Chapter II

Literature Review
2.1.1 Strategic Human Resource Management (SHRM)

Over the years there has been a significant shift in the field of Traditional Personnel Management to Human Resource Management (HRM). Such a shift is dedicated to a number of factors, for example Globalization, increased level of Competition, less availability of trained workforce, less committed work force, rapidly changing technology, employee retrenchment, restructuring of organization, downsizing, layoffs etc. In simple terms, HRM means employing people, training and developing them, utilizing, maintaining and compensating their services in tune with the job and organizational requirement. Strategic Human Resource Management (SHRM) on the other hand is the linking of HRM with the strategic goals and objectives of the Organization.

One of the purposes of this study was to determine whether Indian corporations were engaged in SHRP. The benefits and the degree of their performance were explored. This research assessed the usage of Systems Thinking, wherein 7 areas of Performance measured in terms of Importance and Performance: the key areas were: (a) Acquiring the Desired Workforce, (b) Engaging the Workforce, (c) Organizing High Performance Teams (d) Creating a Learning Organization, (e) Facilitating Cultural Change, (f) Collaborating With Stakeholders and (g) HR - A Business Partner. This study is built upon articles obtained through electronic computer and manual searches.

2.1.2 Strategic Human Resource Management: A Conceptual Approach

Thus we think there is a need for a study that constructively questions, rather than assumes, the fundamental viability of SHRM. ‘Strategic fit’ between an organization and its environment is at the heart of the strategic model. But what is the ‘strategic fit’ between the SHRM model itself and particular environments in which it is applied? This gives us our first research question: given the chronic economic problems that many developing countries face, does - or could - the SHRM model have the same dramatic effect that it seems to have had in the Anglophone world?

A second limitation of the HR literature is that it is mostly confined to the Anglophone private sector. The public sector, however, has a large presence in the formal economy of most developing countries (Schiavo-Campo et al., 1997). Here too we have evidence of a relationship between HR practice and Performance, in the form of a
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recent sociological study which reviewed developing country governments’ use of two
elements of “Weber’s (1968) classic model of bureaucracy: ‘meritocratic’ appointment
practices (measured by the Importance of exams in remitting civil servants); and reward-
ing, predictable career progression (measured by the likelihood of promotion, the value
of salaries and the prestige of civil service employment). The study uncovered a signifi-
cant positive relationship between those practices and national economic growth (Evans
and Rauch, 1999;” Ranch and Evans, 2000). Clearly while some writers reject the idea
of a monolithic model, preferring to distinguish, for instance, between ‘hard’ and ‘soft’
HRM (Storey, 1995) or ‘lean’ and ‘team’ production (Appelbaum and Batt, 1994), there
are several features on which most writers agree. Probably chief among them is the
notion of strategic integration: ‘All definitions of human resource management agree on
one point; that there must be a link between a firm’s strategy and... the human resource
(Purcell, 1995). Strategic integration refers to aligning staff management systems with
organizations’ overall strategic objectives (vertical integration) and with each other (hor-
izontal integration) (Anthony et al, 1993; Becker and Gerhart, 1996; Fombrun et al,
1984; Guest, 1989; Wright and McMahan, 1992). “While strategic integration has
emerged from the normative HR literature, there is some empirical support for the impli-
cation that the whole is greater than the sum of the parts (Huselid, 1995; MacDuffie,
1995). Indeed Becker and Gerhart (1996) suggest in their review of the Performance
debate that it is what they call the ‘strategic architecture’ rather than individual HR prac-
tices that has a universal validity. Strategic integration implicitly changes the HR special-
ist’s relationship with line managers. The specialist is supposed to design the HR systems
that will align with strategic objectives, while the manager is supposed to carry them out.
Guest (1989) observes that almost all writers say that HR must be managed by line man-
agers; ‘HRM’, he says, ‘Is too important to be left to the personnel managers.’ Thus at
the strategic level we concentrate on the twin questions of ‘strategic integration’ and ‘line
manager ownership’ of HR. (Catherine Truss and Lynda Gratton, September 1994).

2.1.3 Benefits of Good Business Planning Strategy

For an organization to be more competitive, it must be able to develop and to
implement personnel practices and to develop HR that best contribute to the business
objective. The organization must identify HR needs; develop mechanisms that fit the
organization for assessing the unique competencies of and the career stages of employ-
ees (Baird, Meshoulam & DeGive, 1983). The concept of “fit” was further developed by
Baird and Meshoulam (1983). It emphasizes that organizations must be able to manage
an external fit unit structure, and systems and management practices must fit the organization’s stages of development and internal fit. Unit structure and systems and management practices must complement and support each other. The Importance of fitting structure systems and management practices to development is widely accepted (Davis, 1981; Kimberly & Associates, 1980; Meshoulam, 1984). These authors emphasized the need for skilled, competent staff and strategic planning practices that fit within particular organizations. They believe that as the organization grows and develops, it needs changes in major shifts, rather than in small incremental steps. In order for changes to operate proactively to fit HRM to the organization’s needs, it may be necessary to change and to develop in a predictable sequence in response to pressures and opportunities. The concept of fit recommends that HRM must search for better approaches in managing and developing SHRP because HR must develop through a series of stages as the organization becomes more complex.

2.1.4 Integrating HR Functions with Business

Integration of HR strategy, processes, and the HR function with business is necessary for the maximum impact on an operation. It is not sufficient for plans to be merely aligned or linked but still isolated as separate HR initiatives. HR currently can no longer be owned or controlled by the HR staff; they are inherent in the management of the business organization. The HR staff function is blending into the fabric of management so as to achieve the necessary business impact.

There is no longer a choice. HR activities in a company must directly support business strategy and the satisfaction of customer needs. It is not enough for the HR function to be responsive to management, customer-oriented, or even aligned as partners with management. The function is an integral part of management leading and implementing needed change.

HR processes are central to the implementation of strategic business change. Recruiting, selection, assignment, and other staffing actions are crucial in matching available resources with required staffing levels and with the mixing of capabilities. Managing Performance aligns individuals and teams with the objectives of the business.

Training, education, and job-related learning are crucial to the development of needed capabilities and Performance. Managing change and building organizational
effectiveness are central to effective business repositioning, including mergers and acquisitions, restructuring, and strategic shifts in markets, products, and services. Finally, employee and union relations are important to establish the mutual commitment required among constituents in a successful organization.

Increasingly, HRM activities performed by managers and employees throughout an organization in these areas are vital to competitive performance. Just as information management, quality improvement, financial management, and other functions are becoming diffused throughout an organization, so is the management of HR. It is becoming everyone’s job to build an organization that learns quickly, adapts rapidly to change, is staffed appropriately, and performs effectively. The spirit of this integration is represented at General Electric, where “Every effort of every man and woman in the company is focused on satisfying customers’ needs. Internal functions begin to blur. Customer service? It’s not somebody’s job. It’s everybody’s job.” (Walker, 1990)

As a result, today’s leading-edge HR staffs are actively engaged in the management team as full, contributing participants in the planning and implementation of necessary changes. They do not consider it sufficient to provide excellent professional services and technical expertise, generally considered its primary roles. HR staff needs to be business oriented, aligned with the business, and effective as consultants and business partners. The staffs are increasingly expected to think and act like line managers, facilitating business change, and addressing people-related business issues (Walker, 1990).

This integration of HR with business requires a new paradigm for managing HR in a company. Walker’s (1990) study examines the primary characteristics of the future HR function: Integrating people-related business issues and strategies with business strategy; integrating HR processes with management processes enabling managers to manage people effectively by focusing on ways to increase organizational effectiveness; integrating the HR staff function with business, redefining its organization, roles, and capabilities; and integrating HR measures with business measures, focusing on the business impact of actions.

Changes in these areas are rapidly adopted in companies around the world, wherever competitive success requires significantly more effective management of people. What may have seemed radical thinking just a few years ago is rapidly becoming accepted as conventional today (Schuler & Walker, 1990; Ulrich & Lake, 1990; Walker, 1992).
2.1.5 The Growing Importance of HR Planning

HR literature suggests that the growing importance of HR planning can be more attributed to pressures exerted on organizations by changes in social, legal, economic, and political aspects of the organizational environment. Most of these pressures have created a tremendous impact on HR information systems and its practices. As a result, these internal and external factors have greater pressures on career employee development, concession planning, and organizational development.

Additional literature reviewed indicated that several writers have addressed the pressure exerted on HR managers to utilize comprehensive strategic planning programs, to motivate, and to satisfy employee needs and demands in order to achieve equal employment goals. The federal, state, and local government agencies should exert more power on equal opportunity regulations and should recommend any necessary methods required for forecasting in order to provide equal access to all regulated organizations.

2.1.6 Forces That Tend to Influence Organizational Strategy

For the past 16 years, HRM literature has emphasized a strategic approach to the development and implementation of HRM policies and practices (Collins, 1988; Dyer & Holder, 1988; Legge, 1995; Miles & Snow, 1984; Storey, 1995; Wright & McMahan, 1992).

Documentation indicates that the basic prescription for a strategic approach to HRM tends to parallel for the process. Both the external and the internal environment are considered in light of the organization's mission and purpose (Kane & Palmer, 1996). The external and internal factors do influence HRM policies and practices.

Other forces that influence various types of organizational strategies include the defender, the prospector, the analyzer, and the reactor typology suggested by Miles and Snow (1984). They attempted to spell out the HRM policies and practices which would support such a strategy (Collins, 1988; Kramar, 1992). Other writers have applied a strategy typology to a particular area of HRM, such as staff appraisal (Dunphy & Hackman, 1988) or career development (Frandt, 1988).

Legge (1988, 1995) and Storey (1995) have pointed out that most descriptions of
HRM also include building up employee commitment, flexibility, and dedication to quality.

The critics, such as Hendry and Pettigrew, (1990); Legge, (1995); and Storey, (1995), also accept it as the mainstream view in the organization. HRM policies and practices flow directly from the HRM strategy, which is itself an outcome of organizational strategy and objectives. Most of these external and internal environments, as well as the organizational mission, influence organizational strategy, which, in turn, influences HRM strategy, rather than impacting directly on HRM policies and practices.

2.1.7 Integration of HRM and Business Management

A review of the literature not only supported the need to integrate HR functions but also called for a model which would make it possible to integrate the management of HR functions with the management of organizational goals. A number of approaches to such integration have been proposed.

Firstly, many researchers have argued for the requirement of linking HRM with the business strategies of firms. Some have developed conceptual models suggesting that managers should make critical HR decisions consistent with business strategies articulated by firms (Dyer, 1984; Latham, 1988; Ouchi, 1981; Sandy, 1990; Walker, 1990). Some of these researchers have examined the role of HR professionals and have concluded that it is important to reevaluate the HRM component of this valuable, competitive asset (Handy, Barham, Panter & Windhard, 1989; Ulrich & Yeung, 1989; Zabriskie & Huellmantel, 1989). Other researchers have empirically examined the relationship between HRM practices and the business strategies of firms (Jackson, Schuler & Rivero, 1989; Kerr, 1985; Smith, Boroski, & Davis, 1992). The literature indicates that the conceptual efforts and empirical evidence generated from Raghuram’s (1985) research on linking staffing and training practices with strategic processes is to conduct in-depth research to understand how the HR function might be related to business strategy. The literature further indicates that the rapid and growing recognition of the changing environment in the organization now requires HRM to adopt long-range planning that ensures the needed skills and knowledge that will lead to higher firm Performance.

Two-way linkage, the second, was described as having a reciprocal and interdependent relationship between strategic planning and HRP. HR functions are seen as having great Importance and credibility in the two-way linkage category. Input from HR special-
ists is solicited in strategic planning in a proactive manner. In these organizations, line managers, business planners, and HR staff interact as strategic partners (Buller, 1988; Peck, 1994).

Buller (1988) used Golden and Ramanujam’s (1985) levels of linkage in his study of the level of integration between HRM and strategic planning in 8 companies. He found that although it is popular to talk about such integration, only two of the companies studied could be classified as having an integrative linkage between HRM and strategic planning.

Ulrich (1984) identified three stages in the development of HRP. He suggested that prior to 1963 the emphasis was on file maintenance and administration. The main goal was to control and to maintain labor costs. From 1954 to 1979, Ulrich suggested, HRP was mainly focused on government regulations and complying with equal employment opportunity requirements. Both of these stages would correspond to what Golden and Ramanujam (1985) and Buller (1988) would call the administrative level of integration.

Ulrich called the third stage, competitive advantage. It began in 1980 and continues to the present. The personnel department was changed to the HRD and its emphasis became the management of HR to gain competitive advantage in the marketplace. This stage, as initially implemented, illustrates what Golden and Ramanujam (1985) call one-way linkage. Strategic plans were formulated, and HRD was called upon to build plans and strategies for implementation.

With time the importance of HR functions have been recognized and the input of HR professionals is often sought in the planning process. Golden and Ramanujam (1985) would identify these changes as movement towards a two-way linkage of HRM and strategic planning.

