices and performance (see also Chapter 13)
- re-engineering organizations and work (see also Chapter 4)
- **leadership**
- workplace learning (see also Chapter 10)
- trade unions (see also Chapter 12).

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 a positive link between particular sets or 'bundles' of HR practices and business performance has become '*the* dominant research issue' (Guest, 1997, p. 264). 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 (for example Baker, 1999; Betcherman et al., 1994; Guest, 1997; Hutchinson et al., 2000; Ichniowski et al., 1996; Pfeffer, 1998a) 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 labelled '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 (see Champy, 1996; Hammer, 1997; Hammer & Champy, 1993).

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 liter-

ature, 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). The current interest in alternative leadership paradigms variously labelled 'transformational leadership' (Tichy & Devanna, 1986) and 'charismatic leadership' (Conger & Kanungo, 1988) 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 (Bratton et al., in press; Guest, 1987).

A number of writers (for example Agashae & Bratton, 2001; Barney, 1991; Senge, 1990) 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' (Hammer & Champy, 1993, p. 107), 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 (Dixon, 1992; Kochan & Dyer, 1995). 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' (Coopey, 1996) and be a source of conflict when linked to productivity or flexibility bargaining and job control (Bratton, 2001). (Chapter 10).

Trade unions 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 (Godard, 1994). 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 (see Betcherman et al., 1994; Guest, 1995; Verma, 1995). 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 (Chapter 3).

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 cultural contexts are likely to constrain or shape any tendency towards 'convergence' or a 'universal' model of best HRM practice (Belanger et al., 1999; Clark & Pugh, 2000; Kidd et al., 2001). 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.

HRM IN PRACTICE 2.4

WOMEN FIND OVERSEAS POSTINGS OUT OF REACH

SHERWOOD ROSS, *GLOBE AND MAIL*, 2001, AUGUST 27, P. M6

Female executives who want plum overseas assignments are forced to break through a 'glass border' – a barrier to foreign postings that is not unlike the glass ceiling that stands in the way of promotions, experts say.

'As global assignments increasingly become prerequisites for advancement, glass borders may impede women's progress before they even reach the glass ceiling,' says Sheilla Wellington, president of Catalyst, an advocacy group to advance women in business. Women hold about 13 per cent of all corporate American expatriate posts, according to a study done by Catalyst. That's a poor showing, says the New York-based group.

Authorities cite a variety of obstacles to women becoming global executives. These include misplaced concerns for the safety and effectiveness of female expatriates, as well as the fact that some women have been given little or no opportunity to obtain experience abroad, even with small projects. Women who are selected 'tend to be younger and single and that tells me employers are probably ruling out married women with children,' says Virginia Hollis, vice-president of sales at Cigna International Expatriate Benefits. Women are victims of 'subtle discrimination,' says Linda Stroh, a professor at the Institute of Human Resources and Industrial Relations at Loyola University, in Chicago.

'It doesn't mean that men are screening women out to work abroad. It's an unawareness that women are capable of going.' Also, male executives do not send women abroad 'in the mistakenly paternalistic belief that they are protecting them from environments that may be difficult or dangerous,' says Jean Lipman-Blumen, professor of public policy and organizational behaviour, at the University of Claremont.

Women hold about 13 per cent of all corporate American expatriate posts.

Change will not come, though, until 'corporate executives at the top become very proactive in reaching out to women to be considered for [overseas] assignments,' predicts Anna Lloyd, president of the Committee of 200, a group that represents more than 430 female business executives.

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 (for example Shenkar, 1995; Tung, 1988). A decade ago, it was suggested that much of this work tended to be descriptive and lacked analytical rigour (Kochan et al., 1992) 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 (Scullion, 2001). 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). 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' (see HRM in practice 2.4).

HRM WEB LINKS

For further information on cultural diversity go to www.ciber.bus.msu.edu, www.shrm.org/diversity and www.shhrm.org/trends.

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) 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 (for example Bean, 1985; Boxall, 1995; Clark & Pugh, 2000; Moore & Jennings, 1995). In terms of critical research, comparative HRM is relatively underdeveloped.

