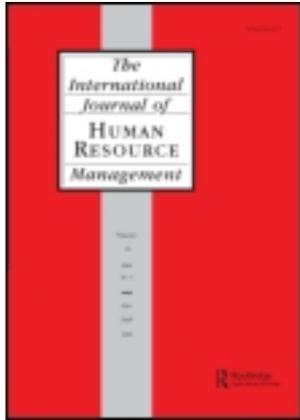


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### Strategic human resource management: a conceptual approach

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## **Strategic human resource management: a conceptual approach**

***Catherine Truss and Lynda Gratton***

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### **Abstract**

In this paper conceptual issues associated with strategic human resource management are addressed. The rapidly expanding international interest in strategic human resource management is first highlighted. The article then explores some of the broader issues around the debate on SHRM that can inform thinking at a macro level. Firstly, the progress made towards understanding the meaning of SHRM is analysed, then a brief overview of the major models of SHRM to date is presented. This overview is used to highlight the key variables and interrelationships that need to be included in a model of SHRM, and a more detailed critical analysis of the contribution of the literature in each of these areas follows. A summary of the most important research questions arising out of the literature is followed by a model of the SHRM process, which attempts to remedy the major weaknesses in existing models of SHRM. The ways in which this model may be used as a basis for empirical research are then noted.

### **Introduction**

Strategic human resource management, or the linking of HRM with strategic goals and objectives in order to improve business performance and develop organizational cultures that foster innovation and flexibility, is a major concern as we begin to emerge from recession in the mid-1990s to face a newly defined and highly competitive marketplace. Organizations at all levels, and in both the public and the private sectors, are increasingly turning to SHRM techniques to pave the way for these changes, bringing erstwhile personnel departments to the forefront of organizational transformation and survival as never before.

In the academic world, these developments have led to a new wave of interest in SHRM, which has its foundations in the US in the early 1980s in the work of the 'Harvard Group' (Beer *et al.*, 1984) and the

'Michigan/Columbia Group' (Fombrun *et al.*, 1984). However, many of the questions and concerns raised at that time – for instance, what are the distinguishing features of HRM? how is it related to business strategy? and how should it be conceptualized? – still remain unresolved, and we continue to see papers and articles devoted to subjects such as these, with relatively little progress made towards what Boxall (1991: 60) terms 'a new theoretical sophistication'. This is disappointing for practitioners, who would clearly appreciate some direction from the academic world to guide their strategy. It is equally disappointing for academics that such an important field has remained so elusive.

A number of reasons have been put forward to explain the lack of progress made, including the relative dearth of empirical data that can either falsify or support any hypotheses made, and the emphasis on case-study research to the detriment of large-scale surveys that would provide a broader sweep of evidence, together with the way in which much research seems to be descriptive and not to be based on models that could lead to the development of generalizable concepts (Boxall, 1991; Noon, 1992). As regards the first of these, the number and scale of research projects currently under way, for example, in the UK (at Warwick, led by Andrew Pettigrew, and at Loughborough, led by John Storey), in the US (led by Randall Schuler) and in Australia (led by Dexter Dunphy), would imply that this objection is no longer tenable.

More crucial is the need for stronger linkages between the conceptual literature that has sprung up on SHRM and the empirical research that is being carried out (Wright and McMahan, 1992). This missing link has led to a focus on micro-level issues that do not take account of broader factors at the level of the firm and, consequently, a piecemeal approach to the field of SHRM that appears to lack a guiding conceptual framework.

It is with these points in mind that this article aims to explore some of the broader issues around the debate on SHRM that can inform our thinking at a macro level. Firstly, the progress made towards understanding the meaning of SHRM is analysed, then a brief overview of the major models of SHRM to date is presented. This overview is used to highlight the key variables and interrelationships that need to be included in a model of SHRM, and a more detailed critical analysis of the contribution of the literature in each of these areas follows. A summary of the most important research questions arising out of the literature is followed by our own model of the SHRM process, which attempts to remedy the major weaknesses in existing models of SHRM. This model will be used as a basis for empirical research.

### **The meaning of strategic human resource management**

Before attempting to analyse models of strategic human resource management put forward in the literature, it is important to gain some understanding of what is meant by the term and what the boundaries of the concept are.

The debate about the meaning of SHRM dates back to an extensive literature on the difference between human resource management and personnel management that began in the early 1980s. Legge (1989), despite some scepticism about there being any difference between the two, concedes from her review of the normative literature that HRM is distinctive in a number of ways. Firstly, whereas personnel focuses on the management and control of subordinates, HRM centres on the management team. Secondly, line managers play a key role in HRM in co-ordinating resources towards achieving profit, which is not the case under personnel management and, finally, the management of organizational culture is an important aspect of HRM, but plays no role in personnel management. Thus, she argues that HRM is a more centrally strategic task than personnel management (cf. Tichy *et al.*, 1982).

In addition to these differences, others have argued that HRM is unitarist in its approach, in contrast with the collectivist approach of traditional industrial relations, with an emphasis on individual development and commitment (Guest, 1989; Storey, 1989; Sisson, 1989). Storey (1992a) also argues that the distinguishing feature of HRM is that the stress is on regarding people as a 'resource', and that decisions made about the deployment of individuals therefore assume a strategic significance in the broader context of business imperatives (McKinlay and Starkey, 1992).