Lengnick-Hall (1990) suggested that Ulrich (1984) needed to add a fourth phase “if human resource planning is to fully meet the needs of strategic human resource management” (p. 74). The HR and strategic managers work together as partners to develop a comprehensive plan which integrates strategic and HR concerns. Golden and Ramanujam (1985) would agree and would identify such an approach as being true integrative linkage.

Focusing on examining the linkage between a broad spectrum of HR practices and business strategies, Schuler and Jackson (1987) compared the nature of jobs, compensation, staffing, training, and performance appraisals across business strategies.
Another concern gleaned in the literature is the need to link the various aspects of planning in an organization. Three areas of planning were defined by Manzini (1988): (a) Strategic planning was designed to help an organization change to meet the demands of a changing environment, (b) Operational planning “represents ‘what we know for sure’ about human resource demand and other work requirements of day-to-day operations” (1988), and (c) HRP is responsible for forecasting HR needs for the future and for designing the programs necessary to meet those needs.

Manzini called for a unification of these three areas of planning. He emphasized the fact that organizational planning cannot stand alone but must be integrated with strategic planning if an organization is to be successful. HRP must be integrated with both strategic planning and operational planning. At the strategic level, HRP must forecast the HR needed to change in a strategic direction. At the operational level, HR programs must be developed to incorporate strategic objectives, thus HR programs which support organizational goals will also support strategic change.

It is important that input from the line manager makes its way into the strategic planning process. Without such input, strategic plans might be out of touch with reality and may be difficult or even impossible to implement. A system in which HRP, strategic planning, and operational planning are integrated into a unified whole would ensure that all organizational elements are moving in unity toward its strategic objectives.

### 2.2.1 Strategic Decision Making

Several subsequent studies using the Miles and Snow typology (e.g., Hambrick, 1983; McDaniel and Kolari, 1987) have shown that different business strategies generally have different functional profiles, and that future research should examine how strategic and functional attributes align to give different types of Performance.

The concept of fit is strongly influenced by the population ecology school of thought. It has emerged as one of the foremost concepts in strategic management and organizational theory research, especially in the context of contingency theories linking context, structure and Performance (Drazin and Van de Ven, 1985). Drazin and Van de Ven (1985) identify three conceptual approaches to fit. The selection approach assumes that fit underlies the congruence between context and structure. The interaction approach focuses on understanding and explaining the variations in organizational Performance as
a result of the interaction between context and structure. Finally there is the systems approach to fit, which looks at the various contingencies and patterns of interdependencies present in organizations holistically. Venkatraman and Camillus (1984) identify key perspectives of fit based on whether the elements to be aligned are: (1) internal to the firm, i.e. the fit between strategy and organizational structure where the focus is on the implementation of strategy; (2) external to the firm, i.e., the fit between the firm’s strategy and its environment where the nucleus is strategy formulation or (3) an integrated combination wherein the formulation and implementation of strategy are considered to be interactive elements. These perspectives all center on the content of strategy formulation. Another group of perspectives centre on the patterns of strategy formulation. One argues that there are networks or alliances that compete for resources and fit is achieved when there is a favorable match between such interdependent groups (e.g., Aldrich, 1979; Pfeffer and Salancik, 1978). The other maintains that strategy is the pattern of structuring the organization and its environment, with the focus on interdependence not causation (e.g., Thorelli, 1977; Hrebiniak, 1981).

Internal consistency perspective There is a perspective on fit that is implicit rather than explicit in its definition. This conceptualization views business strategy as ‘...integrated actions in the pursuit of competitive advantage’ with functional strategies as the supportive activities essential for translating the core strategy into an effective guide for action (Day, 1984). To be effective, each functional strategy must support the competitive advantage sought, through a specific and consistent pattern of decisions (Hayes and Wheelwright, 1984). In other words, there is an implied underlying fit or consistency between a firm’s strategies at the business and functional levels. Our study focuses on this latter perspective (i.e., the consistency of business and functional levels of strategy). This consistency of strategic choices across business and functional levels of strategy is termed coherence. While the other perspectives are also important, our objective is to propose a measure of internal consistency or coherence.

Business strategy addresses the question of how the firm should compete in the businesses it has selected (Hambrick, 1980). The scope or mission of strategy reflects the extent of the organization’s planned and present interactions with its environment (Hofer and Schendel, 1978). In the context of hospitals, it is important to define the strategic business unit, as conceivably the different services offered by the hospital could be considered separate lines of business. However, these different services share resources (labor, capital and drugs, etc), customers (physicians and patients), and distribution (a single tertiary care center). Based on these criteria, the entire hospital could be considered a single business unit-in the business of providing ‘wellness’ or health care (Hofer
Businesses or organizations exist to serve customers. Without customers, there is no purpose or meaning for any organization. We all have customers. Creation of shareholder value or stakeholder value, in a broader sense, is how businesses or organizations continue to exist. However, the route or approaches adopted by most organizations to reach their end goals often vary and that is understandable. There is no one proven method that will help any organization successfully achieve its goals. The best organizations have figured this out and apply the best methods to each unique situation. The difficulty faced by many organizations has been to quantify shareholder or stakeholder value and get the rest of the organization to accept it as a means to drive the business planning process.

Typically, in most organizations, the focus of business plans is to place great emphasis on operational budgets, with the aim to be competitively superior in financial measures such as higher gross margins, Return On Investment (ROI) and so forth. Experience shows that this approach pays dividends in the short term, but, perhaps, falls short over the longer term. This is a reactionary approach as opposed to a strategic one. A plan for sustained success both in the short and longer term is what is needed for modern day businesses and organizations. A balanced business plan that supports the organization from a short and longer term strategic perspective can be described by the three pillars of success. These pillars, are strategy, measures, and value.

**2.2.3 Strategic Human Resource Planning: Why and How?**

Strategic Human Resource Management (SHRM) is concerned with the contributions of human resource strategies make to organizational effectiveness, and the ways in which these contributions are achieved. While theory and research have addressed both issues, much of the initial work focused on the former. This consisted primarily of large-scale survey studies in which various measures of human resource activities or programmes on the one hand were statistically related to one or more measures of firm financial Performance (e.g. return on investment, return on assets and stock values) on the other *(for recent reviews, see Boxall and Purcell, 2000; Delery and Shaw, 2001).*
Although plagued by some rather serious conceptual and methodological shortcomings, collectively these studies produced results credible and positive enough to keep SHRM scholars intrigued and pushing forward (Wright and Gardner, 2002).

Over time, as the field’s focus has shifted from ‘show what’ to ‘show how’ (Dyer and Shafer, 1999), SHRM scholars adopted a contingency (or occasionally configurational) perspective, leading theorists and researchers into the domain of fit, or alignment. Here, fit comes in two forms. One is vertical, or the degree of alignment between (a) components of a firm’s human resource strategy and (b) core features of its business strategy. The other is horizontal fit, or the degree of alignment among components of a firm’s business strategy (typically activities or programmes such as selection, training and compensation).

First, often integrating strategy and HRM comes through complex models which lay out decision paths or establish multidimensional matrices to describe how HRM may match with strategies. While development of such complex frameworks overviews and informs strategic HRM, it may not lead to organizations being more competitive. When considering strategic HR planning as a means of building competitive organizations, HR plans need to be framed in simple, business language.

Second, a goal of integrating strategy and HRM often encourages rhetoric to explain the complex frameworks. Such rhetoric to interesting discussions of ways in which HRM corresponds with strategies. When strategic HR planning becomes a means of building competitive organizations, action replaces rhetoric. HRM linkages with strategies focus more on resource allocations than on rhetoric.

Third, when the goal is to integrate strategy and HRM administering, completing and coordinating the completion of forms may become the focus of strategic HRM. When strategic HR plans build competitive advantage, improved business Performance, not completion of forms, becomes the primary focus.

Fourth, using strategic HR planning to build a competitive advantage encourages a shared responsibility between operations and HR professionals. Distinctions between line and staff become blurred as both group collaborate to develop HR plans which build competitive advantage.

Fifth, when strategic HR planning builds competitive advantage, answers to difficult HR issues may not be as forthcoming as the questions. Many people issues can be solved...
in the short term, so efforts which find simple solutions to difficult people questions may not build competitive advantage as much as continually pose challenging people questions.

Gaining a competitive advantage through people and strategic HR planning responds to the national pressure for increased competiveness. With people representing the means to manage such resources, strategic HR planning programs representing the means to manage such resources, strategic HR plans can be drafted which provide organizations with a competitive advantage.

2.2.4 What is Planning?

The journals that were reviewed indicated that formal strategic planning has become more important in the market orientation. Kastens (1979) contended that planning is a technique to establish and maintain a sense of direction. He further contended that planning would ensure that activities were oriented toward the chosen goal and, therefore, would create progress toward that goal. It would allow people to question current planning methods and would evoke new ways of thinking and acting strategically. He concluded that it was very important for companies to be aware of external factors that could affect future planning. He recommended that corporations should use corporate warfare and should understand its strengths, weaknesses, opportunities, and future threats (Pfeffer, 1986).

2.2.5 The Function of Planning

Fayol (1949) identified planning in 1918 as a way to evaluate the future and to make provisions for it. His concept of planning included analyzing the current situation, setting objectives for the future, getting input from staff, taking into account the organization’s resources, and forecasting future trends.

Hofer (1976) identified two areas of research in planning: (a) the planning process and (b) the management functions supporting that process. Hofer emphasized that these two areas are crucial to the growth and survival of the organization. He outlined the development of a formal strategic plan in five stages: (a) The mission and goods information which must describe the organization’s purpose and its primary goals, (b) the strategy formation and evaluation method utilized by the company to reach its goals, (c)
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the plan implementation describing the actual tactics that put the plan into action, (d) the control method assuming that the organization is properly managed and is attempting to achieve its goals and objectives, and (e) the feedback that allows management to know when corrective action is necessary.

The literature reviewed for this study indicated that more and more organizations are adopting formal planning systems in place of an unsystematic approach which is inefficient in meeting employment needs. The reasons that organizations adopt formal SHRP are the desire to use HR more effectively and efficiently, to be highly satisfied in the development of employees, and to provide equal employee opportunity planning (Milkovich & Glueck, 1985). Milkovich and Glueck reported that SHRP is a useful means of preparing for future risk and uncertainty. They reported that researchers have found extensive use of SHRP in many organizations. They concluded in their research that SHRP is a useful means of preparing for future risk and uncertainty that organizations face.

This researcher reviewed and analyzed literature to determine if the claim of SHRP as a useful tool in organizations is a fact. It was determined that the increasing Importance of SHRP as a method of managing a corporation’s HR has made HRP the subject of a considerable amount of research. The availability of documented evidence has encouraged researchers to develop more models and theories to support, explain, and predict the direction of new practices in HRP.

Bracken and Pearson (1986) investigated 155 business organizations in order to identify a plan which would be more appropriate in developing a comprehensive planning process that would fit an organization. They found that many of the companies surveyed had strategic comprehensive planning that constituted the planning process. They also found that these companies had already set their objectives, determined the direction and identified the environmental impact on the organization, and were able to identify strengths, weaknesses, opportunities and threats, as maintained by Pfeffer (1986). The result of their research proves how utilization of systematic strategic planning is useful in an organization.

2.2.6 Research on the Benefits of Formal Planning Systems

Studies found in the strategic management/business policy literature have attempted to establish the potential payoff using formal planning systems (Ansoff et
al., 1970; Fulmer & Rue, 1973; Harold, 1972; Kudla, 1980; Malik & Karger, 1975; Thune & House, 1970; Wood & La Forge, 1979). While these studies have yielded mixed results, the methodologies employed have implications for the design of various studies.

One of the first studies of this nature was done by Thune and House (1970) to compare the effectiveness of SHRPP in 500 companies over a period of five years. They compared the Performance of 18 matched pairs of medium to large organizations in the drug, chemical, machinery, oil, food, and steel industries over a period of seven years. Each pair consisted of one firm which utilized formal long-range planning and one which did not. Their study showed that, when measured in terms of earnings, companies with formal long-range planning systems tended to achieve better Performance than those companies with no formal planning system. Furthermore, companies with formal planning systems outperformed their own records based on an equal period of time before they began formal planning. They also found that the advantages associated with formal strategic planning are common in large industries. Thune and House used a very broad definition of formal planning, and there is some question about the validity of their resultant categorization.

Using a similar methodology, Malik and Karger (1975) studied the Performance over a period of ten years of 19 planning and 19 nonplanning firms in three industries. They, too, found that formal planners significantly outperformed nonplanners.

In 1972 Harold reported on a 4-year review of the Thune and House (1970) study for firms in the drug and chemical industries. A new variable, pretax profits, was used to cross-validate the planning questionnaire of Thune and House’s study. Harold found that the formal planners in these industries not only continued to outperform nonplanners on sales growth and pretax profits but also increased the lead which they had created since they started their formal planning process. However, both the Thune and House and the Harold studies failed to determine whether the formal and non formal planners were matched as far as specific product lines at the start of the comparison period (Hofer, 1976).

