Business Strategy and Human Resource Management: Setting the Scene

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This article is based on a journey through the wilderness of strategic human resource management. Part 1 gives an overview of the recent literature on this topic, particularly pertaining to the two issues which received have most attention until now: the relational aspects and the content aspects. In part 2, we go deeper into the wilderness and explore the least known aspect of strategic human resource management, namely the process aspects. This exploration is based on the simultaneous study of the (scarce) literature and four cases. Finally, the connection between the three aspects is investigated.

INTRODUCTION

Increased integration between human resource management and business strategy is one of the most important demands that are placed upon modern strategic human resource management. In both the management and the academic literature, it is generally acknowledged that the strategic deployment and management of personnel can contribute to the success and continuity of the firm. Some go even further by stating that a firm's human resources form the basis of the firm's competitive advantage. In this view, the human resources are the most important assets of an organisation. At the same time, in addition to the importance of the human resources as such, it is believed to be important that the management of the human resources should be in perfect fit with the management of the organisation as a whole and its strategic plans.

However, despite these optimistic accounts, it is clear that the implementation of strategic human resource management is difficult and to date, has diffused only to a limited extent (Rowland & Summers, 1981; Lorange & Murphy, 1984; Nkomo, 1984; Golden & Ramanujam, 1985; Mills, 1985; Buller & Napier, 1993). The literature often refers to a relatively small number of success stories. In other instances, the literature provides rather normative models of strategic human resource management, models which are still in need of being the subject of practical experiences and empirical testing. Also, in general, most literature is mainly concerned with 'what' strategic human resource management is and much less with 'how' to implement it (Truss & Gratton, 1994).

We would like to distinguish three aspects of the integration between business strategy and human resource management. These aspects can be found in companies and other organisations, and are also very helpful in classifying the available literature.

The first is concerned with the relational aspects between business strategy and human resource management: what is the position of personnel and human resource management in relation to other internal factors such as economic, technological and financial? This configurational issue focuses on the relative importance of the various factors and actors.

The second issue reflects the content of both strategy and human resource management and is concerned with the connection between a certain business strategy on the one hand and a certain human resource management on the other. The following issue of contingency is at stake here: given a certain X, which approach to Y is best suited? One may be inclined to read business strategy for X and human resource management for Y. However, for the moment we will refrain from doing so, because this relationship might or perhaps should be viewed the other way round, or may be even more complex.

Third and finally, the process aspects refer to the ways in which the integration between business strategy and human resource management is realised and continued. As mentioned before, this aspect has received little attention so far, but for a number of reasons it is of great importance. It will provide insight into the ways in which the integration between business strategy and human resource management is actually realised. Also, it not only provides knowledge concerning the process of strategy formulation but also, and perhaps more important, concerning the process of strategy implementation. Finally, giving attention to the process aspects will provide clues for the optimalisation of such processes.

STRATEGIC HUMAN RESOURCE MANAGEMENT: RELATIONAL AND CONTENT ASPECTS

As previously mentioned, the relational and content aspects of the integration between business strategy and human resource management have received the most attention so far. In this part, we will provide a brief overview of the literature on these issues. In doing so, we do not have the ambition of being exhaustive. Instead, we will present some of the most important and influential ideas with respect to these aspects. Also, we will connect the content with the relational aspects. The connection between the content and relational aspects with the process aspect will be further explored in the third part of this article.

The relation between business strategy and human resource management

The relational aspect of the integration between business strategy and human resource management refers to the relationships between the factors and actors involved. In other words, what is at stake here, is the relative importance of human resource management in comparison with the business strategy. This is considered more or less regardless of the content of both policy areas and also regardless the way in which both areas are given shape in concrete situations. This issue has received

a great deal of attention, both in practice and in the literature. Under this heading, it is often advocated that the senior human resource manager should be a member of the board of directors or management team. Also, the lengthy discussions in the Netherlands and other countries about the professionalisation of the human resource function (the department) partly belong to this relational aspect. The assumption was, and often still is, that, as soon as the senior personnel manager is taking part in the firm's top management, and there is also a professional personnel department, the strategic character of the human resource management will be guaranteed.

Along this line of reasoning, personnel management of firms can be characterised in terms of its relative weight in relation to the business strategy. The classical work by Golden and Ramanujam (1985) is one of the major articles within this relational perspective. They distinguished between administrative, one-way, two-way, and integrative linkages between business strategy and human resource management and found that the integrative linkage was only present in one of the ten firms studied by them. Buller (1988), using the Golden and Ramanujam categories, found similar results.
A number of other researchers have investigated the relation between business strategy and human resource management (Rowland & Summers, 1981; Lorange & Murphy, 1984; Nkomo, 1984; Mills, 1985; Buller & Napier, 1993; Brewster, 1994). All pointed in the same direction: in only a few cases, full integration between business strategy and human resource management is actually achieved.

In the critical factors, decisive for the level of strategic integration, Golden and Ramanujam distinguished two groups, namely organisation-specific factors and human resource-specific factors (p. 440-448). Not surprisingly, all specific HR-factors are explicitly connected to the personnel department or HR function within the firms. Only very little attention is given, for instance, to the amount of time and energy spent by line managers or other key figures on HR issues. Therefore, we are inclined to conclude that the framework of Golden and Ramanujam is about the cooperation and communication between top management and the personnel department, rather than the integration between business strategy and human resource management.

Another distinctive feature of most of the work on relational aspects is the evolutionary character. In fact, the four linkages of Golden and Ramanujam should be read as developmental stages, and they assume that all firms will evolve through these stages over time. This is quite understandable because they implicitly address the management role and the role of the personnel function. One might assume that it would indeed be beneficial to the firm if cooperation and communication improved over time. But the question remains whether such a situation would also lead to an integrated and strategic human resource management. Whatever the answer to this question may be, it is clear that many discussions within this perspective are really about the position and roles of the parties involved. Although this is an interesting issue as such, one might question whether it is really crucial for the level of integration between the business strategy and human resource management (see also Brewster, 1994).