This issue of the relationship between strategy and HRM is at the centre of the debate concerning the difference between HRM and strategic HRM. Many commentators on human resource management regard the linking of HR practices to the strategic aims of the business as the core feature that distinguishes HRM from personnel management (Storey, 1992a; Hendry *et al.*, 1988: 41; Miles and Snow, 1984: 37; Evans, 1986: 155; Poole, 1990). However, the advent of the term 'strategic human resource management' has since served to cloud the issue (Wright and McMahan, 1992).

A number of commentators have argued that the concept of SHRM has evolved as a 'bridge' between business strategy and the management of human resources (Butler *et al.*, 1991; Lorange and Murphy, 1984; Lengnick-Hall and Lengnick-Hall, 1990; Boxall, 1991: 61). Schuler and Walker (1990: 7) provide the following definition:

Human resource strategy is a set of processes and activities jointly shared by human resources and line managers to solve people-related business issues.

In this sense, it is hard to see what differentiates human resource management from *strategic* human resource management. Some commentators appear to have taken the original meaning of the term HRM and applied it to SHRM, attributing to human resource management the meaning previously applied to personnel management. For example, Wright and McMahan (1992: 298) argue:

We define strategic human resource management as the pattern of planned human resource deployments and activities intended to enable an organization to achieve its goals.

They regard SHRM as having both a vertical and a horizontal dimension, so that not only are HR practices linked to organizational strategy under SHRM, but the practices themselves should be strategically linked to ensure they are promoting the same goals. Thus, the distinguishing feature is that SHRM adopts a more 'macro' perspective and focuses on HRM at the level of the firm. Human resource management, on the other hand, they define as the knowledge held within each of the HR functions (Wright and McMahan, 1992: 297–8; Butler *et al.*, 1991; Butler, 1988). However, earlier commentators used similar arguments to distinguish HRM from personnel management (Beer *et al.*, 1984; Devanna *et al.*, 1982; Tichy *et al.*, 1982).

The fact that the term strategic HRM has emerged at all would, however, indicate that there is some qualitative difference between HRM and SHRM. We should, perhaps, regard SHRM as the overarching concept that links the management and deployment of individuals within the organization to the business as a whole and its environment, while HRM could be viewed as an organizing activity that takes place under this umbrella. In this way, the essential features of SHRM can be summarized as follows:

- There is an explicit linkage of some kind between HR policy and practices and overall organizational strategic aims and the organizational environment.
- There is some organizing schema linking individual HR interventions so that they are mutually supportive.
- Much of the responsibility for the management of human resources is devolved down the line.

Clearly, this is essentially a normative ideal-type definition derived from the literature, rather than a description of organizational reality. However, the definition does at least provide us with a bounded concept upon which we can base our analysis. The next section of the

paper takes this analysis one stage further and focuses on the way in which the SHRM process has been modelled in the literature.

### **Modelling the strategic human resource management process**

One of the main concerns within the literature on HRM and SHRM has been to conceptualize the SHRM process through modelling. The aim of many of these models has been normative, while others have been empirical or theoretical.

The normative SHRM models are concerned with mapping how SHRM should work, and providing guidelines for practitioners on best practice. The antecedent for many of these prescriptive models was that of Devanna *et al.* (1981), who were concerned with the relationship between HRM and organizational strategy, and who argued that a tight 'fit' between strategy and HRM should be the ultimate goal for organizations concerned with improving their bottom-line performance.

Subsequent writers have developed these ideas further, for instance, Schuler (1988), building on the work of Miles and Snow (1984), argues in favour of the tailoring of individual HR practices to specific strategies. Lengnick-Hall and Lengnick-Hall (1990), in their normative SHRM model, argue that the formulation of strategy and human resource strategy should occur concurrently, so that each can inform the other.

Empirical models are much more scarce than normative models, due to the relative lack of empirical research that has taken place on SHRM. Some models derived from empirical data do, however, exist. Whereas the normative models tend to focus on a more limited range of variables, and in particular on the relationship between strategy and SHRM, the empirical models are frequently more sophisticated and take into account a broader range of relevant contextual and output variables. The Warwick study (Hendry *et al.*, 1988; Hendry and Pettigrew, 1990), for instance, includes a range of external and internal contextual variables that impact on the implementation of HR strategy. These include the socio-economic, technical, and political and legal background, and the culture, structure and leadership of the organization. In the United States, Lundberg (1985) presents an empirical model based on one case study in the Reynolds Corporation, and his model similarly takes account of a number of societal and organizational-level factors that affect SHRM. The inclusion of such elements in models of the SHRM process clearly represents a closer reflection of organizational realities than some of the

abstracted strategy–human resource management relationships presented in the normative models.

Conceptual, or theoretical, models that are derived from the literature are also more scarce than normative models. Wright and McMahon (1992) provide a comprehensive review of theoretical models of HRM to date. Storey, for example (1992a, 1992b; Storey and Sisson, 1989) derives twenty-five ‘key HRM variables’ from the literature, whose presence he tests in his survey of forty large organizations in the UK. According to this view, SHRM is seen as ‘one way’ of managing human resources in the firm, which represents a distinct departure from those models where SHRM processes are regarded as being directly related to the type of business strategy selected.