Ansoff et al. (1970) took a more narrow approach and focused on the impact of formal planning procedures on merger and acquisition planning and performance. They found that the planners outperformed the non planners on virtually all financial and sales criteria. Measures of success included both objective variables, such as profits and stock Performance, and management’s own assessment of how and when they met their objectives.
The conclusions of Ansoff et al. are much more tentative than the findings of Thune and House (1970) and Harold (1972) because of several limitations in the research design utilized. They did not attempt to match pairs of planners and non-planners prior to the start of their acquisition programs. It is quite possible that a significant proportion of the differences in objective performance between the planners and non-planners were the result of factors other than planning.

2.2.7 Early Definitions of HRP

Prior to the mid-1970s, the term HRP was not used. The term manpower planning was defined by Vetter's landmark study published in 1967. Vetter defined manpower as the process by which management determines how an organization should move from its current manpower position to the desired manpower position. Through planning, management strives to have the right number and the right kinds of people, at the right places, at the right time, doing things which result in both the organization and the individual receiving maximum long-term benefits. This definition of HRP was first developed by Porter (1980).

Shaw (1976) defined HRP from his own extensive research. However, he reported that a generally accepted definition of HRP did not exist at that time. Research by Mackey and Russ supported Shaw by saying that HRP lacked a standard definition.

The literature review indicated that HRP was more than managerial personnel problems but was a procedure for developing, manning tables, establishing work-measurement standards, and determining manpower costs. Lopez (1981) did not give a succinct definition of HRP; he only described the basic elements of it. The programming activities started by analyzing external conditions that affect the availability of labor force in the organization. The internal labor pool is tested against future HR requirements in order to predict the needs of the HR department (HRD).

2.2.8 Empirical Studies on HRP

Several studies have been conducted on HRP practices. Many focused on the state of HRP practices in both industry and service firms. Some of these organizations have
utilized questionnaire surveys mailed to target organizations. Geisler (1967) studied the manpower planning practices of 53 companies listed in the 1966 edition of the FORTUNE in an attempt to establish a precise definition of manpower planning and to identify the scope of personnel-related activities. He found that manpower planning was conducted by many organizations and that they did practice manpower planning activities.

In 1978 Burack and Gutteridge conducted a pilot field study of personnel/HRP processes of large service and manufacturing firms. They found that many of their target firms for the study had utilized SHRP but that the level of their commitment to HRP varied.

In 1974 Tower, Perrin, Forster, and Crosby conducted research on manpower planning concepts and practices and their effectiveness in 220 U.S. corporations. They found that the majority of the companies surveyed had formally tried manpower forecasting and planning. They also reported that in most corporations manpower planning practices were limited to applications such as supply and demand analysis.

Walker and Wolfe (1978) performed a major cross-sectional study of HRP activities in 83 companies and organizations. A list was developed of activities commonly performed by HRP specialists on a factor analysis. The activities were grouped into roles, representing categories of behavior. The factor analysis resulted in the identification of eight activity roles for HR planners. These activities were grouped into three major role categories: (a) strategic, (b) administrative, and (c) specialized functions. Walker and Wolfe also found that the majority of positions charged with HRP responsibility were typically established in either 1974 or 1975.

Alpander (1980), through the use of a questionnaire, examined the current status of HRP in major United States corporations. His sample consisted of 390 corporations randomly selected from The FORTUNE 1,000 list. He reported that approximately 80% of the companies surveyed indicated that their long-range business plans included manpower planning. Approximately one half of the remaining 20% intended to incorporate HRP into strategic business planning within the next 3 to 4 years. While most of his findings were reported in survey form, Alpander did attempt to test the relationship between organization size and the hierarchical level at which HR plans were developed. He found a significant correlation between the number of employees in an organization and the level at which HR plans are developed. His results indicated that HRP is typically a centralized function in the organization.

Rowland and Sumpers (1981), in a case-by-case study of HRP practices in organizations, found that although there was a strong recognition of the need for HRP, none of
the firms had used HRM functions. Similarly, Miller and Burack (1981), in a survey of 200 HR planners, found a large discrepancy between the current abilities of such planners and specific needs in implementing HRP. Miller and Burack did not offer any data on the statistical significance of these differences.

With the exception of the studies of Walker and Wolfe (1978), Alpander (1980), and Greer and Armstrong (1980), little effort has been made to conduct empirically based research designed to test for relationships among variables. Few studies have attempted to distinguish between the various levels of the HRP activities. The impact of Performance has not been fully addressed. It would appear that the opportunity and need exists to explore more systematically and broadly the extent of SHRP in organizations and the benefits derived from the use of such systems.

2.2.9 The Role of HRP

Martell and Stephen (1995) reported on the Importance of the roles of both executives and managers in HRP in their recent report. They contended that there has been mounting enthusiasm for awarding HRM a more strategic role in organizations. The researchers have noted that HRM is being encouraged to link specific HRM programs to strategic outcomes (Martell, Carroll & Gupta, 1992; Schuler & Jackson, 1987). Studies also indicated that by matching HRM with strategy, critical HR skills, attitudes, behaviors and Performances that are needed to successfully implement planning strategies can be achieved and maintained (Schuler & McMillian, 1984; Ulrich, Brockbank & Yeung, 1989).

Chandler (1962), who marked the beginning of the concept of SHRPP, defined strategy as the determination of the long-term goals and objectives of the organization. He said that strategy is the adoption of courses of action and the allocation of resources necessary for carrying out these goals. Strategy is the means by which the firm develops, fits, and fully utilizes its structure, processes competencies and resources to take advantage of environmental opportunities and to minimize the impact of externally imposed threats to accomplish its objectives. Nathanson (1993) said that HRD needed to meet the changing needs of workers and to show values to the bottom line. In order to survive the downsizing of corporations, leadership planning and improvement was the key to success.

The title of HRD is commonly used in organizations today. These departments still reflect the old personnel administration approach. Still, many HR writers believe HRD
are poorly coordinated with each other. Many researchers and scholars have acknowledged the discrepancy between theory and practice and have called for underlying conceptual models which HR practices and activities can integrate (McCarthy, 1991).

McCarthy (1991) discussed what he referred to as the new wave of HRM. He listed integration of all systems as a benchmark important in strategic decision-making practices.

Historically, the personnel function has been traced back in history to Taylor’s emphasis on scientific management (Mahoney & Deckop, 1986). Mahoney & Deckop stated that personnel administration HRM could be characterized as administration of a collection of activities, such as recruitment, selection, training and compensation, and each is designed to accomplish some objectives.

This researcher determined from the literature that over a period of time, the parallel development of personnel administration (PA) and organizational science (OS) has led to many changes in personnel functions. The change in title from PA to HRM reflects the influence of OS, rather than personnel functions. Meshoulam and Baird (1987) and Burack (1986), in conclusion with other writers, believed that training and integration were very effective in an organization. These writers emphasized internal integration of HR as a requirement for meaningful discussions and a better approach for business strategic planning. However, there have been criticisms in the literature that HRP practices are commonly put together “piecemeal” and are not integrated with one another or with other organizations (Meshoulam & Baird, 1987).

Wright and McMahan (1992) contended that for HRM to function well and to be meaningful in all activities, it must integrate with other departments in an organization and must also focus on the critical roles of HRM (Schein, 1977).

In summary, most of these researchers agreed with Mahoney and Deckop (1986) who concluded in their study that imposing a HRM strategy concept upon the analysis of HRM activities could lead to a meaningful framework for HRM-theory and practice.

### 2.3.1 Effects of Strategic Human Resource Management on Strategic Vision

The global economy has created a new competitive landscape where events change
constantly in an unpredictable way. In the global economy, knowledge work and knowl­
dge workers are the primary sources of economic growth and the ability to build, share
and leverage knowledge will replace the traditional asset and size based competitive
advantage (Drucker, 1997). Size is no longer a criterion for success. Big companies of
yesteryears are now overtaken by less known, new age InfoTech companies on many
financial and market indices. Today capital is not the key resource for all companies.
There are other important factors where businesses need to build competitive strengths:
human resources, brand power and technological skills. Ulrich (1998) predicts that what
will distinguish successful firms in the future is the way they organize. He adds that soon­
er or later traditional forms of competitiveness—cost, technology, manufacturing and dis­
tribution processes can be managed and success will mostly spring from organizational
capabilities like speed, responsiveness, agility, learning capacity and employee compet­
tence. Park et al. (2001), using information gathered from Asia Pacific human resources
managers, conclude that the firms from the Asia Pacific region are facing tremendous
economic and competitive pressures. Firms with greater human resources capability
embedded into the broader organization will adapt, thrive and achieve competitive
advantage, relative to their rivals. Human resource policies and practices make a differ­
ence in business results. The relationship between human resource policies and practices
and business results is built on the premise that better deployment and use of human
resource policies and practices should correlate with higher business Performance. Many
academicians, strategic management and human resource professionals believe in this
relationship and so do researchers. During the 1980s and through the 1990s a number of
studies have examined this relationship and reported that human resource policies and
practices do matter for business effectiveness.

However, the results of these researchers—to establish a relationship between
human resource policies and practices and business results—have been inconclusive. The
results have also been varied depending on the samples and measures used.

2.3.2 Strategic Human Resource Management Theories

This means that as more firms require these competencies, attracting and retaining
people is key to the success of the firm. These are mostly concerned with the relationship
between a range of external situations and human resource management policies and prac­
tices. The advent of strategic human resource management as a separate field explored in
depth the human resources management role in supporting business processes and strate­
gy. Walker (1978) urged the need to have a link between strategic planning and human resource planning, which signifies the conception of the field. The real impetus came in the early 1980s when Devanna, Forbrum and Tichy (1984) explored the links between business strategy and human resources management. In the U.S, attention has been focused more on classifying types of human resource strategy, often drawing on existing models of corporate strategy. One often cited example is the strategy types presented by Miles and Snow (1978 and 1984), ‘defender’, ‘analyzer’ and ‘prospector’, built on their pioneering work on strategy and structure. They propose that in each of these strategic types, the firm needs to adopt a different set of human resource management policies, and they are reasonably precise about some of the variations. Again, their hypothesis is that those firms that have a fit between business strategies, structure and human resource management policy and practice will have superior Performance.

A similar rationale has been put forward in the work of Schuler and Jackson (1987), which outlines three human resource management strategies, linked to Porter’s (1980) three general competitive strategies: cost, focused and differentiated strategies. Schuler and Jackson (1987) and Schuler (1987), studying the relationship between strategy and human resource practices, found evidence of alignment between the two, but did not find the link with business results. Some of the well-known research from the U.K. on strategic human resources were reported by Hendry and Pettigrew (1990) and Pettigrew and Whipp (1991). Their main concern was to identify and classify key environmental influences on human resource management. In their view, a good fit of human resource management policy and practice with the environment aspects will be associated with superior Performance. In their research, they explored the context, identifying an internal context within the organization and an external context outside the organization, and also explored how human resource management adapted to changes in context rather than linking with Performance.

The growing acceptance of internal resources as sources of competitive advantage, as propounded by the ‘Resource Based View’ of the firm, has lent credibility to the research that people are one among the key resources and contribute to the business success of the firm. The development of concepts such as leadership (Finkelstein & Hambrick, 1996) dynamic capability (Eisenhardt & Martin, 2000) and knowledge (Argote & Ingram, 2000) as sources of competitive advantage has also added importance to human resource aspects. Cappelli and Singh (1992), while examining the implications of a ‘resource based view’ of the firm on strategic human resource management, noted that most models based on ‘fit’ assume that a certain business strategy demands a unique set of behavior from employees, and certain human resource policies and practices produce a
unique response from employees. Given a choice of strategy, it is easier to rearrange complementary assets and resources, including human resources. Hence, they propose that human resources have implications both in strategy formulation and implementation. Pfeffer (1994 & 1998) cites evidence that human resource practices can raise shareholders' value. Huselid and Becker (1996) suggest that market value per employee is strongly correlated with the sophistication of the human resource practices used. Arthur (1994) found in a study of thirty mini steel mills that those organizations which had human resource practices that emphasized development of employee commitment had lower turnover of employees, lower scrap rates and higher productivity. MacDuffie (1995) found that auto companies, which had internally consistent human resource practices in the system, had higher productivity and quality. Delery (1996) found that banks that were able to align human resources practices with business strategy had 50% higher ROA than the banks whose human resource practices were less aligned. Thompson (1998) reports from a survey of the aerospace industry that firms reporting higher levels of value-added per employee used human resource practices for a greater proportion of their employees. Human resource strategy is a relatively new phenomenon in the Indian context. Only a few empirical studies are reported on human resource practices and very little on the impact of strategic human resource practices on organizational performance.