Yet another assumption underlying most of this work is that a high level of integration is a necessi-

ty for the optimal performance of firms. Although Buller (1988) first states that the absolute level of integration is not of crucial importance, he adds to this that striving for two-way or integrative linkages would be advantageous for most firms, since most firms are operating in dynamic and unpredictable environments. In such situations, firms achieving a higher level of integration between business strategy and human resource management would have a competitive advantage.

Finally, one of the crucial assumptions is that the level of integration is under the full discretion of the firm. Other authors have challenged this basic assumption by stating that the extent to which the level of integration can be rationally determined by the firm partly depends upon contextual, political and process factors (Quinn, 1980; Hendry & Pettigrew, 1986; Buller & Napier, 1993).

Therefore, it seems to be rather pointless to approach strategic human resource management only from the perspective of the relation between business strategy and human resource management. A number of assumptions underlying this approach seem to be difficult to maintain. Also, other aspects seem to be at least as important, and the relation is closely connected to the content of both the strategy of the organisation and of the human resource policies and practices. Finally, discussing the relation between strategy and human resource management often evolves into the popular discussion about the position of the human resource manager. This is probably not the most appropriate way to increase the strategic level of human resource management.

We have indicated several times that firms are believed to evolve or develop autonomously through various stages in order to achieve a maximum level of integration between business strategy and human resource management. In the next section, this image will be slightly modified. The ideas discussed in the next section assume that the position and content of human resource management is contingent on specific environmental characteristics and product-market strategies. The evolutionary character will, however, not disappear completely. Also, it will become clear that some authors reject the idea of a deterministic and/or contingent relation and provide some space for 'strategic choice' with respect to the content of human resource management.

The content aspect of the integration between business strategy and personnel management

Wright and McMahan (1992) distinguished several groups of theories dealing with the content of the integration between business strategy and human resource management. The most important ones are:
• Behavioural theories;
• Resource-based theories; and
• Interactive theories, based on open systems theory.
In this section, we will discuss the various theories and present some major and influential examples. For each group of theories, we will discuss the (implicit) assumptions regarding the kind of re-

lation between business strategy and human resource management: do certain relations correspond with a certain content of human resource management?

Behavioural theories

Behavioural theories are based on the assumption that for the realisation of a certain business strategy certain employee behaviour is necessary. In this way, employee behaviour forms the bridge between business strategy and firm performance. In this view, human resource management and practices are seen as a means to "... elicit and control employee attitudes and behaviours" (Wright & McMahan, 1992, p. 303) which are believed to be most effective in realising the aims of the organisation. Thus, depending on the firm's strategy and the required behaviour and attitudes of personnel, human resource management and practices are expected to vary accordingly.

In the literature, a number of studies can be traced which fit within this behavioural approach (for instance Miles & Snow, 1984; Schuler & Jackson, 1987a, 1987b; Paauwe, 1989; Kydd & Oppenheim, 1990; Begin, 1992). Some of these approaches derive human resource management from certain product-market strategies (as formulated for instance by Miles & Snow, Porter, Gerstein & Reisman). In other approaches, human resource management is linked to environmental characteristics (based on Dunlop) or organisational characteristics (based on Mintzberg), more or less connected with a product-market strategy.

To the extent that the above-mentioned studies are based on empirical observations, their results are somewhat ambiguous. For instance, Schuler & Jackson (1987b) concluded that, although "HRM practices are used differently by organizations that differ in their strategies [...] further analysis revealed that greater differences in HRM practices are found within organizations than across organizations, regardless of strategy. That is, organizations are likely to use rather different HRM practices with employees at different levels " (p. 125). In addition, they concluded that "Although it was implied in this study [...] that a fit between HRM practices and organizational strategy is likely to be more effective than a lack of fit, this remains to be empirically examined" (p. 139). Also, Paauwe (1989) did not find a uniform relationship between environmental characteristics and human resource management. He concluded that organisations possess a certain room for manoeuvre in this policy area. Kydd & Oppenheim (1990) concluded that "human resource management can be a powerful tool to enhance competitiveness when policies and practices are logically driven by a firm's strategy and by the key environmental factors it faces" (p. 145), even though some human resource practices they studied, particularly the salary level and the frequency with which individuals are promoted (p. 160-161), seemed to be determined mainly by other aspects than environmental or strategic variables.

Summarising these results, we can conclude that the assumed clear and linear connection between business strategy and the content of human resource management hardly exists.

Pertaining to the relation between human resource management and business strategy (as discussed previously), all the authors mentioned above assume that there is an unambiguous relation between

business strategy and human resource management. In terms of the classification of Golden and Ramanujam, we could speak of administrative or one-way linkages between strategy and human resource management. The business strategy is assumed to be a more or less autonomous factor, determined mainly by market issues and the preferences of top management. The required employee role behaviours and attitudes are derived from the strategy, and human resource management has to elicit, promote and retain these behaviours and attitudes. Therefore, human resource management is also derived from the business strategy. Most authors assume either explicitly or implicitly the desirability of a perfect 'fit' between business strategy and human resource management.

'Resource-based view of the firm' theories

These theories are based on the general assumption that competitive advantage can be realised (only) when a firm possesses specific resources (resource heterogeneity) that are relatively immobile at the same time (resource immobility), which means that it is difficult for competitors to buy or imitate these resources. In contrast with more traditional views on strategic management, the resource-based view of the firm emphasises the relations between internal factors and the business strategy. In order for these (human) resources to provide sustainable competitive advantage, the resources 1) need to add positive value to the firm, 2) be unique or rare among current and potential competitors, 3) be imperfectly imitable, and 4) cannot be substituted with other resources by competing firms (Barney, 1991). Knowledge-intensive firms, like consultancy firms or software houses, often meet these criteria, that is, when they succeed in retaining and developing their human capital. Other firms, which are dependent upon the firm-specific skills and knowledge, can also realise competitive advantage on the basis of the development of the human resources. However, it remains to be seen whether the firm's resources are the only means to gain competitive advantage, since certain industries and sectors may not have met the above criteria and, therefore, competitive advantage could be realised on other grounds.