Similarly, Guest (1988, 1989) also derives a model of HRM from the literature, and argues that HRM is ‘one way’ of managing the employment relationship. He moves one step further forward by arguing that his model is a ‘theory’ of human resource management, and advances the literature on HRM significantly by attempting to identify the core defining features of HRM (Keenoy, 1990). Guest’s theory has four elements: HRM policy goals, HR policies, the ‘cement’ binding the two together (such as leadership, culture and strategy) and finally organizational outcomes, such as low turnover, high job performance. According to Guest, the presence of these four elements in an organization would indicate that HRM exists.

However, Guest’s work has come in for criticism, in particular from Noon (1992). Noon argues that the status of both ‘map’ and ‘theory’ have variously been claimed for approaches to HRM. The Harvard school (Beer *et al.*, 1984), in one of the earliest books on HRM, put forward a conceptual ‘map’ of HRM to guide thinking on the subject, without claiming that the map had either analytical or predictive powers. Subsequent commentators (such as Guest, 1988) have, however, claimed the status of ‘theory’ for their models of HRM. The problem with Guest’s claim, Noon argues, is that his approach appears to be bounded both spatially and temporally to growth industries with high levels of technology and a white-collar labour-intensive work-force. This limitation means that his claim to the status of a theory is questionable, since it cannot be generalized.

An additional problem is that the constructs in the theory are not fully explained, nor are all the variables that might form each construct taken into account. This is an important point, and one that can be applied to many other models of HRM. Guest’s theory, Noon argues, cannot be tested empirically because of the sheer complexity of the variables involved. Thus it fails, Noon comments, to meet the criteria of parsimony, whereby the theory should concentrate only on

clearly specified and relevant variables, and of comprehensiveness, where the variables included are all those relevant to the problem. Noon concludes that the status of theory cannot yet be claimed for Guest's model or indeed any other models of HRM, until they can meet these criteria, and be subjected to empirical testing. Wright and McMahan (1992) note the importance of this stage of empirically testing some of the theories of HRM if they are to be validated.

Storey (1992a) argues that the most effective way to advance our understanding of the SHRM process is by constructing models from the literature, which are subsequently tested against empirical data. To this end, we move on in the next section of this paper to explore in some depth the variables and relationships that have emerged through the literature as keys to understanding SHRM, with the aim of analysing the contribution made in each area to date by commentators on human resource management. This analysis will subsequently be used as a basis for constructing a new model of SHRM, which will be subjected to empirical testing.

### **Key relationships in models of SHRM**

From an analysis of the literature on strategic human resource management, there appear to be five key aspects of the SHRM process that should be included in any model of SHRM. These are:

- The external environment: which provides opportunities and constraints within which HRM must operate within the organization.
- Business strategy: the overall strategic aims of the organization that both affect, and are affected by, the SHRM process.
- The internal environment: the organizational context within which SHRM operates, including structure and culture.
- Strategic human resource management: including both human resource strategy and individual practices.
- Outcomes: some notion of the outcomes of the process of SHRM.

There has been a great deal of debate within the literature on the nature of the interrelationship between these variables, and four questions appear to be especially significant:

- How does the linkage between business strategy and HRS work?
- What are the key internal and external contextual variables that affect the design and implementation of human resource strategies?
- What is the link between an articulated human resource strategy and specific HR interventions?

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- What is the relationship between HRS and particular outcomes, either at an individual or an organizational level?

Each of these questions is addressed in turn, analysing the major contributions of the literature to our understanding of how the process works.

*The linkage between business strategy and human resource strategy*

Of all the topics in the SHRM literature, more attention has been devoted to the question of how human resource management relates to business strategy than to any other subject. Early models, based on the work of Galbraith and Nathanson (1978), Chandler (1962) and the Michigan/Columbia Group (Tichy *et al.*, 1982; Devanna *et al.*, 1984), argued that organizational effectiveness depended on a tight 'fit' between strategy and HRM (Boxall, 1991). Thus, for any particular organizational strategy, there is purportedly a matching human resource strategy (Cook and Armstrong, 1990).

For instance, Miles and Snow (1984: 37) in their portfolio model argue that 'the human resources management system must be tailored to the demands of business strategy'. They categorize organizations into four types, depending on the particular strategy they are pursuing, as either Defenders, Prospectors, Analysers or Reactors, and advocate a particular set of HR practices designed to support each of these strategic types. Baird and Meshoulam (1988) similarly advocate a fit between HR strategy and stage in the organizational life-cycle, and internal fit between components of the HR function. Schuler and Jackson (1987: 209) argue that the pursuit of a particular competitive strategy creates 'needed role behaviours', with associated HR practices that will give rise to these.