2.3.3 The Human Resource Planning Process (Walker’s 1980 Model)

Walker (1974) emphasized that if business executives utilized his HRP Model in formulating their strategies, they would benefit greatly. He believed that by utilizing a comprehensive HRP system, corporations will gain a more competitive advantage than those without. Walker (1974) further stated that the HRP process may be viewed as having three elements: forecasting, programming, and evaluation. Forecasting is the process by which management anticipates talent requirements by examining both individual and organizational plans. The four levels of forecasting are (a) analysis of external conditions, (b) future HR requirements, (c) future HR. Availability, and (d) forecasting HR needs. Program planning is the process by which management plans actions that will meet these needs and at the same time will support key individual career decisions (Walker 1969). The four types of program planning are (a) Performance management, (b) career management, (c) Performance appraisal, and (d) management succession. The Model explains the importance of skills, job assignments, job selection, long-term career planning, and opportunities for individual employees. Information systems also provide
basic data to evaluate the individual in the company. Comprehensive information is very useful in evaluating HR and in the general and practical effectiveness of HRP by providing access to data retrieval analysis and updating analysis of special problems.

In the evaluation section of Walker's 1974 Model the author recommends that all levels of Human Resource Planning Activities (HRPA) should be reviewed and evaluated in order to know if proposed programs are suitable for a particular organization. Walker believes that through evaluation, management assesses the effectiveness of forecasting and programming in terms of both organizational and individual impact within the company. Therefore, in the evaluation process, the technique used to evaluate the effectiveness of HRP and HRM are subjective and traditional Analysis of current practices, such as forecasting, programming, and information systems, include all levels of Human Resource Planning Practices (HRPP) which are needed for evaluation for practical effectiveness compared with Walker's four stages of HRPA. According to Walker, sources of career support decisions for employees are (a) organizational and occupational choices by attracting, recruiting and orienting new talent to the organization, (b) job assignment by matching individual interests and talents with opportunities, and (c) Performance and development planning and review by helping individuals to perform better and to develop to their fullest capacities. Walker (1980) explained that most tools being used in HRP do not appear to be as adequate as they should be in order to meet the needs of management for proper strategic planning and evaluation of HRP practices. He indicated that the amount of money and of time that HR executives invested in HRP was too much. He emphasized that if these investments were to yield a return, there should be more rigorous tools that can be added to HRP practices.

2.3.4 Human Resources Planning & Management

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. 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.

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 skepticism 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, where personnel focus as on the management and control of subordinates, HRM centre’s on the management team. Secondly, line managers play a key role in HRM in co-coordinating 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 (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 Mid 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) 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.

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.

Subsequent writers have developed these ideas further, for instance, Schuler (1988), building on the work of Miles and Snow (1984), argues in favor 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.

2.4.1 The Concept of Human Capital Advantage and Resource - Based Strategy

The concept of human capital advantage as formulated by Boxall (1996) is based on the belief that sustainable competitive advantage is achieved when the firm has a HR pool that cannot be imitated or substituted by its rival (Barney, 1991).
Unique talents among employees, including superior performance productivity, flexibility, innovation and the ability to deliver high levels of personal customer services are ways in which people provide a critical ingredient in developing an organization's competitive position. People also provide the key to managing the pivotal interdependence across functional activities and the important external relationship.

It can be argued that one of the clear benefits arising from competitive advantage based on the effective management of human capital is that such an advantage is hard to imitate. An organization's HR strategies, policies and practices are a unique blend of processes, procedures, personalities, styles, capabilities and organizational culture. One of the keys to competitive advantage is the ability to differentiate what the business supplies to its customer from what is supplied by its competitors. Such differentiation can be achieved by having HR strategies that ensure that the firm has higher quality people than its competitor, by the business and by focusing on organizational learning and knowledge. This is the resource-based view of the firm and the rationale for strategy based on it was produced on it was produced by Grant (1977):

When the external environment is in a state of flux, the firm's own resources and capabilities may be much more stable based on what it is capable of doing and may offer a more durable basis strategy than a definition based upon the need (e.g., market) that the business seeks to satisfy.

HCM and resource-based strategy have much in common. They both emphasize that a business strategy based on the acquisition, retention, motivation and development of high-quality people provides human capital and therefore competitive advantage.

2.4.2 Applications of Human Capital Management (HCM):

HCM is an integral part of the people management process – it does not lead to a separate existence. It illuminates guides and supports the key HRM activities discussed in this chapter, namely strategic HRM, talent management, learning and development, knowledge management, performance management, learning and development of line managers.

HCM data can be used to evaluate the impact of HR strategies and identifying areas in which they could add most value. It can provide information on causation – how
results are affected by HR policies and actions. But it is notoriously difficult to establish causation when investigating the relationship between an HR initiative and an outcome. There are too many other factors that get in the way, i.e. multi causation. Attempts can be made to allow for the influence of other variables but they can often only be made on the basis of questionable assumptions.

The whole area of HCM presents both an opportunity and a challenge for the HR profession. It presents an opportunity to recognize people as an asset that contributes directly to the organizational performance, and a challenge to develop the skills necessary to identify, analyze and communicate that contribution and ensure that it is recognized in business decision making. There is evidence of a growing demand, from the investment community in particular, for better information to explain intangible value. Many organizations are beginning to understand that, in an increasingly knowledge-intensive environment, it is the key to good management. This, in turn, encourages individuals to deliver discretionary behavior or willingly share their knowledge and skills to achieve organizational goals.

2.4.3 Rational For Human Capital Management (HCM):

HCM provides for evidence-based HRM. As Kearns (2006) stated: ‘HTM can and should be in the interest of every stakeholder.’ The DTI accounting for People Task Force (2003) conclude that:

Greater transparency on how value is created through effective people management policies and practices will benefit organizations and stakeholders. Managers, investors, workers, consumer and clients all have an interest in knowing that an organization is striving to adopt those features of HCM that are associated with high performance.

In the opinion of many of the FTSE 250 companies consulted by the Task Force and the CIPD, human capital evaluation and reporting is a ‘must have’ capability that is crucial to sustaining long term Performance. A number of the FTSE companies are concerned with making better quality information available on their human capital to both internal and external stakeholder and feel particularly under pressure from shareholders to customer to explain and to justify the intangible value of their organization. In knowledge-based industries in particular, obtaining, developing and retaining knowledge that can be embedded into goods and service is the key to success. As knowledge cannot be
easily divorced from people, human capital information is particularly important in underpinning the process that will enable organizations to manage their knowledge successfully.

Walter (2006) suggested that effective HR processes are those that need to be matched by an understanding of their impact on the cost-drivers of the business. Some of these linkages may be relatively straightforward and familiar (through perhaps still not fully evaluated or addressed) – for example, the business cost of labor turnover or absence. Other linkages may be less tangible or more difficult to quantify – for instance, the impact of the employee engagement on factors such as productivity, service and quality. In all these cases, however, the adoption of a human capital approach, with appropriate processes for measurement and evaluation, is likely to help provide valuable insights into the dynamics of employee and business performance.

Mathewman (2006) believes that: 'HCM offers the opportunity for fact-based analysis, policy formulation and execution. In the past, too many HR projects were launched on instinct with little quantified success criteria or any calculation of the real return on investment (ROI).'

Management is more likely to be persuaded by business case if it is supported by data. As Mayo (2001) points out: ‘Managers are conditioned to working with numbers and nothing has a greater impact.’

2.4.4 Human Capital Management (HCM) and Human Resource Management (HRM)

Is it necessary to consider the difference, if any between HCM and HRM an entirely separate activity? Or is it an aspect of HRM that highlights the significance of human capital measurement? In the opinion of Mayo (2001) the essential difference between HCM and HRM is that the former treats them as costs. Kearns (2005a) believes that in HCM ‘people are value adders, not overheads’ while in HRM ‘people as cost’ is not supported by the descriptions of the concept of the HRM produced by US. They emphasized the need for ‘a longer term perspective in managing people and consideration of people as potential assets rather than merely variable cost’. Fombrun et al (1984), in the other seminal texts, use to achieve competitive advantage for their companies.
According to Kearns (2005a), in HRM 'the HR team is seen as a support service to the line' – HR is based around the function and the HR team performs 'a distinct and separate role from other functions.' Conversely, 'HCM is clearly seen and respected as an equal business partner at senior levels' as well as being strategic and concerned with adding isolation from management is again not in accord with the generally accepted concept of HRM. In 1998, Legge defined the 'hard' model resource to be managed in the same rational way as any other resource being exploited for maximum return'. Guest (1987) believes ability of the organization to integrate HRM issues into its strategic plans, ensure that the various aspects of HRM perspective into their decision making'. He has stated (1991) that 'HRM is too important to be left to personnel managers'.

Although, as William Scott-Jackson, director of the center for applied HR research at Oxford Brookes University argues (Oracle, 2005), 'You can't simply treat people as assets, because that depersonalizes them and can lead to the danger that they are viewed in purely financial terms, which does little for all – important engagement.'

However, there is more to both HRM and HCM than simply regarding people as assets. Each of them also focuses on the importance of adopting an integrated and strategic approach to managing people, which is the concern of all stakeholders in an organization, not just the people management function.

A pertinent question is how does the concept of HCM reinforce or add to the concept of HRM? Draw attention to the significance of what Kearns (2005a) calls 'management through measurement', the aim being to establish a clear line of sight between HR interventions and organizational successes: It provides guidance on what to measure, how to report on the outcomes of measurement, underlines the importance of using the measurements to prove that superior people management is delivering superior results and to indicate the direction in which HR strategy needs to go. It reinforces attention on the need to base HRM strategies and processes on the requirement to create value through people and thus further the achievement of organizational goals; defines the link between HRM and business strategy; strengthens the HRM belief that people are asset rather than costs; emphasizes the role of HR specialists as making a strategic contribution to business success.

The concept of HCM complements and strengthens the concept of HRM. It does not replace it. Both HCM and HRM can be regarded as vital components in the process of people management and both from the basis for achieving human capital advantage.
through resource based strategy.

2.4.5 Major Review of Walker's Model by Other Researchers

Literature reviewed by this researcher indicated that Walker's Manpower Planning Model is frequently cited by HRP writers and researchers, particularly after he published his 1980 comprehensive study. In that resource he included an explanation and elaboration of his Model (Baird, Meshoulam & DeGive, 1983; Fyfe, 1986; Galosy, 1983; Laibowitts, Keye & Farren, 1986; Nkomo, 1980). No one attempted to test Walker's Model other than Rizzo in his 1984 research, which investigated Walker's assumptions and tested his typology and select environmental factors that were predicted to have a major impact in HRP activities.

Rizzo (1984) found that most firms used in Walker's Model (1980) generally fell within the two lowest levels of Walker's typology. Therefore, Rizzo's evaluation of Walker's Model indicated that there was a dependency by major corporations on rudimentary forecasting and placement techniques in the HRP process. Rizzo demonstrated in the research that the results of his study showed that the respondents were most concerned with internal labor resource management techniques and less concerned with external labor market forces in the corporations. More emphasis was placed on training with less emphasis placed on the methods of assessment, career, and vocational Performance.

When Rizzo (1984) tested Walker's predictions of the influence of industrial classification, number of employees, and annual revenue of HRP, he found associations among those factors of HRP practices in the business corporations he studied. Rizzo concluded that his study showed that Walker's Model was not discrete, and his heavy emphasis on employee-centered career planning and placement activities in the two advanced stages made the model less practical. However, Walker (1980) has stated that the stage of sophistication that a firm may employ in its HRP practices is related to certain organizational characteristics.

2.4.6 Progress in Models

It was patently clear from the reviewed literature that no significant additional development had been made, either in the models or in the theories, in the HRP field since the development of Walker's Model, although some researchers have attempted to apply some of the models that have been developed in the field to HRP practices. For
example, Galosy (1983) used supply and demand models, which originated in economics, to explain the equilibrium under different situations. Other researchers tried to apply the systems theory which originated in psychology and biology and has been used recently in management and marketing studies. Some researchers also tried to apply the Product Life Cycle Concept (PLCC) to HRP, which originated in marketing studies (Bejar & Milkovich 1986; Russ, 1984).

However, this researcher determined that most HR researchers believe that there is nothing wrong with applying these concepts and models to HRP, if only they can offer meaningful ideas that lead to field improvement. In addition it was found that there has been little progress made by researchers in developing sound theories of HRP. The reason for this is the gap that still exists between the theory and the practice of HRP. Another problem is that models and theories are built upon imagination and models from other fields. Other reasons for the inability to develop sound models could be that researchers find inconsistencies among HRM practices in business. Furthermore, research indicates that some companies lack the model and guide to lead them to achieve their objectives (Posner, 1986). Most of the researchers, however, emphasized practicing concepts, such as those developed by Walker (1980). Organizations will be better off if they are people-oriented or employee-centered and if they practice what their managers always say that people are the most important assets and resources of the organization (Posner, 1986).

However, some researchers report that the practice leads the research, and others report a lag between the models and the practice. The conflicting findings of the research in the field of SHRP and the need to validate Walker’s Model are worth researching for future study. Researchers might attempt to determine the relationship between models and practice, through evaluation of Walker’s Model, and to compare the current HRP practices to that of Walker’s typology of his Model.