REFLECTIVE QUESTION

Do you believe that there is increasing convergence in HR practices in (1) Europe and (2) worldwide?

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' (Clark et al., 2000, p. 17).

Using comparative analysis, Brewster (1993, 1995, 2001) 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"' (Brewster, 1995, p. 323). Adopting a 'systemic view' of European national work

systems, Clark and Pugh (2000) 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 (Hyman, 1994). 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 (Lipsig-Mummé, 2001). Building on Tyson and Brewster's (1991) hypothesis, we might have to acknowledge the existence of discrete HRM models both between and within nations, contingent on distinct contextual factors. 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). It is easier to formulate questions than answers, and this section has taken the easier route rather than the more difficult, yet there is value in asking questions. Questions can stimulate reflection and increase our understanding of the HRM paradigm. Our objective has been to do both.

HRM WEB LINKS

For further information on comparative HRM, go to HR Global Village www.hr-global-village.org./ (Australia), www.workindex.com/ (USA), www.clc-ctc.ca (Canada) and www.travail.gouv.qc.ca/ (Quebec, Canada).

Chapter summary

- This chapter has examined different levels of strategic management, defining strategic management as a 'pattern of decisions and actions' undertaken by the upper echelon of the company.
- Strategic decisions are concerned with change and the achievement of superior performance, and involve strategic choices. In multidivisional companies, strategy formulation takes place at three levels – corporate, business and functional – to form a hierarchy of strategic decision-making. Corporate and business-level strategies, as well as environmental pressures, dictate the choice of HR policies and practices.
- When reading the descriptive and prescriptive strategic management texts, there is a great temptation to be smitten by what appears to be the linear and absolute rationality of the strategic management process. We draw attention to the more critical literature that recognizes that HR strategic options are, at any given time, partially constrained by the outcomes of corporate and business decisions, the current distribution of power within the organization and the ideological values of the key decision-makers.
- A core assumption underlying much of the SHRM research and literature is that each of the main types of generic competitive strategy used by organizations (for example cost

leadership or differentiation strategy) is associated with a different approach to managing people, that is, with a different HR strategy.

- We critiqued here the matching model of SHRM on both conceptual and empirical grounds. It was noted that, in the globalized economy with market turbulence, the 'fit' metaphor might not be appropriate when flexibility and the need for organizations to learn *faster* than their competitors seem to be the key to sustainable competitiveness. We also emphasized how the goal of aligning a Porterian low-cost business strategy with an HRM strategy can contradict the core goal of employee commitment.
- The resource-based SHRM model, which places an emphasis on a company's human resource endowments as a strategy for sustained competitive advantage, was outlined. In spite of the interest in workplace learning, there seems, however, little empirical evidence to suggest that many firms have adopted this 'soft' HR strategic model.
- The final section examined the distinctions between international HRM and comparative HRM. This portrayed international HRM as an area of research and practice related to issues associated with the cross-national transfer of people, for example how to select and manage expatriate managers in international job assignments.
- Comparative HRM was portrayed as a field of inquiry largely concerned with the issue of how well an HR strategy that works effectively in one country and culture can be transplanted to another work site overseas.
- We indicated that international HRM and comparative HRM as fields of inquiry have expanded over the past decade, but more research is needed to test the links between international business strategy and international HRM. Studies need to examine the barriers facing women who seek overseas appointments (see HRM in practice 2.4). Furthermore, research is needed to investigate HR practices in developing countries. The mantra of 'high-commitment' HR practices is hollow and unconvincing when applied to organizational life in the export-processing zones (see HRM in practice 3.1). The next chapter examines some of the environmental factors that underlie managerial decision-making processes in SHRM and international HRM.