However, these 'fit' models have been criticized on a number of counts (Boxall, 1991; Lengnick-Hall and Lengnick-Hall, 1990; Hrebiniak *et al.*, 1988; Joyce *et al.*, 1982; Legge, 1989). Firstly, as Wright and McMahan (1992) note, there is no empirical evidence to support the notion that HR practices are effective in supporting business strategy, or that this leads to positive outcomes. Secondly, as Lengnick-Hall and Lengnick-Hall (1990) argue, the concept of 'fit' implies rigidity and inflexibility, which could well be incompatible with positive outcomes at the organizational level. Lack of fit can, they argue, sometimes be equally important for facilitating organizational change in response to external crises. In addition, the matching model has limited applicability since, in a diversified organization, there may be a number of different strategies and human resource

strategies which might not necessarily be compatible across different parts of the organization (Legge, 1989; Keenoy, 1990).

Boxall (1991) argues also that the matching model does not, in any case, contain measures of organizational effectiveness, or give any indication as to how this might be assessed. He concludes that: 'the matching model of strategic HR is a relatively simplistic one with tenuous assumptions' (ibid: 68).

One other underlying assumption of the matching model is that organizational strategy precedes human resource strategy. A number of commentators have pointed out, however, that a variety of interrelationships between strategy and HRM can exist. For instance, Golden and Ramanujam (1985) identified four types of linkage between strategy and HRS from their empirical study: the administrative linkage, where HRM has no strategic role to play and simply administers the management of people; the one-way linkage, where strategy informs HRS; the two-way linkage, where strategy and HRS influence each other; and the integrative linkage, where strategy and HRS are developed concurrently. Baird and Meshoulam (1988), Butler *et al.* (1991) and Dyer (1984) have been concerned with establishing similar typologies.

These categorizations are clearly important in aiding our understanding of the SHRM process, but there are two fundamental problems in confining our attention to this one relationship. The first is that, as we noted above, the SHRM process is more complex than just a simple interaction between strategy and human resource management; there are other, contextual factors that intervene between the two.

The second problem concerns the somewhat superficial way in which the literature on SHRM has borrowed from the strategy literature (Hendry and Pettigrew, 1990; Lengnick-Hall and Lengnick-Hall, 1990). Schuler (1988) notes that there are over twelve different frameworks for understanding and studying strategy, but the HRM literature largely ignores the debates within the strategy literature, and focuses primarily on portfolio-type models, such as that of Miles and Snow (1984) discussed above, without acknowledging some of the other possible approaches to strategy. An associated problem is the fact that much of the literature fails to differentiate between the process and the content of strategy (Boxall, 1991).

One factor which should also be taken account of is that the human resource strategy that is planned is not necessarily the same one that is implemented. Many of the definitions of SHRM to date preclude the idea that planning and implementation are not synonymous, but the work of Dyer (1985) represents a breakthrough in this

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area. He relates Mintzberg's (1978) work on strategy to human resource strategy (Boxall, 1991), and argues that strategy has two aspects: what is planned and what is achieved; thus, it can be either 'intended' or 'emergent'. In other words, there is the formal, planned (or intended) strategy, and there is the strategy that comes about on an informal basis, which he terms 'emergent'. Planned strategy can be either realized or unrealized. Dyer argues that, similarly, human resource strategy is a pattern and can be either intended or emergent, and is not necessarily the result of a formal planning process. Both HRS and strategy can therefore be emergent and, if they are, this raises interesting questions concerning the nature of any 'fit' between the two. The acknowledgement of this dichotomy is critical for advancing our understanding of the process of strategic human resource management.

#### *Internal and external contextual variables*

In the previous section, we argued that one of the weaknesses of some of the early normative models of SHRM was that they failed to acknowledge the existence of contextual variables influencing the interrelationship between strategy and human resource strategy. However, considerable progress has been made recently in recognizing the importance of these contextual variables, even though in some cases these have been highly complex (Lundberg, 1985).

The contextual variables that have been identified fall into two main categories: external variables at the level of society and internal, organizational variables.

#### External contextual variables

At the societal level, the growth of the concept of SHRM has been attributed by many to the rapid environmental changes that have taken place over the last two decades (Tichy *et al.*, 1982; Baird and Meshoulam, 1988; Keenoy, 1990).

The relevant environmental changes have been defined as:

The general social, economic, political, legal and cultural factors affecting aggregate organisational activity . . . as well as factors associated with a specific industry (rate of growth, entry and mobility barriers, cost structures, and so forth). (Hrebiniak *et al.*, 1988: 4)

In other words, these environmental influences can be viewed at two levels: a general societal level and, at a more specific level, influences within an organization's immediate environment.

We can divide the most important general level influences into four

main areas: social, technical, political/legal and economic (Fombrun, 1984; Hendry and Pettigrew, 1990). Using this categorization, it is possible to account for national differences in significant environmental factors (Bartlett and Ghoshal, 1989). Changes in any or all of these areas can act as a trigger for change within the organization.

At the social level, for instance, there are demographic factors that are changing the shape of the work-force, with a declining number of young people entering the job market (Fombrun, 1984). This clearly has a knock-on effect on human resource strategies in areas such as how to continue to attract young people to the organization, or how to attract people from alternative groups (e.g. women returners), and how to design a rewards package to ensure that they remain with the organization (Mirvis, 1985). Other changes at the social level include the increased level of education in the work-force, and the associated question of how to design challenging jobs, together with factors such as women's increased career aspirations, with the associated pressures on organizations to increase provisions to enable women to pursue careers (Mirvis, 1985).