Meshoulam (1984) reviewed organizational growth models and used these analyses, models and theories as a guideline to integrate his Five Stages of Human Resources Development Model (Meshoulam Model). They are (1) the initiation stage, (2) the function growth stage, (3) the controlled growth stage, (4) the function integration stage, and (5) the cross-function integration stage. Meshoulam found that environmental changes have an impact on HR functions in the organization.

Russ (1984) used a group of HR models and systems and their drawbacks and decided to solve these problems through his Commitment Manpower Planning Model
(Russ’s Model). His model is an integration of employees’ supply and demand into the organization’s long-range planning. He was concerned with employees who could be promoted to higher-level jobs in the organization. Russ’s Model is an economy of supply and demand. It also recognized employees in their efforts to increase production.

Bejar and Milkovich (1986) investigated the relationship between Business Strategies and HR Strategies (BHRS) and the Strategy Performance relationships among business strategies, HR strategies, business unit performance, and HR performance within business units. The authors studied 129 randomly selected business units. They utilized Hofer and Schendel’s (1987) typology as a generic typology for their study to formulate their model. Hofer and Schendel proposed eight stages of operational growth (Growth Model). They are (1) market share, (2) rapid growth, (3) profit, (4) operational turnaround, (5) strategic turnaround, (6) expansion, (7) contraction, and (8) liquidation.

Hofer and Schendel (1987) used their Growth Model to examine the relationship between business units, business strategy, and HR strategy. They found an association between the strategy of business units, business functions strategies, and its HR strategies, as well as between these latter two strategies and the Performance of business units. Bejar and Milkovich’s (1986) Model proposed that the environment affected the product market cycle and the HR external environment, and influenced the business strategy, which, in turn, influenced HR strategies. They concluded that both influence strategic business units and HR Performance.

The authors found that plants differ in their innovativeness and commitment to advanced HRP practices. They concluded that the most innovative corporations may likely have strategic rationale for investing in advanced manufacturing technology, as well as very high performance expectations, such as design and better jobs (Walton, 1987). The companies that are willing to take time to lay a solid foundation will gain the edge in the long run (Ogunrinde & Dastoor, 1996).

Butensky and Harrat (1983) investigated the HRP systems of 12 large American corporations in order to determine the extent to which HRP practices and the models deviated from each other. Their results indicated that HRP systems often deviated markedly from the prescribed models. They are discussed in the literature on HRP systems and vary greatly in terms of structure, functions, and processes. Butensky and Harrat found that these deviations were so marked that it was difficult to develop across the-board conclusions and categorizations. They related the deviations to the limited formal authority and responsibility of HRD and to the lack of employee involvement in the
Chapter II

Literature Review

Miller (1988) examined the relationship of strategy, structure, and environment, using the three generic strategy topologies developed by Porter (1980). His result showed that strategy was the main factor that aligned structure and the environment together. Miller also found that technology was very important because it was the key variable in the organization.

Miles and Snow (1984b) developed the concept of “fit”. Fit is a process that seeks to align the organization with its environment and to arrange resources internally in support of the alignment. Miles and Snow’s results indicated that strategy is used to align the organization with its environment, and organizational structure and management processes are used to support this alignment. They believe the organization can be successful so long as its strategy, structure, and processes are examined carefully, both internally and externally, or fit together. That means organizational integration is very important in planning strategy. Miles and Snow referred to the work of Chandler (1962) as being foundational of these three concepts. Chandler concluded in his study of American industry that the structure of organization usually follows its strategy. Miles and Snow added the concept of management process that in any strategic planning, management process must be developed to follow the specific strategy that the organization has chosen.

Tichy, Fombrum, and Devanna (1982) built on the same foundation laid by Chandler (1962). They, however, also referred to the work of Galbraith and Nathanson (1978) that fitted HR performance measures as well as rewards, career development, and styles of leadership with strategy. Tichy, et al., consolidated these ideas and suggested that HRM must be aligned with strategy and structure in an effective organization.

There is clear similarity between Miles and Snow’s (1984) concept of fit and the model of Tichy, et al, (1982). The major difference is that Miles and Snow align management processes with strategy and structure while Tichy, et al, align HRM with strategy and structure.

Mills (1985) examined companies that included HR practicing components in their business plans and those that did not. He designed a model and surveyed HRP in large companies. To ensure that the sample would be characteristic of the intended large American companies as a whole, he chose approximately 11% of the 2,625 United States parent companies listed in Dun’s Directory of America. Results indicated that 72% of the survey respondents who practiced HRP were certain that it improved profitability, and
39% of HR planners insisted that they could measure the difference on the bottom line. The results of this study also allowed the researchers to analyze the profitability of the companies that included HR goals in their business plans compared with those that did not. Mills also found that in the largest group, planning resulted in leadership, vision, and purpose of top management.

Wright and McMahan (1992) summarized the status of HR functions when they stated: The field has not evolved with great levels of integration across the various functions. Rather, each of the various FIRM (Human Resource Management) functions has evolved in relative isolation from one another, with little coordination across disciplines. (p. 297)

Schuler (1987) indicates that by matching HRM practices with strategy by identifying needed employee characteristics is very important. He further indicates that strategic planning requires the collective efforts of the organization and the right people at the right places. He believes in linking HRM with business management. This direction is typical of what is beginning to appear within organizations and academia, a growing awareness of the Importance of linking HRM with business management. The literature demonstrates that within organizations one way this linkage is being made is by tying business strategy to top management characteristics (Gerstein & Reisman, 1983; Gupta, 1984; Hambrick & Mason, 1984; Miller, Kets de Vries, & Toulouse, 1982; Olian & Rynes, 1984; Snow & Hrebinjak, 1980; Song, 1982; Szilagyi & Schweiger, 1984). Management characteristics, such as personality, skills, abilities, values, and perspectives of top management are hypothesized to match particular types of business strategy. Some support has been found for the existence of top manager-strategy matches only in the Gupta & Govindarjan study, 1984, which suggested using manager biographical basic background, personality orientation, industrial experiences, and organizational familiarity.

Burack (1986) supports many of the researchers who believe that a growing number of organizations now include a HR component in their long-range business/strategic planning processes. They do this to stay competitive.

Another challenge is to effectively link HRP to business planning and strategic activities. Much of the literature on management, including the theories of Peters and Waterman (1982), Kanter (1983), is concerned with making the most of human resources, especially in bringing about a direct relationship between corporate Performance and HRPD. Before integration can take place in the organization, a sound
base or a concept of a working relationship, including cultural and political considerations, information, and procedures, must be developed.

2.4.7 New models of strategic HRM in a global context

Linkages between strategy and HR planning often focus on the what, not the why, focusing exclusively on what may lead to action without substance. Many people or productivity improvement programs highlight what needs to be done, without a full explanation of why. Setting goals of “X” number of quality circles, team building sessions, or participants in training may accomplish the what, or program goals: but without understanding the why, or program philosophy and theory, these programs may fade from fad to farce.

Posing and responding to why questions, (e.g., what is bridge strategy and HR planning?) Explore how the bridge between strategy and HR planning builds organizational competitiveness (see Schuler & MacMillan, 1984). For example, at Disney World in Florida, new employees undergo extensive socialization programs so that they learn to think and feel about Disney World like Walt Disney, the founder. For the Jungle Cruise ride, nine pages of script must be memorized. Six of these nine pages review the material to repeat during the ride: three review the philosophy of the ride, and why. The emphasis on the why in Disney World’s training activities has helped them orient and commit new employees to Disney World’s strategies.

For those interested in research on the strategy/HR planning linkages, ‘why questions’ (e.g., why do linkages between strategy and HR planning lead to positive organizational outcomes?) explore the theoretical foundations of strategy/HR planning linkages. These why questions go beyond frameworks which show how HR practices related to different strategies and explain why HRM helps implement strategies and integrate HRM into broader theories of individuals and organizations. From posing why questions, researchers develop theory, or sets of interrelated propositions, about strategy and HRM.

How questions emphasize usefulness of strategic HR plans for both application and research. For application, how questions encourage the translation of frameworks into managerial behaviors. Often managers know what needs doing, but not how to go about doing it. How questions force managers to explore practical ways to translate strategic HR planning frameworks to individual and organizational actions.
Chapter II

Literature Review

For research, how questions encourage exploration of research models, hypotheses, and designs to test theories of strategic HR planning. Posing how questions require that scholars not only develop and espouse frameworks, but do research to test the frameworks. This reading complements other readings by explicitly exploring the why and how questions of strategic HR planning for both application and research. The goal of this reading is to encourage and direct application and research to pose and explore answers to why and how questions about strategic HR planning.

In organizations, people affect gaining a competitive advantage from two perspectives. First, some organizations view people as costs and calculate and track people costs as a percentage of operating budget. In some organizations, the ability to reduce costs becomes a critical competitive advantage. Organizations which compete on price and have a high percentage of their operating budget tied to people costs may easily document the importance of people to competitive advantage. Firms in the airline industry, since deregulation in 1978, have experienced tremendous competitive pressures. Those firms which have entered the market and grown quickly since deregulation have found that the ability to control people costs effects a major competitive advantage. Major costs which affect price may be classified as equipment, maintenance, fuel, and people categories. Of these four, people costs become the major manageable cost category, since equipment, maintenance, and fuel are relatively fixed costs which each competitor must bear equally. Donald Burr, founder of People Express, argued that by maintaining lower people costs through staying non-union, paying lower salaries, having broad job categories, and working within team, People Express would gain a competitive advantage. Other airlines including New York Continental, TWA, United, and Southwest Air have followed the lead of People Express and worked to gain a competitive advantage by cutting people costs.

Second, some organizations may view people as resources which must be managed and modified to gain a competitive advantage. Competitive advantage may come to organizations through a number of strategies and organizational practices (Porter, 1985). To a great extent, each strategy which leads to a competitive advantage depends on people who understand and implement the strategy. For example, technology may enhance competitive advantage because technological leaders move quickly down a learning curve, pioneer new products before competitors, and have first mover advantages in going to market with new products. However, identifying technology as competitive advantage may be like telling the coach to score more points; it highlights what needs to be done, not how.

To gain a competitive advantage through technological leadership requires effi-
cient use of people and people management systems. Hiring individuals who have technological abilities, rewarding development of technology through bonuses and promotions, and offering training in implementation of technologies become the how’s. A senior executive of the new Saturn Division of General Motors commented that technology was not the key competitive advantage to building the new Saturn car as many observers presumed. He reasoned that the technology which would be used to build Saturn car—including state-of-the-art robotics, inventory controls systems, and management information systems—were equally available to GM’s competitors. He said that technology was a necessary, but not deciding, factor in GM’s successful development of the Saturn car. The key ingredient, he argued, was the ability to hire and manage people who would understand and implement the technology. Likewise, other strategies to develop competitive advantage, e.g., quality, productivity, differentiation mergers, and globalization, require management of people to implement the strategy to gain a competitive advantage.

Managing people resources at times becomes the last consideration in designing a strategy. One federal agency spent two years and thousands of hours and dollars devising a year 2000 strategy for the agency. The technological blueprint for the agency was visionary and elegant. However, in the book which introduced the strategy, not one page dealt with people issues. Agency managers assumed that people issues would be relatively easy to resolve as they arose, and thus focused exclusively on technological plans. This technological blueprint which identified technological transitions over 15 years may never evolve without considering how to manage the transitions required of people who must implement the strategy. Managing strategic change requires that people’s values, goals, commitments, behaviors shift in accordance with technological change. Such shifts do not occur magically, but by careful assessment of an organization’s HR capabilities, and development of transition plans for people which parallel transition plans for technological, market, financial, and other resources. People, as a costs which must be controlled and as a resource which must be managed to match transitions of other resources, represent critical elements in organizations gaining a competitive advantage.

2.4.8 Why do strategic HR planning efforts help organizations gain a competitive advantage?

Once the relationship between people and competitive advantage has been established, discussions follow about how to systematically manage people to attain this advan-
tage. Most managers acknowledge the critical value of people within an organization; fewer address the alternative people management programs which might be used to systematically manage human resources for a competitive advantage. The design and delivery of people management programs become a primary agenda for strategic HR planning.

People management programs exist within organizations as HR systems (e.g., selection, development, appraisal, rewards). Many efforts to do strategic HRM attempt to integrate strategies within HRM; unfortunately, much of this work views the bridge between strategy and HRM as the end, or the goal. The end might more effectively be building a competitive advantage and the bridge between strategy and HRM might be the means to that end. Strategic HR planning helps organizations acquire a competitive advantage when linkages between strategy and HRM serve as a means to building competitive advantage. It requires that five transitions occur in thinking about strategic HRM (Ulrich, 1986a).