Grant (1991) has presented in a clear way the 'resource-based theory of competitive advantage'. In his approach, the firm's resources, combined into capabilities, form the basis for competitive advantage and, thus, for the selection of a strategy "which best exploits the firm's resources and capabilities relative to external opportunities" (Grant, 1991, p. 115). In other words, the business strategy is formulated basically on the ground of the presence of certain resources. In Grant's view, the resources would be the major aspect at which strategy-driven actions would be directed.

However, to consider the resources as the major focus for concrete actions is in our opinion a rather restricted point of view with respect to the consequences of certain strategies. After all, the joining of the available resources into organisational capabilities is at least as important as the resources themselves. According to Grant, a capability is "the capacity for a team of resources to perform some task or activity" (p. 119). Grant also indicates that "While resources are the source of a firm's capabilities, capabilities are the main source of its competitive advantage" (p. 119). The most opportunities to effectively deploy and optimally use the resources are based in the joining of the various resources. In other words, resources themselves are not sufficient, the combination and deployment of the resources is much more important. It is in this area that, in our view, the most important chal-

lenges for human resource management can be found.

The relation between business strategy and human resource management (as discussed before) in the pure form of the resource-based theories is the reverse of this relation in the behavioural theories: the business strategy is to a large extent determined by the possibilities offered by the human resources. In such situations, business strategy and human resource management strategy virtually coincide perfectly with each other.

Whereas, according to Barney (1991), sustained competitive advantage is discovered rather than developed, from a process point of view it has to be determined first what resources will lead to competitive advantage under what conditions. So, similar to Grant's framework, the resources and capabilities will have to be identified and classified first. This information is the input for the formulation of the business strategy. Consecutively, concrete indications have to be distilled, aimed at the resources themselves and at the conditions under which they become capabilities. Whereas in traditional approaches strategy making started with an external focus, in the resource-based theories the strategy-making process starts with an internal focus.

Interactive theories

As we have seen, both the behavioural theories and the resource-based theories are more or less linear in nature. However, the question is whether in reality the integration between business strategy and human resource management can be characterised in such a, rather simple, linear way. The typology of Lengnick-Hall and Lengnick-Hall (1988) is primarily based on the criticism relative to the behavioural theories regarding the integration between business strategy and human resource management. Their criticism focuses on four characteristics of the many models of strategic human resource management in use:
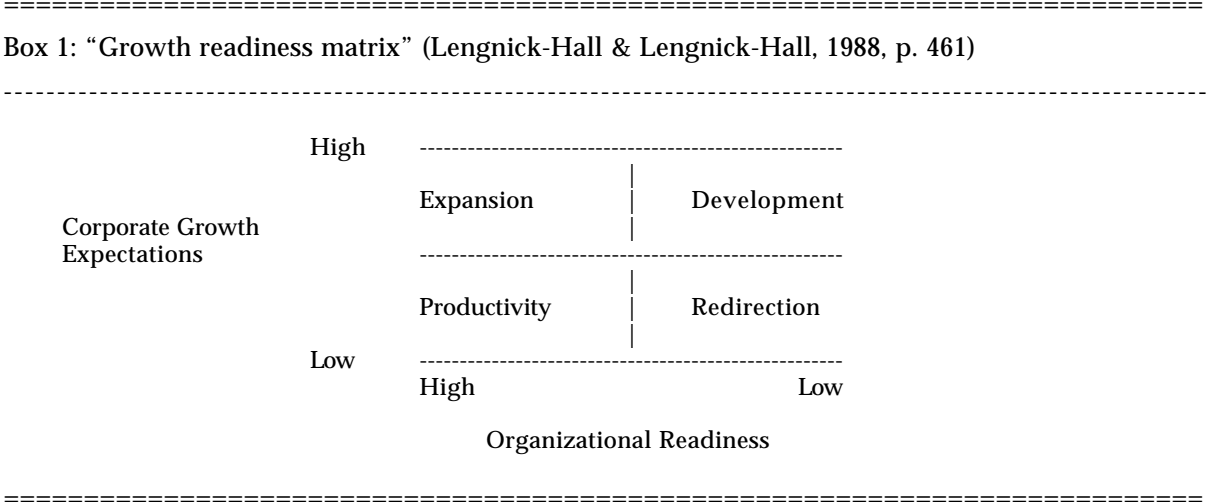
" *First*, strategic human resource management models emphasize implementation over strategy formulation. Human resources are considered means, not part of generating or selecting strategic objectives. [...] *Second*, traditional models focus on matching people to strategy, but not on matching strategy to people. This assumes that people are more adaptable than strategy. [...] *Third*, many models rely too heavily on organization or product life cycles as single and uncontrollable catalysts of change. This implies little management choice and an external dominance of the firm. [...] *Fourth*, most strategic human resource management models emphasize fit, or congruence, and do not recognize the need for lack of fit during organisation transitions and when organisations have multiple and conflicting goals" (p. 456).

They formulated as the starting point of their own typology that: "Approaches that focus on responding to environmental change or matching human resources to existing conditions suffer from an excessive concern with developing fit and presume fixed goals and directions. We suggest that fit be considered the opposite end of the continuum from flexibility, and that firms explicitly choose a position along the continuum to coincide with their assessment of upcoming competitive conditions" (p. 461).

Their typology is based on two dimensions. The first is 'corporate growth expectations' with which

they mean the aims and goals of the firm. In many occasions, a high growth expectation coincides with increasing opportunities, more than one strategic and competitive alternative, high cash flow and expansion. This is a situation which has received most attention in the literature on strategic management. Their second dimension is 'organisational readiness', which stands for the "availability or obtainability of human resources skills, number, styles and experience needed for strategy implementation" (p. 461).