Technological changes are also highly significant for organizations, and can give rise to alterations in the structuring of work: for instance, Mirvis (1985) predicts that the introduction of electronic mail and automated offices will lead to a need for more technical and professional personnel by the year 1995. At the economic level, changes in, for instance, the balance between public and private sector, inflation or the shift from manufacturing to services can have massive implications for the way in which people are managed (Fombrun, 1984; Lengnick-Hall and Lengnick-Hall, 1990). New employment legislation, such as equal opportunities laws, can equally affect human resource strategies (Sparrow and Pettigrew, 1987; Mirvis, 1985; Milkovich and Boudreau, 1991), and the way in which success is defined in society can be markedly influenced by political changes (Lengnick-Hall and Lengnick-Hall, 1990).

Thus, at the broader, societal level, there are many factors that affect the way in which people are managed within organizations. It is through the mediation of the 'organizational environment', however, that these broader environmental changes are made meaningful to individual organizations.

At the organizational environmental level, Hrebiniak *et al.* (1988) point out that managers within organizations make a series of decisions concerning which aspects of the environment they will focus on most; they term this the 'enactment perspective'. Lundberg (1985), in his model of the HRS process, refers to it as the 'experienced relevant business conditions'. This can include the level of maturity of the

industry or sector, the nature and extent of competition, and the way in which success is measured. Some studies have used a life-cycle model to classify the maturity of the sector in which the organization operates (Sparrow and Pettigrew, 1987; Cook and Ferris, 1986; Lundberg, 1985; Baird and Meshoulam, 1988; Devanna *et al.*, 1984).

One particularly important aspect of the organizational environment is the external 'stakeholders' in the organization, who can influence strategy and human resource strategy (Freeman, 1985). These include the organization's competitors and suppliers; the government, the media, environmentalists, local community organizations and consumer advocates (Tsui, 1988; Freeman, 1985).

While recognizing the significance of external contextual factors such as these, an open systems perspective means that we should be aware of the role played by organizations in influencing, as well as being influenced by, their environment (Hrebiniak *et al.*, 1988; Milkovich and Boudreau, 1991).

#### Internal contextual variables

In addition to the external contextual variables, equally significant are factors internal to the organization that impact on the SHRM process. The literature has identified two types of these internal variables: organization-level factors, such as culture and structure, and factors specific to the HR function.

These internal variables have variously been referred to as the 'inner context' (Sparrow and Pettigrew, 1987), the 'internal environment' (Milkovich and Boudreau, 1991), or 'cement' (Guest, 1988). What they have in common, however, is that they are concerned with aspects internal to the organization that influence the relationship between strategy and human resource strategy. They include such elements as technology, culture, philosophy and management style, structure and the 'dominant coalition' (Milkovich and Boudreau, 1991; Lundberg, 1985).

One of the most frequently referred to aspects of the internal environment is organizational culture (Bartlett and Ghoshal, 1989). This involves a 'shared vision' and a common understanding of organizational goals and values and is historically founded (Lundberg, 1985):

Culture, whether organisational or national, is frequently defined as a set of taken-for-granted assumptions, expectations, or rules for being in the world . . . the culture concept emphasizes the shared cognitive approaches to reality that distinguish a given group from others. (Adler and Jelinek, 1986: 74)

Tichy *et al.* (1982) similarly argue that management philosophy in terms of the nature of the psychological contract with employees is an

important intervening variable. The type of culture an organization has can exert a strong influence on the nature of its strategy (e.g., defender, prospector or analyser) and also on its chosen human resource strategy, as well as being influenced by them (Guest, 1988). One particularly important aspect of organizational culture is the nature and style of leadership (Lundberg, 1985).

The concept of organizational power has also been described as significant to models of the SHRM process. For instance, Lundberg (1985) refers to the 'dominant coalition', or the most powerful group, usually the management operating team, whose needs and expectations of the HR department will help to shape their activities (Golden and Ramanujam, 1985; Szilagyi and Schweiger, 1984). In addition to these, other internal stakeholders, such as employee groups, managers, employees and professional staff, who hold a stake in the way human resources are managed in the organization, also influence SHRM (Freeman, 1985). Tsui (1988) refers to these as 'strategic constituents'. The needs and expectations of these groupings can often be in conflict with each other.

Sparrow and Pettigrew (1987) argue that organizational structure is another significant feature of an organization's 'inner context' that influences HRS, and the characteristics of the HR department itself – for instance, the way in which it acquires and uses knowledge of the rest of the organization, the level of HR expertise, the nature of the HR expertise, the nature of the HR information system, the ability to identify and plan for the future and infrastructural linkages – are also significant (Golden and Ramanujam, 1985; Hendry and Pettigrew, 1990; Lundberg, 1985; Tyson and Fell, 1986; Sisson and Scullion, 1985).

Although the literature on contextual influences has highlighted a number of internal and external factors that affect the process of SHRM within organizations, the fact remains that no clear model has yet been put forward that explains exactly how these factors interlink with human resource strategy and business strategy.

#### *Linkages between HRS and HR activities*

One of the most interesting areas that remains to be fully explored is the interlinkage between articulated human resource strategy and particular HR activities.