2.5.1 Toward a strategic human resource management model of high reliability organization Performance

Change swept strategic management research during the past decade. Triggered by the work of Miles and Snow (1978) and later Porter (1980, 1985), strategic content research flourished. The next decade may bring a similar revolution to strategic process. As Rumelt, Schendel, and Teece (1991) write: 'Both theoretical and empirical research into the sources of advantage has begun to point to organizational capabilities, rather than product market positions or tactics, as the enduring source of advantage.' And, of course, strategic process research never really lost favor among the Japanese and Europeans. Central among strategic process issues is strategic decision making. It is crucial because it involves those fundamental decisions which shape the course of a firm. During the past 30 years, many researchers have recognized the centrality of the topic by tackling issues in strategic and more generally, organizational decision making.

2.5.2 Measuring Strategy Coherence through Patterns Of Strategic Choices

Strategy research has been criticized for its overly analytical orientation, top management bias, lack of attention to action and learning, and neglect of the elements that lead to the creation of strategies (Mintzberg et al., 1998). Organizational learning
research, with its focus on process, has the potential to offer insight into these identified shortcomings (Walsh and Huff, 1997). Indeed, as DeGeus (1988) points out, organizational learning may be the only sustainable competitive advantage. However, despite the many literature reviews (Argyris and Schon, 1978, 1996; Crossan et al, 1995; Daft and Huber, 1987; Fiol and Lyles, 1985; Huber, 1991; Levitt and March, 1988; Shrivastava, 1983), organizational learning research has largely remained disconnected from strategy. Attempts to forge a link between strategy and organizational learning have been hindered by shortcomings. The first shortcoming is a too-narrow conceptualization of organizational learning. Organizational learning has often been described as an emergent, trial-and-error, even random process (Goold, 1996a, 1996b; Mintzberg, 1996a, 1996b; Pascale, 1996a, 1996b; Rumelt, 1996). Another perspective on organizational learning, drawing heavily on the work of James March (Cohen and Sproull, 1996), sees it as a more rational process within the domain of decision-making and choice. For example, using a computer simulation to examine the impact of organizational learning on entrepreneurship, Lant and Mezias articulate three basic components of a learning model: ‘First, organizations have a target level of performance or aspiration level to which they compare their actual performance. Second, performance above or below aspiration level affects the likelihood of observable organizational change. Third, a learning model suggests that the acquisition and processing of information about alternatives takes place in a relatively costly process of search’ (Lant and Mezias, 1990). However, the focus on choice and decision-making does not capture the richness of the organizational learning phenomenon found in interpretive systems (Daft and Weick, 1984), communities of practice (Seely Brown and Duguid, 1991), dialogue (Isaacs, 1993), and memory (Walsh and Ungson, 1991). This suggests the need for a more in-depth examination of the organizational learning phenomenon. Lant, Milliken, and Batra conclude that ‘organizational learning may be more complex than the trial-and-error process often emphasized in the organizational learning literature’ (Lant, Milliken, and Batra, 1992). Delving more deeply into the cognitive processes of organizational learning, Barr, Stimpert and Huff found that the process of strategic renewal at the railroads they studied ‘was more complex than the two-tiered models of organization learning (single-loop and double-loop) usually found in the management literature’ (Barr, Stimpert and Huff, 1992). They concluded that ‘renewal hinges not so much on noticing new conditions, but on being able to link environmental change to corporate strategy and to modify that linkage over time’ (1992). Their research suggests the need for a more in-depth model of the organizational learning process to understand how interpretation affects changes in strategy. To limit the view of organizational learning to either an emergent, happenstance, trial-and-error perspective or a more rational choice and decision-making perspective is to restrict what organizational learning has to offer strategy. The second shortcoming is the failure to
address the fundamental tension of strategic renewal? The tension between exploration and exploitation. For example, organizational learning theory has been employed to understand resources and capabilities (Nanda, 1996), tacit knowledge (Nonaka and Takeuchi, 1995; Spender 1996), and the role of memory in organizations (Casey, 1997). These undertakings, though important, do not address the overarching tension created when firms develop new competencies while concurrently exploiting existing ones. Conflicting results in two studies on strategic renewal serve to elucidate the second shortcoming. The work of Huff, Huff, and Thomas (1992), which uses a simulation methodology to examine the interaction between inertia and stress as it relates to four proposed phases of renewal, stands in contrast to that of Stopford and Baden-Fuller (1994), who examine renewal in 10 firms in four European industries. Whereas Huff et al. found a ‘bifurcation between firms that stay within one strategic framework for long periods of time and firms that actively seek major changes in strategy’ (Huff et al, 1992), Stopford and Baden-Fuller found that ‘all of the firms built or attempted to build all the attributes of corporate entrepreneur ship in long drawn out processes over many years, not in a one-shot, single event’ (Stopford and Baden-Fuller, 1994). Further, though some firms strived for ‘successful metamorphic change’, researchers found no evidence of it. Neither study drew heavily on the organizational learning literature to explain the phenomenon of strategic renewal.

2.5.3 Organizational Learning and Strategic Renewal

In the 1980s, original writers in the area of human resource management (HRM), Beer et al. (1984), stressed that in the face of increasing international competition, organizations had to focus on the value of investments in human resources as a major source of competitive advantage. More recently the rise in the status of knowledge workers has highlighted the focus on human resources as the key to organizational productivity (Foit, 1995; Tovstiga, 1999). Knowledge workers are considered to be those workers who are involved in the acquisition, creation, packaging and application of knowledge (Davenport et al., 1996) and they represent the movement that organizations have made away from knowledge that is located in bodies and routines to knowledge that is located in brains, dialogue and symbols (Blackler, 1995). Drucker (1993) posits that in many organizations knowledge workers actually own the organization’s means of production and within the resource-based view of the firm, writers reinforce the idea that human capital is increasingly being seen as the key to sustainable competitive advantage (Barney and Wright, 1998; Wright et al., 1994). The transition from personnel management to
HRM reflects this emerging organization-wide commitment to human capital development. The change, however, has activated considerable discussion within the academic literature about the successful strategic positioning of, and responsibility for, HRM (Beer, 1997; Dyer and Holder, 1988; Guest 1987; 1989). There is concern, for example, that strategic HRM integration is still to be realized (Beer, 1997; Johnson, 2000; Kochan and Dyer, 2001; Storey, 2001) where HRM integration is defined as the full integration of HRM with organizational strategy; HRM policies that cohere; and the integration of HRM within line management activities (Schuler, 1992; Beer et al., 1984; Tichy et al., 1982; Devanna et al., 1984; Dyer and Holder 1988; Guest, 1987, 1989). The integration of HRM effectively encourages everyone in the organization to take responsibility for HRM, not just the HR department. This ensures that HRM is given a much more central position in any decisions that are made at the strategic or operational level, and reminds decision makers that an investment in people is a key organizational priority. The aim of the current research is to clarify the variables that impact on the success or otherwise of HRM integration and within the review of the relationships that exists between these variables, model the change process underlying the transition from personnel management to HRM.

Factors impacting on the transition from personnel to HRM. One of the factors considered to have an impact on successful HRM integration is the role of the people working within the HR area itself. Beer (1997) has stated that those people working within the HR function must clearly understand how HRM is different from the older-style personnel management approach and be prepared to support the necessary changes. This re-definition of the HR role requires that the HR manager adopt more of a business partner role. Specifically this role requires that the HR professional has a clear understanding of how HR fits with, and supports, the organization’s mission and strategy as well as an understanding of basic business processes (Dyer, 1999). Research by Huselid et al. (1997), however, has shown that HR managers may not be meeting the challenge of this new role. These researchers found that most HR managers were very proficient in the delivery of professional HRM capabilities (or competencies) that relate to traditional technical activities. Strategic HRM capability levels, however, that support the business partner role, were lower.

This latter set of capabilities ensures that human resources staff understands the connection between business considerations and HRM needs. Sparrow and Marchington (1998) have similarly observed that many of those involved in the HR function continue to fail to understand the demands of their new role and lack confidence in their ability to be strategic business partners. In Australia, research conducted by Fisher and Dowling
(1999) established that senior HR managers agreed with and supported strategic HRM initiatives. The results of their study showed that as well as reporting HR title name changes, senior HR managers also acknowledged the importance of HRM involvement in strategic decisions, integration of HRM policy areas, the contribution of HRM to the bottom line and attention to communication between employees and employers. Although this is encouraging, becoming a credible business partner for HR professionals operating at HRM strategic integration both the senior management level and for those interacting with line managers, may require more than a change in title and attitude. Losey (1999) has warned that the statements of HR professionals are not enough to effect the substantial transition required from personnel management to HRM. In short, the attitudinal changes made by HR managers have to be accompanied by appropriate changes in their skill base. In an attempt to explain the failure of HR managers to become strategic business partners, writers such as Beer (1997), Lawler (1995) and Ulrich (1997) have suggested that the career background of the HR manager may make a difference. Specifically, a broader career background may provide the level of business acumen necessary to be a credible participant at the senior management strategic decision-making level. Along with these changed expectations of the HR professional group, HRM integration requires broad support from areas elsewhere in the organization. With respect to the integration of HRM with organizational strategic decision-making processes, for example, it has been argued that representation on the board of directors or at the senior committee level is critical if HR managers are to have appropriate input into strategic decisions (Poole and Jenkins, 1997; Shipton and McAuley, 1993). Such representation has also been considered to be important in the development of internally consistent and strategically focused HRM policies and practices. Effectively HR managers need to be part of the strategic planning mechanism in order to match the internal fit between the HRM policy areas and the strategic business initiatives developed at the senior committee level.

The greater the extent to which senior HR directors are able to influence the strategic decision-making process, the more likely it is that effective HRM policy design will be achieved (Poole and Jenkins, 1997; Osterman, 1995). Other factors that have been identified in the literature that may impact on HRM integration in the strategic planning process include: direct access to the CEO through the formal reporting mechanism (Budhwar, 2000; Lawler, 1995; Nininger, 1980; Golden and Ramanujam, 1985); and the success of the informal network that the HR manager develops with key senior executives (Sparrow and Marchington, 1998; Hope-Hailey et al., 1997). The devolution of HRM responsibilities to the line function represents a further important feature of strategic HRM integration. Although there is evidence of increased line involvement in the management
of human resources, there is still some resistance to the uptake of HR responsibilities at the line level (Cunningham and Hyman, 1995, 1999; Currie and Proctor, 2001; McGovern, 1999; Poole and Jenkins, 1997; n Renwick, 2000). Hope-Hailey et al. (1997) have found that responsibilities differ according to the specific HRM area.

The HR function, for example, may still retain certain areas such as IR, pay and benefits, OHS and recruitment and selection whereas line managers take more responsibility for work force expansion and reduction (Hope-Hailey et al., 1997; Kramar and Lake, 1998). In line with this Currie and Proctor (2001) have suggested that rather than devolution of responsibilities, what in fact exists is a “partnership” between HR and line managers. In cases of more extreme levels of devolution, Thornhill and Saunders (1998) have argued through case analysis, that the absence of a designated human resource specialist role actually results in quite negative consequences where the scope for strategic integration is significantly impaired. The line managers were left to develop the employees as they saw appropriate without clear direction from top management. The result was that for many this resulted in a “hard”, resource focused approach. Within the process of devolution then, the configuration of responsibilities is still to be resolved. Marchington (1999) has explained that leaving too much to the line may result in inattention and inconsistencies in approach and retaining too much control with HR runs the risk that problems will not be dealt with using an appropriate business focus. In a more positive review of the area, Gennard and Kelly (1997) have suggested that extensive participation between HR and line managers can create mutual benefit for both as they jointly contribute to solve business problems. Although such joint ownership seems promising, there is still some concern that barriers remain to the adoption of general joint arrangements (Renwick, 2000). Line managers may resist empowerment initiatives and fail to see the benefits of the changes. There may be a perception that HR managers do not understand the real business of the organization and only serve to create a distraction rather than add value to the bottom-line.

HRM issues will be marginalized as the line manager, driven by budgetary pressures, chooses to concentrate more on production matters (Armstrong, 1989; Cunningham and Hyman, 1999; Kirkpatrick et al., 1992). On the other hand, HR specialists consider that line managers may not have the skills to take on personnel responsibilities effectively (Torrington and Hall, 1996). In summary, within this review of the status of the HRM goal of strategic integration, it appears that full integration is yet to be realized. Difficulties from within the HR profession along with continuing resistance from elsewhere in the organization have slowed progress.
2.5.4 A model for HRM strategic integration

Miller (1987) defines strategic human resource management practices as those decisions and actions which concern the management of employees at all levels in the business, and which are related to the implementation of strategies directed towards sustaining competitive advantage. Organizations are increasingly aware of the importance of linking the organization’s human resource practices to strategy. This is because recent researches in SHRM have consistently shown that the use of such strategic human resource practices actually leads to better performance (Huselid, 1995; Youndt et al., 1996; Delery and Doty, 1996). An organization’s HR system comprises recruitment and selection, training and development, compensation and benefits as well as human resource planning. Human resource planning activities are extremely crucial for the linkage to strategic vision. This is the process by which the strategic vision gets articulated into specific human resource needs. These plans must be able to fulfill future quantitative and qualitative employment relationships. Several key choices are necessary for strategic human resource planning. Some of these choices include the formalization of HR plans, integration with the overall strategic plans as well as whether the focus is broad or narrow. Therefore human resource planning is the backbone for the rest of the HR functions to be carried out. Recruitment and selection ensure that the strategic needs of the organization are satisfied by managing the personnel within the organization. The three strategic concerns in recruitment and selection include the design of the selection system, matching key executives to the strategies and matching the personnel to emerging business strategies (Fombrun et al., 1984). Training and development will ensure that employees are equipped with skills, knowledge and abilities (SKA) that are salient for the implementation of strategic goals in the organization. This usually ties in with the organization’s decision to ‘make’ or ‘buy’ their employees. Selecting competent and already skilled employees (buy) will lead to less cost and time in training and development of the employees. Furthermore, compensation and rewards are important factors for attracting and retaining competent employees in the organization. As argued by Schuler and Jackson (1987), those role behaviors resulting from different types of HR practices should vary according to the strategy that the organization follows. Hence, the HR system plays a very important role in eliciting the right kinds of employee role behaviors that are critical to the organization’s success.