Key concepts

- **Control-based model**
- **Differentiation strategy**
- **Hierarchy of strategy**
- **HR strategy**
- **Leadership**
- **Low-cost leadership**
- **Resource-based model**
- **Strategic human resource management**
- **Strategic management**
- **Workplace learning**

Chapter review questions

1. What is meant by 'strategy'? Explain the meaning of 'first-order' and 'second-order' strategies.
2. Explain Purcell's statement that 'trends in corporate strategy have the potential to render the ideals of HRM unobtainable'.
3. 'Business-level strategies may be constrained by human resource issues but rarely seem to be designed to influence them.' Discuss.
4. What does a 'resource-based' SHRM model of competitive advantage mean? What are the implications for HRM of this competitive strategy?
5. What are the linkages, if any, between SHRM, leadership and learning?
6. Why is it difficult to quantify accurately the HRM–organizational performance link?
7. Explain why recent research suggests that the HRM–organizational performance relationship is clearer and stronger when whole 'systems', rather than individual HRM practices, are considered.
8. What value is gained from studying international HRM and comparative HRM?

Further reading

Brewster, C. (2001). HRM: The comparative dimension. In J. Storey (ed.), *Human resource management: A critical text* (pp. 255–71). London: Thompson Learning.

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Practising human resource management

Searching the web

Enter the website of two luxury-car manufacturers such as Lexus (www.lexususa.com) and Volvo (www.volvo.com), both of which compete in the same strategic group. Scan the websites to determine the key features of each company's business strategy. In what ways are their business-level strategies similar and different? Do the companies include HRM in their business-level strategies? If so, how does each company's HR strategy support its business strategy? Enter the websites of two

economy-car manufacturers, for example Ford (www.ford.com) and Hyundai (www.hyundai.com). In what ways are their business-level and HR strategies similar and different from those of the first group?

HRM group project

Form a study group of between three and five people, and search the web for sports equipment retailers such as Balmoral Boards (www.snowboards.net.au), Mountain Equipment Co-operative (www. mec.ca), ProSportUK (www.prosportuk.com) and Sportsmart (www.sportsmart.com). After viewing various company websites, discuss the following scenario:

You are advising a group of partners contemplating opening a new sports retail store in your city. Based on your web search, decide what business strategy can best provide your sports store with a competitive advantage to make it a profitable, ongoing operation.

1. Create a strategic group of sports equipment stores in your city and define their generic strategies (for example cost leadership or differentiation strategy).
2. Identify which sports stores are most successful and why.
3. On the basis of this analysis, decide what kind of sports retail store you would advise your clients to open.
4. On the basis of your understanding of the material in this chapter, decide what kind of HR strategy would best support your chosen business-level strategy and why.

Chapter case study

AIR NATIONAL[4]

Air National's (AN) 1998 Annual Report glowed with optimism. Bradley Smith, CEO, stated in his letter to shareholders, 'As a newly privatized company, we face the future with enthusiasm, confident that we can compete in a deregulated industry.' By April 2000, however, the tone had changed, with a reported pre-tax loss of $93 million. The newly appointed CEO, Clive Warren, announced a major change in the company's business strategy that would lead to a transformation of business operations and HR practices in Europe's largest airline company.

Background

During the early 1980s, civil aviation was a highly regulated market, and competition was managed via close, if not always harmonious, relationships between airlines, their competitors and governments. National flag-carriers dominated the markets, and market shares were determined not by competition but by the skill of their governments in negotiating bilateral 'air service agreements'. These agreements established the volume and distribution of air traffic and thereby revenue. Within these markets, AN dominated other carriers; despite the emergence of new entrants, AN's share of the domestic market in the early 1980s, for example, increased by 60 per cent.

The competition

In the middle of the 1980s, AN's external envir-

onment was subjected to two sets of significant change. First, in 1986, AN was privatized by Britain's Conservative government. This potentially reduced the political influence of the old corporation and exposed the new company to competitive forces. Preparation for privatization required a painful restructuring and 'downsizing' of assets and the workforce, driven largely by the need to make the company attractive to initially sceptical investors.

Privatization also offered significant political leverage, which AN was able to deploy to secure further stability in its key product markets. It was this context, rather than the stimulus of market competition, that gave senior management the degree of stability and security needed to plan and implement new business and HRM strategies. The second set of pressures, potentially more decisive, was generated by prolonged economic recession and the ongoing deregulation of civil aviation in Europe and North America.