As we have seen, the assumption is often made that *planned* human resource strategy is also *implemented* human resource strategy. The fact that some HR practices may be implemented without explicit prior planning ('emergent' human resource strategy), or that some

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planned HR interventions are never implemented, has never been explored in any detail. In fact, although much has been written in the normative literature about the need to 'match' HRS with business strategy and individual HR interventions with each other, the question of the link between articulated HR strategy and individual HR practices has been adequately addressed only by Dyer (1985).

Devanna *et al.* (1984) come closest to acknowledging this issue, when they discuss three levels of human resource management – the strategic, the managerial and the operational. At the strategic level, they argue, the main aim is to ensure that each intervention is compatible with the overall HR strategy. Strategic appraisal, for instance, would include ensuring reward systems were equitable by evaluating performance. At the managerial level, the main concern is with ensuring the availability and allocation of resources to implement the strategy and, at the operational level, the concern is with the day-to-day management of the HR function. However, even this approach does not recognize the fact that organizational realities militate against the smooth implementation of HR strategies.

Another problem is the failure to recognize that human resource strategies are not uniform, and that the same strategies are not necessarily applicable, nor are they applied to, different categories of employee (Boxall, 1991). In this context, the work of Jackson *et al.* (1989) represents a significant contribution, since they found that organizations have different human resource strategies for managers and hourly staff.

### *Outcomes of SHRM*

The issue of how to measure the outcomes of the SHRM process has received a great deal of attention in the literature. Often, these are just vaguely referred to as improvements in organizational effectiveness (Cook and Ferris, 1986; Devanna *et al.*, 1984), yet, as Evans (1986: 149) points out: 'the issue of the criteria by which HRM policies should be evaluated is fundamental since any concept of strategy implies goals or outcomes'.

Some commentators acknowledge the difficulties of measuring the outcomes of a process as complex as SHRM. Storey (1992a: 40), for instance, writes that he is deliberately not examining outcomes in his research, since:

The demonstration of a causal linkage between different human resource practices and business performance is fraught with immense difficulty because of the vast range of confounding variables.

This perspective is evidently shared by many of the other commentators on SHRM, despite the early attempts by Beer *et al.* (1984) to categorize different types of outcomes. They identified a set of short-term outcomes of SHRM: increased commitment (to work and the organization), competence, cost-effectiveness (of the HR function) and congruence (between, for instance, management and employees), and a range of longer-term outcomes at the societal level.

Where reference is made to outcome measures, the focus tends to be on improved performance in financial terms (e.g. Schuler and MacMillan, 1984; Lengnick-Hall and Lengnick-Hall, 1990). Guest (1989) goes one stage further by suggesting that the organizational pay-offs from adopting HRM include the ability of the organization to integrate HRM with strategy; increased commitment; high quality in all aspects of managerial behaviour, and increased flexibility, but unfortunately gives no indication as to how these might be measured, or why these particular outcomes are superior to others. Also, he fails to account for the fact that the outcomes may be different in different parts of any one organization.

In considering the outcomes of SHRM, we are faced with two problems: one, what criteria of success or failure to use and, two, how to measure them. One of the reasons for this is that it is hard to know how to account for any time-lag between formulating a human resource strategy and its results (Hrebiniak *et al.*, 1988). Equally, as the same authors note: 'any organisation's performance can be assessed from several different levels and perspectives, at different times, and using different indicators' (*ibid.*: 4). Thus, there is the additional problem of which perspective to adopt in measuring the outcomes.

### **Research questions**

In the foregoing sections of the paper, we have examined some of the major propositions of the SHRM literature. We have found that models of the SHRM process have tended to be normative, rather than empirical or theoretical, but that a considerable amount of progress has been made towards identifying the major factors that need to be taken into account in modelling SHRM.

We have also seen that some of the most interesting questions raised in the SHRM literature, for instance, concerning the relationship between business strategy and human resource management, or between HRS and organizational outcomes, have not yet been

adequately answered. Clearly, there is scope for further conceptually based empirical research on SHRM that addresses these issues.

Four key research questions arise out of the literature:

1. What blocks, or helps, the implementation of human resource strategy?

So far, much of the normative literature has concentrated on the design of strategic human resource management systems and processes, without devoting much attention to the question of how these strategies might be implemented – Mintzberg's (1978) 'intended' as opposed to 'realized' strategy. Consequently, little is known about the processes by which HR strategies are translated into action within organizations, and what helps or hinders these processes.

2. How does human resource strategy influence everyday managerial behaviour?

It has been suggested that one of the defining features of human resource management is the involvement of line managers (Legge, 1989). However, most of the research to date on HRM has focused on an analysis of the HR department itself, and has not explored the interrelationship between HR and line managers to assess how HR strategies might actually influence their behaviour.

3. What contextual features impact on the human resource strategy process?

While a number of commentators have noted that the relationship between business strategy and human resource strategy is mediated by a number of variables internal and external to the organization, we still know very little about the precise nature of these variables and how they impact on the process of both devising a human resource strategy and implementing it.

4. What are the outcomes of human resource strategy and how can they be measured?

Most research to date has shied away from attempting to measure any outcomes of the HRS process (e.g. Storey, 1992a). Yet, unless we can identify some proxy measure of the success or failure of HR activities, the normative HR literature has little to offer organizations and, in a theoretical sense, the HR 'equation' is incomplete.