The typology of Lengnick-Hall and Lengnick-Hall is presented in box 1:

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Box 1: "Growth readiness matrix" (Lengnick-Hall & Lengnick-Hall, 1988, p. 461)

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                      High   ------------------------------------------
                                                    |
                             Expansion              |   Development
   Corporate Growth                                 |
   Expectations              ----------------------------------------
                                                    |
                             Productivity           |   Redirection
                                                    |
                      Low    ------------------------------------------
                             High                        Low

                             Organizational Readiness


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Clearly, Lengnick-Hall and Lengnick-Hall consider both external and internal factors as being important in the choice for a certain strategy. A change from one cell to another is the result of "an interaction between environmental conditions and organisational choice" (p. 461). But also within each cell, a variety of choices is available to firms. For instance, for the development cell, they describe three strategic alternative choices: (a) investment in human capital; (b) change of strategy in line with the restricted readiness (e.g., from growth to profit); or (c) change in operational goals by capitalising on the skills and resources available (e.g., from soft-drink industry to bakery and snack industry). In order to choose between the possible strategies, a number of analysis must be performed, including an analysis of the causes of the restricted readiness and the possibilities for long-term investments.

Recently, Van Sluijs (1993) described the cyclic model of human resource management. One of the major assumptions underlying this model is the observation that, in many cases, changes in the work force take much more time than changes in for instance technology, strategy, or the organisation of work. As a consequence, a business strategy should be partly based on the characteristics of the current work force and its expected or possible future changes. Based on earlier work by Van Assen et al. (1989), Van Terwisga and Van Sluijs (1990) and Van Sluijs et al. (1991), a method is described with which strategic human resource management is realised in an interactive way, that is both bottom-up and top-down. In a way, both the resource-based theory and the behavioural theory are com-

bined in this approach. As in the typology of Lengnick-Hall and Lengnick-Hall (1988), the cyclic model of strategic human resource management provides space for strategic choice, for instance with respect to internalisation versus outsourcing. The cyclic model is represented in box 2.

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Box 2: Cyclic model of strategic human resource management (based on Van Sluijs, 1993, p. I.1.2.6-107)

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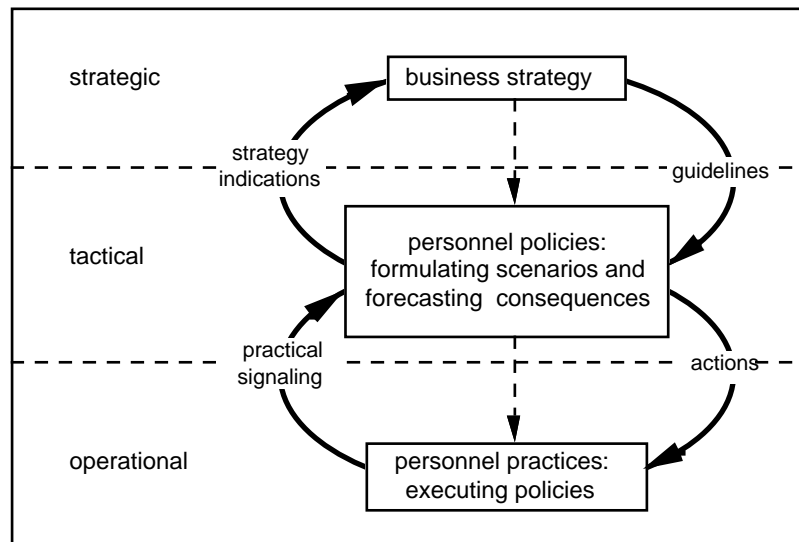
In the interactive approach, the relation between business strategy and human resource management (as discussed before) is of a two-way or integrated character. On the one hand, the strategic possibilities are restricted by the availability and adjustability of human resources. On the other hand, the current human resources provide opportunities to achieve strategic options.

Summary and conclusion regarding the content aspect

In the previous section, se have discussed the content of the integration between business strategy and human resource management. A large number of theories are behaviour-oriented: certain business strategies are considered to require certain behaviours and attitudes. Human resource management has to focus on the strengthening of the behaviours required, and by doing so, it is (indirectly) linked with the business strategy. A number of authors have criticised this approach. Miller (1987), for instance, stated that "The admission of human resource management as a downstream resource implication of corporate strategy, while probably an accurate representation of it in the corporate mind, is a dangerously simplistic model with which to gauge its importance" (p. 348). As mentioned before, the critique by Lengnick-Hall and Lengnick-Hall (1988) and Van Sluijs (1993) focuses on the traditional assumption that personnel could be easily adjusted to any strategy. Finally, Sparrow and Pettigrew (1988) formulate a crucial critical point. Based on their research, they observe that

in many occasions there is no strategic management, and of course, without such strategic management no human resource management strategy can be derived from it.

The direct influence of human resource characteristics is the central issue in the resource-based theories. Within these theories, human resources are assumed, under certain conditions, to lead to sustained competitive advantage. As a result, in these approaches the human resources form the (only) basis for the formulation of a business strategy. The contribution of human resource management is seen to lie in the analysis of the resources and capabilities and in providing conditions under which the resources become a source of sustained competitive advantage. In our view, this approach offers many possibilities, both for the practice of and research on human resource management. However, like the behavioural approach, it is a rather restricted and linear approach, which leaves firms, whose resources do not meet the above-mentioned criteria, empty-handed.

Interactive theories assume an interaction between environmental factors, management choices and characteristics of the organisation and human resources. Human resource policies and practices within this interaction are part *and* result of this interaction at the same time. A change in one of these factors may lead to changes in the character and content of human resource management. The truth seems to be somewhere in the middle: a combination of bottom-up and top-down approaches seems to have the potential to lead to the most promising results. Since "[s]trategic decision-making should inform *and* be informed by human resource considerations. The quality of a firm's human resources will have a profound effect — enabling or constraining — upon its strategic potential, its ability to formulate and implement strategy" (Starkey and McKinlay, 1993, p. 1).

Theories regarding the content of the integration between business strategy and human resource management contribute very little to the knowledge about the ways in which this integration is actually realised: the process aspect. This will be the subject of the second part of this article.