With these environmental forces, AN attempted to grow out of the recession by adopting a low-cost competitive strategy and joining the industry-wide price war. Bradley Smith, when he addressed his senior management team, stated, 'this strategy requires us to be aggressive in the marketplace and to be diligent in our pursuit of cost reductions and cost minimization in areas like service, marketing and advertising'. The low-cost competitive strategy failed. Passenger numbers slumped by 7 per cent during the late 1980s, contributing to a pre-tax loss. Following the appointment of the new CEO, AN changed its competitive strategy and began to develop a differentiation business strategy (Porter, 1979) or what is also referred to as an 'added-value' strategy.

In 2002, following the September 11 attacks in New York and Washington in which four commercial planes were hijacked and crashed, killing almost 3000 people, international air travel bookings fell sharply. The catastrophes caused the loss of more than 100,000 airline jobs around the world. In addition, early in 2002, new discount airlines started operating in Europe, and there was a costly battle for market share between AN, HopJet Airlines and Tango Airlines.

Air National's new competitive strategy

Under the guidance of the newly appointed CEO, Clive Warren, AN prioritized high-quality customer service, 're-engineered' the company and launched a discount airline that operated as a separate company. The management structure was reorganized to provide a tighter focus on operational issues beneath corporate level. AN's operations were divided into route groups based on five major markets (Exhibit 2.1). Each group was to be headed by a general manager who was given authority over the development of the business, with a particular emphasis on marketing. The company's advertising began also to emphasize the added-value elements of AN's services. New brand names were developed, and new uniforms were introduced for the cabin crews and point-of-service staff.

AN's restructuring also aimed to cut the company's cost base. Aircraft and buildings were sold and persistently unprofitable routes either suspended or abandoned altogether. AN's overall route portfolio was cut by 4 per cent during 2001 alone. Labour costs offered the most significant potential savings, and with 35,000 employees AN's re-engineering included 'one of the biggest redundancy programmes in British history'. Once the redundancy programme was underway, the company was able to focus on product development, marketing, customer service and HR development. The company's sharpened focus on the new 'customer-first' programme prompted a major review of the management of employees and their interface with customers.

Air National's human resources strategy

The competitive and HR strategies pursued by

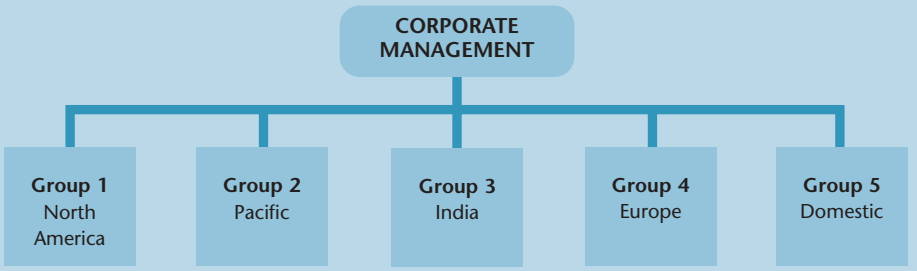

Exhibit 2.1 Air National's management structure

AN mainline business in the wake of this restructuring process, are congruent with an HR strategy that emphasizes employee empowerment and commitment. As Clive Warren stated in a television interview, 'In an industry like ours, where there are no assembly lines or robots, people are our most important asset and our long term survival depends upon how they work as part of a team'. In the closing part of her presentation, Elizabeth Hoffman, AN's Director of Human Resources, outlined the need for a new approach to managing AN's mainline employees: 'We must emphasize to our managers that they must give up control if our employees are to improve their performance' (Exhibit 2.2).

As part of the 'new way of doing things', demarcation between craft groups, such as avionics and mechanical engineers, were removed, and staff were organized into teams of multiskilled operatives led by team leaders. Even those middle managers who supported the new work teams found this approach to managing their subordinates uncomfortable, as one maintenance manager acknowledged: 'The hard part is having to share power. I confess, I like to be able to say yes or no without having to confer all the time and seek consensus from the team.'