These appear to be the four key questions that still remain unanswered in the SHRM literature, and which one collaborative research

project between the London Business School and the Judge Institute, Cambridge, seeks to explore.

### **A 'conceptual map' of the SHRM process**

Based on the literature, we have set out to construct our own model of the SHRM process, in order to provide a basis for subsequent empirical research which would attempt to address the questions identified above. As yet, we do not claim the status of a 'theory' for our model, but regard it more as a starting-point or a conceptual 'map' to guide our data collection (Noon, 1992). Despite the criticisms levied at models of SHRM to date, we feel that it is important to persist with attempts to model the SHRM process if we are to advance our understanding of the area. However, it is particularly important to support this conceptual work with empirical research that can provide evidence to support or refute the propositions made.

The model we are using to guide our research is depicted in Figure 1. It is conceptual rather than empirical, since it is based on the literature, and descriptive rather than normative, since it aims to outline how the process of SHRM might reasonably be expected to work and does not seek to represent an 'ideal type'. Following the empirical research programme, we are expecting to be in a position to modify our model in the light of our findings, in order to represent how the process works in practice.

In common with most other models of SHRM, the impact of the external environment at both a general and an organizational-specific level is acknowledged, but the boundary between organization and environment is represented by a dotted line, corresponding to an open-systems view of the cybernetic relationship between the organization and its environment. On the left side of the model, the environmental influences include broad factors at the political, legal, economic and social levels which impact on the management of people. Within each of these categories, some factors will be more significant for organizations than others, and these are captured in the concept of the organizational specific environment, which is expected to vary between sectors. Within the organization, Mintzberg's differentiation between intended and realized business strategy is acknowledged by the term 'intended business strategy'. Since this is a model of human resource management, the concept of realized strategy is not included, as it is not directly relevant, although we acknowledge its importance. The concept of 'intended business strategy' includes the articulated strategic objectives pursued by the organization. Miles

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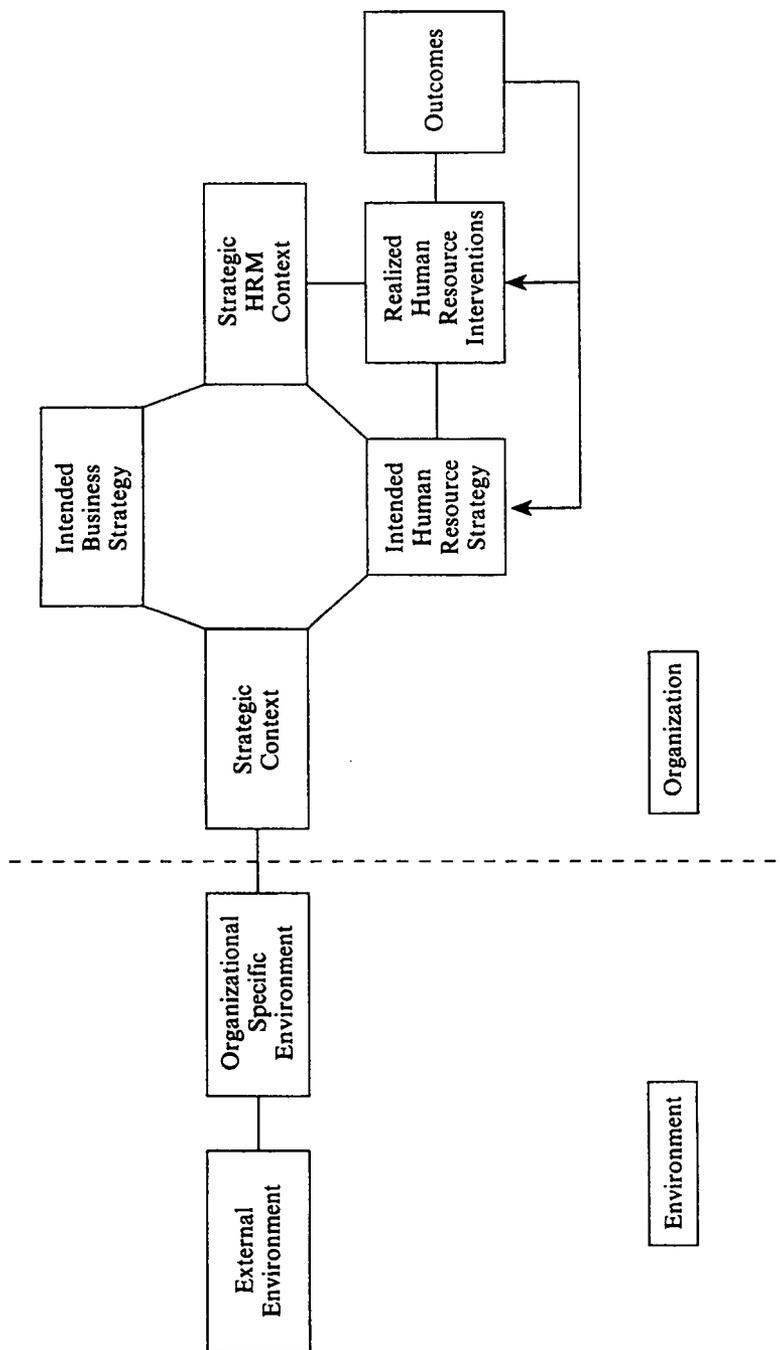


Figure 1

and Snow (1984) categorize organizational strategy types into defenders, prospectors, analysers or reactors, which offers a simple approach to the content of strategy, and will be used in this research.