STRATEGIC HUMAN RESOURCE MANAGEMENT: THE PROCESS ASPECT

Literature on the process of strategic (human resource) management

Theories regarding both the content aspects and the relational aspects between business strategy and human resource management very often suggest rational and linear processes of integration. The assumed links between business strategy and human resource management are pitchforked into a normative model and subsequently it is assumed that these links can be created rationally. By doing so, it is ignored that such processes often have a logical incremental character (Quinn, 1980) and that strategy is not so much a tangible phenomenon but much more a pattern in the stream of decisions (Mintzberg, 1978). In other words, the creative, sense-making and political character of the process

is lost. It seems that a more constructivistic approach is needed: what rules control the game and how are these rules applied by the various actors?

Before we address the process aspect of the integration between business strategy and human resource management, it is helpful to discuss some issues pertaining to strategic management in general and particularly the process of strategy-making. After all, in order to provide human resource management with a strategic role, we need to be familiar with this process of strategy-making.

Hart (1992) recently made an attempt to map the many and partly overlapping approaches by suggesting an 'integrative framework for strategy-making processes'. He combines the various approaches on the basis of three recurring themes: rationality, vision and involvement. Rationality is the extent to which strategy-making processes "can (or should be) comprehensive, exhaustive, and analytical in approach" (p. 330). He differentiates between comprehensive and bounded rationality. Vision refers to the symbolic role of top management and the extent to which top management is capable of motivating employees to adopt this vision. The third theme, involvement, underlines the importance of the implementation of the strategy and, thus, the crucial role of involvement of employees in the process of strategy making. Hart construes his framework based on the style of strategy making, the role of top management and the role of organisational members. His framework differentiates between five different "modes of strategy making".

In the 'command mode', "a strong leader or a few top managers design strategy and push it down in the organization" (p. 334). This mode is based on the idea of rationality by which a strategy is formulated on the basis of analysis and rational decision making. Implementation is not considered to be problematic.

The 'symbolic mode' is described by Hart as a means "whereby the leaders attent primarily to articulating a mission and creating a vision and common perspective that help guide the actions of organisational members towards a common goal" (p. 334). In this mode, the 'vision' theme is considered to be crucial. In this respect, the 'strategic intent', as introduced by Hamel and Prahalad (1989), is important. Strategic intent refers to the long-term goals, which are not so much aimed at the "strategic fit between resources and opportunities" (Starkey & McKinlay, 1993, p. 23) but much more on "shaping the environment" (Starkey & McKinlay, 1993, p. 24). In this mode of strategy making, the motivation and inspiration of employees is very important.

The third mode is the 'rational mode', "where formal planning systems and hierarchical relationships predominate" (Hart, 1992, p. 334). Formal analysis, environmental scanning and industry analysis are part of this mode, in which top management makes decisions based on as much information as possible. Employees often are responsible for providing formalised information. The implementation of strategy is realised by the strict monitoring and control over employees.

The 'transactive mode' is mainly based on "interaction and learning" (Hart, 1992, p. 338) between the most important stakeholders within and outside the organisation (employees, suppliers, customers, etc.). Here, the involvement of employees is even more intense that in the 'rational mode'. This involvement is deemed necessary because of the 'bounded rationality' of top management in separating the formulation and implementation of the strategy, caused by "cognitive limits [...] and environmental uncertainty" (p. 338).

Finally the 'generative mode', in which "central direction gives way completely to internal entrepreneurship, and top management adjusts the strategy to fit the pattern of innovations that emerge from below" (Hart, 1992, p. 334). In this mode, the involvement is most prominently present and top management particularly aims at "selecting and nurturing high-potential proposals that come from below" (p. 338) and "to encourage experimentation and risk taking on the part of people in the organization" (p. 339).

Subsequently, Hart links these modes of strategy-making processes with a number of indicators of firm performance. He also formulates some propositions regarding the relation between strategy mode and a number of important contingency factors. He considers the environment, the size, the developmental stage and the strategic orientation as such particularly important contingency factors. For example, the command mode will be present more often in relatively small firms that operate in relatively simple environments. In such situations, this particular mode will lead to higher performances than any of the other strategy modes.

Finally, Hart observes that in many cases, different modes of strategy making will occur simultaneously within one firm. He considers this to be desirable. This is based on, among others, the work of Nonaka (1988), who introduces the term 'middle-up-down' for the process of strategy-making. In this approach the symbolic mode is combined with the generative mode. Also, Hart refers to the work of Chaffee (1985), who presupposes a hierarchy between the various modes of strategy-making processes. This means, for instance, that the transactive mode incorporates certain elements of the rational mode. Therefore, Hart expects that "the greater the firm's strategy-making capability within each mode, and the greater the number of strategy-making modes it combines, the higher its performance" (p. 345).

However, at the same time, not every combination of the various processes of strategy making will necessarily lead to higher performance. Based on the so-called 'paradox-perspective', Hart indicates that "high performance requires balancing and simultaneous mastery of seemingly contradictory or paradoxical organisational capabilities" (p. 345). Therefore, Hart concludes that "strategy-making configurations that combine discrepant or paradoxical modes should therefore be associated with high performance [...] More specifically, proximal modes (those with more similar roles for top managers and organisational members such as the transactive and generative modes) should tend to occur together in lower performing firms, whereas distal modes (e.g., command and generative) should be found together in higher performing firms" (p. 345-346).

Of course, Hart's work is not specifically designed to be applied to the process of strategic human resource management. In fact, there is very little material available which pertains directly to this matter. However, there are a few authors who have addressed the question of how human resource management can or should have a strategic role in the strategy-making processes. Sparrow and Pettigrew (1988) presented three alternative ways by which human resource management could obtain a more strategic character. The first is "... the use of planning manpower needs [...] to link personnel programmes to the requirements of business plans and forecasts. Such planning, however, only becomes strategic if it includes the monitoring of environmental trends and modelling of alternative

scenarios" (p. 40). In this case, human resource management is derived from the business strategy and there is no mutually shared strategic process. In Hart's terms, we could consider this the command mode, that is when we do not consider human resource management as an integral part of top management. Sparrow and Pettigrew's second alternative shows similarities with Hart's generative mode and is concerned with "the methodical identification of where a company's HR strengths lie, and the gearing of business strategies towards achieving competitive advantage with these strengths" (p. 40). The third alternative to provide human resource management with a strategic character is "to use coherent employment policies which are underpinned by a 'people philosophy' " (p. 41). It is clear that this approach is close to Hart's symbolic mode of strategy-making processes.