AN instituted a series of customer service training seminars and invested in training and development. The senior management also

CORPORATE LEVEL	Differentiation competitive strategy Corporate values recognizing the contribution of Air National employees Effective voice for human resources at the strategy table
HUMAN RESOURCES POLICY LEVEL	Priority given to security of employment Investment in workplace learning Competitive and equitable pay policies
WORKPLACE LEVEL	Broad task design and self-managed teams Emphasis on employee empowerment and self-accountability Climate of cooperation, commitment and trust

Exhibit 2.2 Key characteristics of Air National's strategic human resource management and empower–developmental approach

developed a 'strategic partnership' with the unions. At the onset of the restructuring process, Clive Warren and Elizabeth Hoffman undertook to 'open the books' to the unions and established team briefings and regular, formal consultation meetings with union representatives. A profit-related pay system was also launched, with the full support of the unions. In addition, senior management held major training programmes, designed and delivered by leading business school academics, on the importance of trust, motivation and 'visionary' leadership.

Running parallel to these developments was the company's concurrent objective of cost reduction. Between 1996 and 2000, AN shed 37 per cent of its workforce, nearly 25 per cent leaving in 1998. Job cuts were managed entirely through voluntary severance and redeployment. The requirement to sustain and improve performance in the face of such job losses produced, however, a preoccupation with productivity levels, and attempts to alter shift patterns sometimes provoked conflict. Disputes were resolved quickly, usually by the company reminding employees of AN's commitment to job security, training and development, and through senior management 'throwing money at the problem'.

GoJet competitive and human resources strategy

AN also launched its GoJet product in November 2002 to take advantage of the dramatic shift by European and North American passengers towards discount airlines. GoJet planes have more seats because there is less room between the seats and the business-class section has been removed, which allows the planes to carry an additional 20 passengers.

GoJet costs will be 20 per cent lower than those of AN's comparable mainline flights partly because GoJet's employees will be paid a lower wage than their counterparts at AN. Clive Warren has, however, said that wages will be competitive with GoJet's competitors in the discount market.

Reviewing the developments, Clive Warren considered that AN had been 'transformed by re-engineering'. Deep in debt in the late 1980s, AN went into profit in the first quarter of 1998 and then suffered a loss in the last quarter of 2001 and the first quarter of 2002. The company's aircraft were flying to 164 destinations in 75 countries from 16 UK airports. 'If we are to maintain our market share in domestic and international passenger traffic we have to have a business plan that recognizes the realities of airline travel in the 21st century', said Warren.

Discussion questions

You are an HR consultant employed by a rival national airline to investigate AN's competitive and HR strategy. Prepare a written report on the following questions:

1. What factors enabled AN's senior management to take a strategic approach to its business and to adopt an empowering-developmental approach to HRM?
2. How useful is the concept of 'strategic choice' in understanding the linkage between AN's competitive and HR strategies?
3. What problems, if any, do you envisage with AN's HR strategy and GoJet's HR strategy? (Re-reading HRM in practice 2.3 might help here.)

HR-related skill development

Case study analysis is an important skill for potential and practising managers to develop: it provides learners with experience of applying strategic management concepts to an organization they have been asked to study or to their own company or organization. Typically, a detailed analysis of a case should include the following: background of the organization, SWOT analysis, nature of the business strategy, an HR system to match its strategy and recommendations. You will develop your skill at analysing a case study by going to www.palgrave.com/business/brattonandgold) and clicking on 'Analysing a Case Study'.

Notes

1. F. A. Maljers, Chairman of the Board of Unilever.
2. Beer et al. (1984). *Managing human assets*, 1984, p. 25.
3. Kathy Monks and John McMackin (2001). Designing and aligning an HR system. *Human Resource Management,* **11**(2), pp. 57–72.
4. This case is based on 'Experiencing turbulence: Competition, strategic choice and the management of human resources in British Airways' by Trevor Colling (1995), *Human Resource Management Journal*, **5**(5), pp. 18–32, and articles in the *Globe and Mail*, 2002, April 20.