2.5.5 Strategic Human Resource Management and Organizational Performance

Strategy is about establishing sustainable competitive advantage (Porter 1980, 1985). With sustainable competitive advantage, an organization can achieve above aver-
age performance on an ongoing basis compared to its competition. For Hamel and Prahalad, ‘the essence of strategy lies in creating tomorrow’s competitive advantages faster than competitors mimic the one you possess today’ (1989, 69). The Resource-Based View (R-BV) to strategy postulates that it is the firm’s ‘core competencies’ that provide the foundation for sustainable competitive advantage. Since core competencies are based on the internal capabilities of the firm, they are ultimately embedded in the firm’s workforce and imply a Human Resource Development (HRD) function. Yet the strategic literature little considers the role of HRD in core competencies, while the HRD literature treats the construct in a rather one-sided manner that short changes the strategic role that HRD can play and limits the full value it can provide (Clardy 2007). The purpose of this paper is to suggest ways to realign and redirect the HRD function in light of the RBV to core competencies. First, to place the RBV in context, the strategic HRD literature will be reviewed. Next, the strategic role of HRD in managing a firm’s core competencies will be presented in terms of three sets of functions and tasks. The last section will consider the implications of this model for both researchers and practitioners.

Since the 1980s, human resources scholars have attempted to define the nature and meaning of the strategic HR function. These attempts have addressed human resource management in general, as well as the HRD function in particular (the focus here). Much of the early work on strategic HRD (SHRD) was specialized. For example, several studies (Hussey 1985; Wissema, Brand and van der Pool 1981) focused on ‘strategic management development’ (McClelland 1994) as ways to synchronize management development with an organization’s strategic plan in order to improve the supply of leaders. Dyer (1983) advocated closer integration between strategic plans and workforce skill development. Manzini and Gridley (1986) demonstrated the staffing and skills implications of various strategic planning scenarios. Catalanello and Reading (1989) found three strategic roles played by HRD. Tregoe and Zimmerman (1984) proposed principles by which HRD managers could operate strategically. More systematic attempts to define SHRD followed somewhat later. Rothwell and Kazanas (1989) applied the generic process of strategic business planning (environmental scanning, SWOT analysis, planning, etc.) to the management of the HRD function. The goal of SHRD was to provide planned learning experiences on the Knowledge, Skills and Abilities (KSAs) needed in the future by various groups of organizational stakeholders (including employees, customers, suppliers and others). To do this, HRD practices must be related to organizational strategy, and strategy must be assessed in terms of skills requirements and availability. Moreover, HRD duties should be shared by personnel throughout the organization. Subsequent authors (e.g. Ulrich 1997) reframed this point as building strategic business alliances and partnerships inside the organization.
Since post-industrial organizations are dependent on human capital, managing the acquisition and development of this capital is strategically significant for long-term organizational success. For McGregor (1991), strategic decisions should determine personnel requirements; in turn, SHRD creates policies and practices to insure appropriate human capital availability. Torraco and Swanson (1995) identified several SHRD practices, including fostering a culture of innovation and providing training in strategic thinking. Garavan (1991) defined SHRD using nine structural and functional characteristics: integrating HRD with an organization's mission; top management support; environmental scanning; business plans; line manager involvement in HRD activities; complementary HRM practices (in selection, appraisal, etc.); a proactive trainer role; matching culture to strategy; and an emphasis on evaluation. HRD practices need to be aligned with organizational strategy and integrated across the spectrum of learning and development activities (Garavan 2007). While perhaps the most comprehensive listing of likely SHRD characteristics and with face validity appeal, these nine SHRD characteristics are propositions needing verification, not established fact. Consider the study by McCracken and Wallace (2000): using the nine criteria, they collected survey data from senior HRD officials in 86 Scottish firms, finding that virtually all self-reported having a strategic HRD function. Yet more in-depth interview data did not support that self-assessment. At best, the checklist approach to defining SHRD was not reliable across different data-collection techniques. Gilley and Maycunich (1998) expanded the scope of SHRD practice beyond training by emphasizing a results-oriented mission of Performance improvement. The defining feature of SHRD is increased organizational effectiveness that comes from favorably impacting the multiplicity of variables in the organization (like culture, leadership and work climate) and the performance management system (rewards, selection, appraisal, and so on). Training is but one technique among many for redressing performance deficiencies. HRD should partner with executive strategists and with line managers in developing performance improvement interventions and facilitating transfer for results. In general, then, the SHRD literature rests on two assumptions. First, an organization's HRD function can be profiled and measured in terms of the extent to which it is – or is not – 'strategic'. The literature suggests that a characteristic SHRD profile would include several features. First, the HRD function provides planned learning experiences – to managers, employees and others – that support the execution of business strategy. Second, in addition, HRD contributes to organizational strategy by inventorying individual employee KSAs in terms of the strategic skills needed; deficiencies would be remedied by training or organizational development plans. Further, the generic process of strategic business planning is used in managing the HRD function. In short, to the extent to which it possessed these and related structural and functional properties, particularly top management support and partnerships with line managers, HRD would be considered...
'strategic'. The second assumption is that, given the demands for high quality human capital, HRD should operate strategically. Four commentaries about this prevailing model can be offered. First, while there is strong consensus for identifying the features of the SHRD profile, there are fewer consensuses about what the details of that profile actually is. There is equally strong consensus that HRD should operate strategically in today’s human-capital-intensive environment. Second, the models are offered prescriptively and based theoretically on minimal empirical grounding. Third, the typical model attempts to identify SHRD in terms of its position within a larger organizational structure. The de facto assumption is that the more various structural features are present, the more strategic the HRD function. One problem with this structural checklist approach to defining SHRD is that organizational Performance has not been used as an assessment criterion. Fourth, this framework assumes that the strategic function and the HRD function are separable and distinct; strategy sets goals for a number of financial, marketing and operational matters, while HRD provides various kinds of learning and OD Experiences. The issue is how to integrate HRD with strategy. Yet, as now discussed, a ‘strategically’ positioned HRD function does not make HRD strategic.

Part of the problem is the confusion or uncertainty about the nature of strategy. In particular, it is important to distinguish business planning from strategy: business plans are not inherently strategic, and while it is vital for HRD activities to support a business plan, doing so does not make HRD strategic. As noted at the outset, strategy is about getting the firm a competitive advantage that allows it in turn to have above average Performance compared to its peers. HRD may or may not participate in the creation of that competitive advantage (Clardy 2007). Using a 2x2 matrix, defined in terms of (1) whether or not an organization has a strategic function that generates competitive advantage, and (2) whether or not the HRD function participates in producing that advantage, four potential SHRD situations can be noted. (3) situations have clear SHRD implications: when HRD contributes to a strategy that yields a successful competitive advantage, it is operating strategically. When it does not contribute to strategic competitive advantage, regardless of whether or the not the firm is outperforming its peers, it is not. The more difficult case is when HRD is helping generate competitive advantage, but the organization is performing as an ‘also ran’. In this case, HRD is Human Resource Development International 185 operating with strategic intent but without sufficient effect. In all cases, organizational Performance becomes an essential criterion for defining SHRD; the organizational position of the HRD function is less important than whether it is involved in producing competitive advantage. This distinction between position and performance mirrors developments in the field of strategic planning, where two different approaches to strategy have emerged. The positioning approach advanced
by Porter (1980, 1985) sees strategy as locating the firm among its competition to maximize its strengths and minimize its weaknesses. This approach may be more suited to relatively stable industry structures whereby firm and competitor strengths and weaknesses can be assessed and positions manipulated. The alternative ‘resource-based view’ focuses on the firm’s internal capabilities, particularly those that allow it to outperform its competition on a sustainable basis. Capabilities that provide sustained superior organizational performance are core competencies; they are skilled organizational routines that create superior performance (Clardy 2007). The R-BV has been a relatively recent and limited addition to the discussion of SHRD. Oliver (1997) provided an R-BV platform for defining management decisions as choices in selecting and deploying resources (particularly human resources) to achieve advantage. Fahey (2000) stressed the importance of competitive advantages that customer’s value. While R-BV theorists have focused on assets, they have neglected the processes for developing resource capabilities. However, Fahey did not elaborate on particulars. Luoma (2000) did. In contrast to more traditional training and OD approaches, the capability driven approach to SHRD develops and maintains skilled production routines that are the basis for competitive advantage and future success; this approach is different than remedying skills gaps. Wright, Dunford and Snell (2001) argued that HR advantage comes from three sources: the stock of intellectual capital, knowledge creation and transfer, and adaptive organizational change. Clardy (2007) linked R-BV core competencies with the HRD function. Scarbrough (1998) noted that the R-BV emphasis on core competencies as the basis for competitive advantage has been assumed, not demonstrated. Lack of empirical grounding remains a weakness in this approach and points to the need for more research. In general, the R-BV raises the issue about whether a positional approach to defining SHRD is the most advantageous route to follow. The alternative is to approach SHRD from the viewpoint of whether it is contributing to competitive advantage through core competency management and development. The question becomes: what are the ways by HRD can contribute to sustained competitive advantage through core competencies? That question has not yet been comprehensively addressed and is analyzed next.

The strategic role of HRD in managing core competencies Since core competencies are often based on intangible and tacit capabilities found in shared and coordinated employee attitudes, actions, knowledge and skills, it is reasonable to expect the human resources development function to play a major role in this process (Torraco and Swanson 1995). In this context, three main strategic roles for HRD can be identified: informing the strategic planning process, identifying and describing core competencies, and protecting them. The HRD function can and should be involved in a firm’s strategic planning and assessment process in four ways: providing education resources; staging
core competency learning simulations and events; carrying out competitive intelligence; and analysis and planning. First, the ability of the firm’s executive leaders to compete using the resource based view is a function of their knowledge of and skill in strategic planning with core competencies. Executive competence in this practice is an empirical question and should not be assumed. That is, to what extent is the executive team knowledgeable about and able to execute a core competency approach to strategy? This question transforms the (Clardy 1997; Tregoe and Zimmerman 1984). To the extent that knowledge and skill are low, the HRD function should initiate educational and training options for the executive team, if not other employee groups (Torraco and Swanson 1995). The focus of the training should be to help the firm’s leadership understand the meaning and use of core competencies for organizational strategy. Second, a related but nonetheless distinctive action is to provide learning opportunities for assessing the potential costs and value of competing via core competencies. Planning and conducting these collaborative learning activities at the executive level is a step beyond simply knowing about resource-based strategy; it is directed at helping executives consider, The roles and related actions for the HRD function in supporting a core competency based strategy.

Scenario planning (Schwartz 1996) and future search conferences (Weisbord and Janoff 1995) can be valuable activities in this regard. Yet a third way by which the HRD function can participate in strategic planning is to assess whether and how the firm’s competitors manage its people. This action is driven by a firm’s concerns about the capabilities and core competencies of its competition. Even though the specific instantiations of core competencies are varied (Clardy 2007), a common, underlying foundation for them all is how an organization’s members (certainly employees, but possibly also suppliers, outsourced agents, business partners, and so on) are treated and managed. One aspect of Toyota’s advantage in its manufacturing systems was how it worked with its parts suppliers, for example (Fujimoto 1999). Thus, competitor management practices are an elemental concern; here, management refers to both the firm’s Human Resource Management (HRM) policies and practices (how it does manpower planning, staffing, compensation, Performance evaluation and training) as well as to the general administrative and supervisory systems and procedures used in the context of the organization’s culture. The HR function is well placed to carry out competitive intelligence (Kahaner 1996) on these issues in several ways: by recruiting employees who work for competitors and debriefing them after hired; by learning about competitor HR practices through professional contacts and associations; by analysis of documents, ads, and reports; by formal benchmarking studies; and so on. Using this collected information, the HRD function can report on competitor HR and management practices with recommendations for how they can be eroded, neutralized or copied.
Shaiken's (1998) report on two 'Universal Motors' start-up manufacturing plants in Mexico is a marvelous example of how an analysis of core competency operations and processes can be decoded to identify management practices, revealing obvious implications for any manufacturer in a comparable situation. All of these support activities funnel into preparing for the decision about whether to compete strategically using core competencies. One final action for HRD analysts involves gathering information and analyzing planning issues, such as cost, development requirements and how easily competitors might be able to copy or imitate core competencies, particularly in terms of human and organizational capabilities (Barney 2002). Based on these inputs, the firm's executive leadership should be able to make more informed strategic decisions regarding core competencies.