Without running ahead of the discussion on the links between the content and process aspects of the integration between business strategy and human resource management, it is tempting to conclude that Sparrow and Pettigrew's first alternative is closely related to the behavioural theories, the second alternative to the resource-based view of the firm, while their third alternative seems to have some characteristics of the interactive theories. We will come back to these links later.
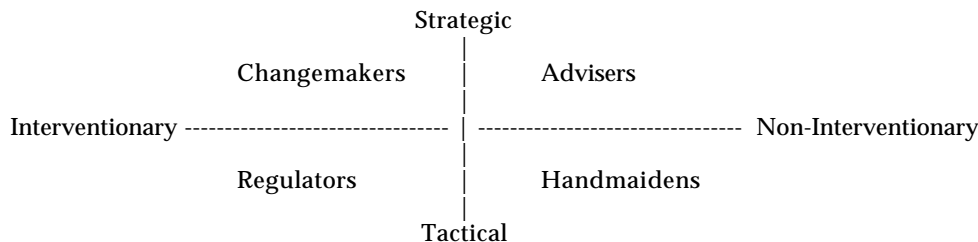
Starkey and McKinlay (1993) also pay some attention to the process of strategy-making and the role played by human resource management. Based on Hamel and Prahalad (1989), they indicate that the "HR tasks associated with the development of strategic vision include empowering people through information, building teamwork and developing a shared set of values to inculcate a shared sense of purpose" (p. 24). By doing so, personnel management can work towards the establishment of "a new space off the map that is uniquely suited to the company's own strengths" (p. 25). In the view of Hamel and Prahalad, this last element is the aim of strategy-making. When we link Starkey and McKinlay to the work of Hart, it is obvious that the elements in the work of the former (like empowering, shared set of values) coincide with Hart's symbolic and transactive modes.

Based on his research results, Buller (1988) provides a number of concrete do's and don'ts for increasing the strategic quality of human resource management. He mentions the following: "A clear, focussed strategy that explicitly acknowledges the importance of people as strategic resources [...] Communication of this strategy and philosophy throughout the company [...] Placement of the HR function at the top level of the company [...] Selecting and developing line and staff managers who have both a knowledge of the business and an appreciation for the importance of people to the business's success [...] A well-developed human resource information system can [...] provide valuable input into the strategic decision-making process [and] the use of compensation systems that focuses on long-term business performance" (p. 41-42). According to Buller, all these actions could encourage integration. However, in a later article (Buller & Napier, 1993), Buller also indicates that much more research is needed on the processes by which the business strategy and human resource management can be better integrated with each other. When compared to Hart's framework, the picture is rather blurred. However, some elements (philosophy, the use of information system as input) again relate to Hart's symbolic and transactive modes.

So far, we have considered business strategy and human resource management as more or less independent entities, that is, relatively independent from the persons performing these organisational functions. However, as Baird and Meshoulam (1988) have indicated, "if human resource management is to be proactive, human resource management professionals must develop the ability to recognize the organization's stage of development and the causes of transitions from one stage to another" (p. 125). Although one might question the assumption that the human resource specialist is responsible for developing a strategic human resource management, the role of this specialist needs brief attention.

One of the main authors on this subject is Tsui. In one of her articles (Tsui & Milkovich, 1987), she concludes that "... personnel activities or priorities are not always logically derived form factors such as strategy, structure or environmental contingencies but may result form the demands of the powerful or the politically active constituencies. Personnel managers must balance competing demands and manage political influence of specific groups" (p. 535). And again, Hart's symbolic and transactive modes seem to provide most space for such competing demands and political influences.

In his most recent book, Storey (1992) also devotes attention to the roles played by personnel managers within firms. Based on fifteen case studies, he identified two dimensions which differentiate between four different roles (or types of personnel management). These are represented in box 3.

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Box 3: Types of personnel management (Storey, 1992, p. 168)

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                               Strategic
                                   |
                 Changemakers      |     Advisers
                                   |
Interventionary ------------------ | ------------------ Non-Interventionary
                                   |
                 Regulators        |     Handmaidens
                                   |
                               Tactical
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Obviously, in this context we are interested most in the changemakers and the advisers, since we particularly focus on the strategic level of human resource management. The difference between the advisers and the changemakers is related to the extent to which they actively intervene within the organisation. An adviser is an "internal consultant [who is] in tune with recent developments but [leaves] the running to line and general manager colleagues" (p. 168). In contrast, changemakers actively try to contribute to the realisation of strategic goals by putting "relations with employees on a new footing - one which [is] in line with the 'needs of the business' [and an] approach in favour of a management style which engendered employee 'commitment' and a willingness to 'do the extra mile'" (p. 169). Storey differentiates within the changemakers two type of roles, a hard version in which personnel identifies with top management "and its understanding of the 'business needs'" (p. 181), and a soft version in which "the importance of tapping the creativity and commitment of 're-

sourceful humans'" (p. 182) is emphasised. According to Storey, the changemakers come closest to the new ideas of human resource management. Despite the fact that Storey differentiates between these roles on the basis of his research, at the same time he has to conclude that very few human resource managers are real changemakers, although a number of them have shown interest or are on their way to becoming one.

It is not easy to connect Storey's work to Hart's mode of strategy-making processes. One of the difficulties lies in the fact that Hart's framework only distinguishes between top management and organisational members. The question is, obviously, whether human resource managers and/or human resource specialists belong to top management or to the organisational members. Because of their active involvement, changemakers might be placed in the role of top management, whereas advisors probably are somewhere in between management and organisational members.