Intended strategy is related to 'intended human resource strategy' via the concept of the 'strategic context'. This latter refers to those aspects of the internal organizational environment that impact on the formal strategy and HRS process, and include organizational structure and culture, and the 'administrative heritage' (Lundberg, 1985), which can act as 'levers' in the process of strategy formulation. Organizational structure will be measured by Mintzberg's (1983) five structural types.

The concept of intended human resource strategy translates Mintzberg's arguments on strategy into the HRM field, as advocated by Dyer (1985), and implies that there may be a difference between articulated HR strategic objectives and the actual practice of human resource management in the organization. Many commentators have failed to make the distinction between the two, but we believe that it is the *intended* human resource strategy that organizations may attempt to relate to business strategy, and not necessarily the realized human resource interventions. Differentiating between the two in this initial stage of the research process should enable us to explore this issue in depth in the empirical work. It should also enable us to examine the question of what helps, or hinders, the implementation of HR strategies. In view of the importance of the concept of intended human resource strategy to the research questions, we will focus on collecting exploratory data, rather than seeking to impose a pre-determined typology at this stage. We shall be looking at the process of SHRM formulation in addition to the content.

Intended human resource strategy is related both directly to the realized human resource interventions, and also via the strategic human resource management context. This latter refers to the contextual features affecting the design and implementation of HR interventions, notably the characteristics of the HR department, for instance, the HR leadership, structure of the HR department, level of expertise of the HR staff (Golden and Ramanujam, 1985). The SHRM context plays a crucial role in determining how intended HRS is translated into HR practices and interventions. It also affects, and is affected by, all the other variables in the model, and thus occupies a central position.

The realized human resource interventions are those HR activities that take place within the organization, regardless of whether or not they are in response to any articulated HR strategy. As Wright and McMahan (1992: 314) note: 'not all HRM practices are the result of

rational decision-making'. In our research, we are taking account of a broad range of HR activities, including recruitment and selection, induction, training and development, appraisal, rewards, career and succession management, employee relations and equal opportunities, in contrast to some of the more narrowly focused approaches. We are particularly keen to explore the role played by line managers in this process in view of the importance accorded to them in the HR literature.

Finally, there are the outcomes of this process, which feed back into the model, affecting the realized human resource interventions and the HR strategy. All the lines in the model are intended to symbolize a two-way relationship, but the feedback loop has been included to underline the circular nature of the process. It is this area of outcomes that has been most ignored in the literature to date, as we have seen, and so there is relatively little upon which to build our understanding of the outcomes of the SHRM process. However, the propositions of Beer *et al.* (1984) on the 'Four Cs': commitment, competence, congruence and cost-effectiveness, provide a starting-point for our analysis. In our data collection, we will also try to differentiate between the outcomes of each of the individual HR interventions and the outcomes of the overall package of HR interventions and strategy. We will therefore focus on the notion of 'effectiveness' and attempt to measure how successful HR is in serving the needs of the business in terms of factors such as profitability, growth, flexibility, etc., bearing in mind the role played by the various organizational stakeholders.

Thus, our model of the SHRM process departs from conceptualizations seen to date in the literature in a number of significant ways. Firstly, it recognizes the dichotomy between *intended* human resource strategy and *realized* HR interventions. Secondly, it acknowledges the existence of a number of clearly specified internal and external contextual variables and, thirdly, it recognizes the importance of attempting to find some measure for the outcomes of the SHRM process. Finally, and most importantly, the model will be subjected to extensive empirical testing, which should enable modifications to be made that take account of organizational realities and advance theorizing in this area.

## Conclusions

Our review of the strategic HRM literature has uncovered a number of major deficiencies in our understanding of SHRM. Existing models have failed to show satisfactorily how the SHRM process works either

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in theory or in practice, although significant progress has been made towards identifying the major variables that should be included in a model.

We have built our own conceptual model of SHRM from the literature, and aim to use it as a framework to guide the collection of empirical data from a large number of organizations in the UK. On the basis of the findings, the model will be amended to show how SHRM works in practice. In addition to contributing to ongoing debates on such topics as the relationship between business strategy and human resource strategy, and the way in which external factors influence HRM, we hope to be able to provide empirical data on some new areas, for instance, how intended human resource strategy is related to realized HR interventions; the role played by line managers in implementing HRS; the contextual factors that help or hinder the implementation of HR strategies, and the outcomes of the HRS process. In this way, we aim to relate our discussion of strategic human resource management to macro theories at the level of the firm, in order to provide a more broadly based process theory of SHRM that encompasses both inputs and outputs, which should place us in a stronger position to make predictive statements about the employment relationship than has been possible hitherto, and to advance theorizing on strategic human resource management in the United Kingdom and other countries.

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