We have given a rough overview of the literature on strategy-making processes and the process aspects of the integration between business strategy and human resource management. We have also attempted to link the works of several authors. However, from the outset we felt that the literature would not provide us with definitive answers, since none of the authors has dealt with the involvement of human resource management (as a policy area) within the strategy-making process. Therefore, we decided to conduct a minor study to obtain more insight into the important aspects of the process of strategic human resource management. The result of this study will be presented in the next section.

The pilot study: Process aspects in the practice of strategic personnel management in four companies

More or less parallel to the literature review, we conducted a pilot study on these process aspects. The starting point was the observation that relational and content aspects are not the most crucial ones for the realisation of strategic human resource management. Four case studies have been conducted during the pilot study. Central to the study was the way in which the integration between business strategy and human resource management is established and maintained. The interviews with senior human resource managers lasted two hours on average and were open, stock-taking and unstructured character. A number of key questions had been formulated in advance, but much more emphasis was placed on the issues brought up by the interviewees themselves.

The choice for the four firms was not entirely coincidental. The firms in question are well known for their strategically well thought-out policies, especially in the field of human resource management. Another criteria in the choice of discussion partner, and thus of the firms, was the desirability of conducting interviews with people who are very active in the practice of strategic human resource management, and who at the same time are capable of reflecting on that from a conceptual perspective or 'helicopter view'.

A number of relevant characteristics of the four firms involved are presented in box 4.

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Box 4: Some characteristics of the firms in the pilot study

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	Type of company	Primary process	Employees	Strategic issue
I	Services; Office equipment	Sales and services	800	Quality and reorganisation
II	Manufacturing; Office furniture	Production and sales	1800	Integration of subsidiaries
III	Services; Insurances	Sales and claims handling	2400	Strong people-oriented tradition
IV	Retail; Domestic furniture	Sales and services	600	Growth

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It is important to mention here that both the selection of the companies and the analysis of the interview material was not directly a result of the literature we previously presented (actually we came across the work of Hart only after we conducted the interviews). We decided to simultaneously collect information in two separate ways about the processes by which the integration between human resource management and business strategy is established and maintained.

Based on the pilot study, we have induced a number of process rules. These process rules can be classified into three clusters: (1) prerequisites; (2) characteristics; and (3) approaches. In this section, we will describe the process rules as they presented themselves during the interviews. The next sections will explicitly link these process rules with both the literature on strategy-making processes and with the theories regarding the relational and content aspects of the integration between business strategy and human resource management.

(1) Prerequisites

Certain prerequisites apparently need to be fulfilled before any strategy-making process can be successful. In our case studies, three of such prerequisites have become particularly visible.

Historically based identity and vision

In the four cases, much emphasis was placed on the history of the firm. Not so much because of nostalgic considerations, but based on the idea that the core and identity of the current business strategy is an outcome of a prolonged development process. Apparently, a business strategy is not designed or simply formulated, but it is much more the effect of discovery and development throughout the years. The same holds true for the role of the human factor within the strategy: it is discovered, refined, and continuously improved. In two of the four cases, these developments were consistent with earlier developments and were directly linked with the history of the firm. In the other two cases, there was a break with the history of the firm: as a result of a crisis situation, the original identity had been drastically changed and adjusted. In both situations, the availability of a clear vision was seen as an absolute prerequisite for the existence of strategic management, and consequently for strategic human resource management. When such a vision regarding the identity and the mission of the firm is absent, the result will be an ad hoc management drifting about and unable to provide a sense of direction.

Identification with and continuous dissemination of vision by top management
A second prerequisite is that top management completely identifies with the vision of the firm. In fact, top management personifies the identity of the firm. This goes further than the standard observation that top management should endorse the vision, which often restricts itself to verbal statements without providing the necessary sense of direction. Instead, full identification with and continuous dissemination in words and in action of the core values of the firm seem to be required. In this way, vision and mission are no longer intangible phenomena, but core values that, like magnets, provide a sense of direction to the firm and its members.

Excellent personal relations between top managers
Excellent personal relations came out as the third prerequisite. A marked observation was that the often assumed contradiction between technical-economic policies on the one hand and social policies on the other seems to be absent in the four firms visited. Apparently, such contradictions can be overcome by good mutual relations and awareness of the joint responsibility. In some cases, the generation of a joint frame of reference is an explicit part of policy making. In other cases, such a joint frame of reference seems to be something that goes without saying.

(2) Characteristics
The characteristics are the process rules with respect to the ongoing process of integration and tuning of the business strategy and human resource management. Just because they are part of this ongoing process, it is difficult to separate the various rules. However, a number of them can be differentiated.

First, *external market behaviour seems to be translated into the internal policies*. That is, the identity with which a firm presents itself in the market is also present within the firm. Tailor-made (customised) external operations, products and services also means tailor-made internal organisation and human resource management; a strong focus on quality leads to egalitarian internal policies. This translation from external approaches into internal policies is not just a one-time-only effort. On the contrary, it involves a continuous search for and (re-)confirmation of the existing identity.

Closely related to the first is the second characteristic: a *continuous looking for and choosing options consistent with the core values of the firm*. Over and over again, the alternative which is chosen fits the firm's identity best and even strengthens this identity.

Third, the *facilitating character of the processes* is remarkable. Human resource management is not a stand-alone activity, but is part of an integrated process. Facilitating this major process is the most important function of human resource management. One of our interviewees called this a 'slip-streaming' process: the strength of strategic human resource management is the realisation of a close connection with the primary processes.

Derived from the third characteristic and one that received much attention is the *low profile of*

human resource management. Particularly because of its facilitating character, human resource management does not play a leading part within the firm. Diplomacy and looking for connections are much more important than a prominent role. As one of our interviewees responded: 'a stone above the water only attracts dirt, whereas a stone underneath the surface influences the stream without getting dirty itself'.

The *strong problem-oriented character* is the fifth outstanding feature. Not the procedure or rules as such are important but the fact that they are the solution to concrete problems. This is of course closely related, again, to the facilitating nature of human resource management.

Finally, *communication is a central aspect within human resource management.* The opening of communication channels and the setting in motion of communication flows, top-down as well as bottom-up, is considered to be one of the core tasks of human resource management.

(3) Approaches

Regardless of these common characteristics, there are great differences between firms in the actual realisation and implementation of strategic human resource management. On the basis of our pilot study, we can differentiate between two more or less opposite approaches. One is the approach based on a strong focus on the *development of management systems and procedures.* The second approach is much more aimed at *the facilitation of work and management processes.* Despite the differences between these two approaches, the aims of both are identical, that is the facilitation of the primary management processes. The difference in approach seems, by the way, to be connected to national differences (the system-oriented approach was used in an American-owned firm) and to the developmental stage of the firm with respect to its identity (a young and still developing identity seems to benefit more from a process-oriented approach).

To summarise, these process rules are represented in box 5.

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Box 5: Process rules for the integration between business strategy and human resource management
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Prerequisites	Characteristics	Approaches
Historically based identity and vision *and*	Translating external market behaviour into internal policies	Development of systems and procedures *or*
Identification with and constant dissemination of the vision by top management *and*	Consequent striving for basic values	Facilitating work and management processes
Excellent personal relations between top managers	Human resource management as facilitator	
	Human resource management has a low profile	
	Human resource management is strongly problem-oriented	
	Communication as central factor in personnel management	

LINKS BETWEEN THE RELATIONAL, CONTENT AND PROCESS ASPECTS: AN INTEGRATED FRAMEWORK

In this section we will briefly explore the connections between the relational, the content and process aspects of the integration between business strategy and human resource management. From both the literature and the pilot study, it seems to be justified to distinguish two types of situations regarding this integration.

The first type can be characterised by rational and linear processes of strategy making (command, symbolic and rational modes), in which the business strategy is formulated on the basis of available and/or obtainable resources (resource-based theories) or in which the business strategy is based on external market demands and the content of human resource management is a derivative from this strategy (behavioural theories). In this kind of situation, the relation between business strategy and human resource management can be characterised as one-way.

The other type can be characterised by interactive, iterative and ongoing processes of strategy making (transactive and generative mode), which is based on the interdependency between the business strategy and human resource management (interactive theories). The relation between business strategy and human resource management in such situations is probably of a two-way or integrative nature.

These two types of situations regarding the integration between business strategy and human resource management are schematically presented in box 6.

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Box 6: Two types of integration between business strategy and human resource management

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	Relation	*Content*	*Process*
Type I	one-way	behavioural / resource-based	planned / linear / rational
Type II	two-way / integrative	interactive	iterative

Of course, it is tempting to speak of two ideal types of strategic human resource management. However, reality definitely is much more complex and these 'ideal' types can probably not be found. This is especially true for type I. On the basis of the pilot study, we were not able to show that the behavioural and resource-based theories could cover what is really happening in practice; especially the linear process of these theories was not found in the reality of these (four) firms (see also Miller, 1987).

Another reason lies in what Hart (1992) called the 'paradox perspective', and others have spoken and written about chaos, the preservation of tensions and conflicting demands during organisation transitions. In other words, it might be more successful to retain certain contradictory elements within the organisation, since these contradictions could lead to creativity and hence to innovations (Philips, Den Hertog & Cobbenhagen, 1994).

Finally, we would like to hypothesize that Storey's (1992) distinction between types of human resource management (see box 3) is perhaps connected to the situation of the firm in terms of stable/dynamic environment and transition/steady state of the firm. The 'changemaker' and 'regulator' roles might be more prevalent in situations which can be characterised as dynamic and in transition, whereas the 'advisor' and 'handmaiden' roles might be more prevalent in stable steady-state situations.

Therefore, we are inclined to conclude that human resource management and business strategy are two subsystems within one system. Both subsystems relate to and interfere with each other in a complex, interactive, reciprocal and iterative way. Also, there might be a relation with the characteristics of the situation (stable/steady state; dynamic/transition). However, since these observations are based on only a few cases, a more detailed examination of the relation between the various aspects is still needed: to what extent do these occur in conjunction with each other and is there a relation between various conjunctions with the firm's situation in terms of stable/steady state and dynamic/transition? Propositions 1 and 2 are formulated with this aim.

Proposition 1: Viewing human resource management and business strategy as two subsystems of the same complex system, and connecting them in a interactive, reciprocal and iterative manner (Type II) is more in line with reality than viewing them as separate systems, and connecting them in a rational, planned and linear way (Type I).

Proposition 2: The extent to which the integration between business strategy and human resource

management evolves from Type II into Type I and vice versa is related to the extent to which the firm's environment is stable or dynamic and the firm is in a situation of transition or steady state.

CONCLUDING COMMENTS

As we have indicated several times before, much of the literature on the integration between human resource management and business strategy focuses on content and relational aspects. On the basis of our review, we concluded that the relational approach is not very helpful in understanding and improving this integration. With respect to the content aspect, we concluded that the interactive theories are the most promising ones, since first, they consider human resource management and business strategy as subsystems within the same system rather than separate entities and second, because both the behavioural and resource-based theories are rather linear approaches which do not seem to coincide with real-life situations in the (although only) four cases.

The major part of this paper has been about the human resource strategy-making processes. We consider this aspect to be at least as important as the content aspect. Considering the fact that the implementation of strategies often poses severe problems, the process of strategy-making and implementation seems to be even more important than the content of the various strategies; a perfectly 'fitting' human resource strategy will not have any effect, if it cannot be implemented properly.

Because of a lack of knowledge of this particular issue, we decided to simultaneously explore the strategy-making process in practice, and reviewing some of the literature on the process of strategic management in general. The interaction between the two activities was rather small, which resulted in a description of possibly important aspects and process rules regarding the integration of human resource management and business strategy.

Finally, we described two types of the integration between business strategy and human resource management and hypothesized that the occurence of either type probably relates to certain characteristics of the firm's situation, i.e., stable/dynamic environment and a transition/steady state of the firm.

Despite the fact that these descriptions and conclusions are rather tentative, partly based on only four cases, and not completely comprehensive, we hope that our observations, analysis and comments will inspire and facilitate future research on the integration between business strategy and human resource management, and particularly research on the human resource strategy-making processes.

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