Identifying and describing core competencies The Classic Management Principle about not being able to manage what is not being measured applies here, too. To compete using a core competency framework, the firm must become aware of and self-conscious about the specific nature and operations of its capabilities and competencies (Collis 1996). Thus, the HRD function should address the question of what the firm's specific competencies are and how they are developed, maintained and used. This should result in a map or blueprint of the firm's competence generating processes. In short, the operational mechanics of core competence need to be codified (Boisot and Griffiths 2001).

Core Competencies are also built over time as a by-product of the production process itself; that is, competencies are a function of the firm's learning curve. A learning curve indicates how learning and tacit knowledge increases with repetition (Lieberman and Montgomery 1988). For this reason, 'first movers' often increase the amount and potentially the quality of their learning, because they are producing more than their competition. There are several ways by which a first-mover advantage can be realized. First, price reductions, product promotions and the like may increase demand and provide the basis for increasing repetition; however, such actions are not typically part of the HRD portfolio of decisions. More within HRD's purview, though, are efforts to build a climate of innovation and entrepreneurship, as well as to intensify the learning that occurs from the production cycle itself. A climate that encourages both product and process innovation, rewards risk-taking, promotes experimentation and staying close to the customer with an entrepreneurial sensitivity means that the firm will be more likely to bring out new products first, and thereby gain first mover learning advantages. Burgelman (1984) posited that entrepreneurial initiatives often occur naturally. The long-term key is to persuade top management to support them. To this end, he proposed that employees be educated in how to assess the strategic value of a proposed initiative as
Finally, HRD can and should undertake actions to protect and insulate the firm’s core competencies from imitation by its inquisitive peers. One of the distinguishing features of core competencies is causal ambiguity; that is, the exact nature of the components and how they operate are invisible, hazy or just too complicated to understand much less copy or imitate (Teece 1998; Teece, Pisano and Shuen 1997). Zander and Kogut (1995) make the paradoxical point that the conditions that make for increasing and expanding core competencies within the firm, notably codification, are the same conditions that make for its easier imitation by competitors. Since core competencies grown from within are more sustainable than those purchased off the market (Collis 1994), it is likely that competitors may direct their competitive intelligence activities against the firm’s HRD operations. As Lervik and his colleagues (2005) suggest, though, the transfer of HRD practices is going to be difficult, even under relatively benign benchmarking conditions. Specifically, even if HRD best practices are codified, much remains uncertain because of issues in transfer and implementation to differing organizational conditions. The critical constraint is integration, not codification. Still, HRD should be attentive to protecting the firm’s core competencies by prophylactic measures that complicate or disguise them. Thus, the processes responsible for producing core competencies can be made more difficult to copy or appropriate in several ways:

The HRD roles for participating in the strategic management of core competencies have been presented here as propositions, suggesting courses of action for practitioners and hypothesis to researchers. The needs for further research based on this analysis are several. Perhaps the most important research need is to develop more specific procedures and techniques for diagnosing the presence, internal structure, and operations of core competencies. Without an ability to say whether a capability is a core competence or to specify how that competence operates in practice, management of core competencies for strategic purposes will be hampered. As suggested here, if core competencies are recognized as strategic factors, they should be codified. Two forms of codification were proposed: some type of competency mapping and/or ethnographic analysis of the learning processes involved. Both types of assessment should be explored and evaluated. Second, certain of the action steps proposed need further study. Consider competitive intelligence for diagnosing a competitor’s competencies. What kinds of techniques can produce what kind of information? How useful is that information in a firm’s strategic planning? Or consider the various steps recommended for protecting competencies. Do more elaborate and tightly coupled systems in fact raise barriers to imitation in the minds of competitors? Or consider executives and strategic planning: What kind of educational and learn-
ing resources are most effective in teaching the basics of core competency planning? How do executives react to the idea of competing through the use of core competencies? What costs do they perceive for competing through core competencies? Both financial and perhaps even more importantly, social costs (in terms of management styles and organizational labor policies and practices) should be examined. How do executives in general rate the capabilities of HRD staff to support them in this regard? And from that, what kinds of skills and capabilities should HRD personnel have in order to contribute most effectively to a core competency based strategy? Finally, what is the effect of a resource-based, core competency focused strategy on organizational Performance? Effectiveness can be assessed in at least two ways. First, how difficult is it for one’s competition to copy the firm’s core competencies? Difficulty could be measured in several ways: by the perceived barriers that peers may attribute to the firm’s competencies by the firm’s reputation, or in terms of a demoralized attitude held by the competition that ‘we can’t beat them’. Effectiveness might also be assessed in the more traditional terms of the persistence of sustained superior Performance over time. Research on the effectiveness of a resource-based strategy, along with specifications of any conditions under which that effectiveness is optimized, would be very valuable.

The implications of this model for practitioners are more obvious and immediate – and potentially more risky. The listing of action steps provided here suggests a ready set of practices whereby HRD can manage core competencies. One could identify which of these actions are currently in use and which are not. Those not in uses could then be implemented. Competitive intelligence activities, inventorying skill levels, increasing social capital, and encouraging advanced and divergent learning are actions that can be started relatively easily. Other actions may require more time and effort to create and develop. Regardless, it is important to keep in mind the propositional nature of the actions suggested here. Since the actions often need further elaboration and assessment, practitioners are advised to include strong evaluation plans to monitor how well the actions work in practice. Finally, HRD practitioners should consider what kinds of additional skills and capabilities they need in order to best support the strategic planning and core competency management process envisioned here. In closing, it is tempting – but undoubtedly futile – to search for the magic formula that can bring a firm success. In a ‘white water’ world, too many factors beyond an organization’s control and foresight lay waiting under the water line. Core competencies cannot guarantee success any more than any other prescriptive technique. As already noted, though, the promise of core competencies is that they can provide a renewable source for superior outcomes by functioning as a generative operational, learning and innovation engine for sustaining high Performance in the face of rapidly changing markets and
environments. Executive managers can adopt a resource-based, core competency approach to their strategic planning, but to take full advantage of that approach, they need to be able to call upon the full resources and capabilities of the HRD function. Hopefully, this paper has provided a roadmap, admittedly tentative and sketchy, for achieving that goal.

Strategic human resource management has been defined as the “pattern of planned human resource deployment and activities intended to enable an organization to achieve its goals” (Wright & McMahan, 1992). In this definition the key aspects are planned deployment of human resources and activities with the intention to enable achievement of organization goals. Schuster (1986) found that a number of human resource management interventions, like assessment centers, cafeteria benefit plans, gain-sharing, flexible work schedules, MBO and organizational development initiatives, had substantial and positive impact on firm performance. Guzzo, Jette and Katzell (1985), using Meta analysis found the human resource practices in the areas of training, goal setting and sociotechnical systems had a significant and positive effect on productivity. Dawson (1995), studying the best practices in human resource management in Mobil’s Adelaide refinery, found a general shift in HR strategy towards work structures that allow career development, skill enhancement and facilitate greater employee involvement. The collaborative approach towards ownership of the program created a good platform for the achievement of a win-win situation in the refinery operations. Huselid and Becker (1998), while studying the alignment between the HR system and the supporting “organizational logic” (represented by the top management’s leadership style), found that appropriate alignment between HR and corporate strategies, would have achieved from the ‘sum of these parts.’ Becker and Huselid (1999) report their findings from the case study of five firms known to be the leaders in management of people.

Their conclusions are (a) the foundation of a value added human resource function is a business strategy that relies on people as a source of competitive advantage and a management culture that embraces that belief (b) the human resource function is characterized in operational excellence, a focus on client service and delivery of the services at the lowest cost and (c) the human resource managers understand the human capital implications of business problems and can assess or modify the human resource systems to solve those problems. These firms have also developed a set of core competencies that are the basis for selection, performance management and development. Current researches indicate that the majority of the competencies are generally applicable for all firms, though the relevant behavior would vary (Spencer and Spencer, 1993). (Source: I. R. Nagaraj and T. J. Kamalanabhan, 16 February, 2006)
2.5.6 HRP Perspectives

As the researchers have reported, the shift from the traditional practice of personnel administration to a more comprehensive, future-oriented integrative approach was due to many factors. The most significant are economic, socio-cultural demographics, political, and technological. Other factors are the increasing complexity of organizations that lead to the screening of new employees and the anticipation of needing more qualified people (Verhoeven, 1982).

Burack and Gutteridge (1978) conducted a survey of HRP practices. They found that the shortage of manpower in select occupations and the rapid rate of technological change encouraged the development of HRP systems. Some of the reasons for the needs of technology are due to pressures from organizational task environment characteristics, such as size or techniques that create an impact on making formalized policies much more crucial to an organization’s planning procedures.

Burack and Mathys (1980) defined HRP: Human resource planning is used to describe a future oriented tool and approach that deals with policies, plans, analyses, systems, and methods to establish and implement programs to be more necessary in the work-force. Their definition is as broad a description of HRM as is the definition of HRP.

In 1980 Walker defined HRP as “a process of analyzing an organization’s human resource needs under changing conditions and developing activities necessary to satisfy these needs” (p. 10). His planning approach defined HR needs in the context of an organization’s overall needs and defined a strategy to indicate its importance.

Walker (1980) views HRP in two steps. Step 1, needs forecasting, involves (a) analysis of extremely conditions, (b) future HR requirements, (c) Future HR availability, and (d) Forecasting of HR needs. Step 2, Program planning, involves (a) Performance management and (b) career management.

Walker’s definition (1980) is comprehensive and is a conceptualization of HRP but mainly focuses on forecasting and programming. He fails to recognize the need to develop any integrated set of personnel policies and programs to counter competition in order to achieve the objectives of both HR and the organization.

Beatty and Schneier’s (1980) sequential model of HRP (Beatty and Schneier’s Model) included the assimilation and recognition of future HR requirements and the
development of strategies to ensure these organizational requirements by securing HR supply from outside the organization, then developing the organization's present supply of HR. This Model focused on two key issues in HRP activities: (a) the strategies and goals of the organization and (b) an analysis of current changes in the external environment.

Dyer (1982) supported a comprehensive systems approach in strategic planning of HRM. The emphasis was on an effective systems approach to an integrated set of personnel programs and policies directed toward the attainment of organizational goals and objectives, rather than the traditional disparate collection of activities that has been the predominant approach to personnel management processes (Devanna, Fombron & Tichy, 1981).

This researcher gleaned from the literature that a definition of HR must use two essential elements of planning: (a) objectives and (b) means. Anthony's (1965) conceptual planning consisted of three separate, but interrelated, activities: (a) establishing objectives, (b) developing strategies, and (c) formulating specific plans and programs (Leontides, 1980). In a way, to a greater or lesser degree, the strategic planning process encompasses these three elements.

2.5.7 Limits to strategic HRM

Historically HR has been viewed largely as an internal function with internal processes and internal constituencies. Much of the SHRM literature (particularly in the US) has assumed that HR decision-makers have tremendous freedom to develop and design HR strategies. Some question this premise. Further, the scope of actors who might be expected to influence HR policies and practices broadens considerably in today's technology-driven and globalized world. This brings us to the third major theme in this volume. Institutional theorists have long recognized the influence of governmental and non-governmental organizations on HR (e.g. Boselie et al., 2001). Paauwe and Boselie (2005) expand on this viewpoint by attempting to explain the adoption of HR practices by integrating outside-in and inside-out explanations. Using concepts from both new institutionalism and co-evolution, as well as selected results from studies of innovation adoptions, they contrast the effects of economic rationality and normative rationality to propose a typology of adoption patterns and to develop a number of related hypotheses to be tested in future research. In a related vein, Kinnie, Swart and Purcell's paper (2005) examines the effects of firms' networks (of suppliers, customers, regulators and the like) on their choices of HR strategies. They note that, while the dominant paradigm assumes that
HR actors possess considerable freedom in choosing their HR systems, this assumption ignores the realities of network relationships. Using comparative case studies, these authors have explored how the organizations’ network structures, relationships, and dynamics shape the features of their HR practices. They conclude that students of HR strategy, whether interested in the process of strategy-making or in relationships between HR strategies and firm Performance, ignore these patterns of influence only at their peril.

**Some Drawbacks on HR Theory**

Some experts have problems in applying some of these theories in many large corporations in the United States. Also, some of these models discussed so far are not fit to use when programming strategic planning in these corporate HRD. The inabilities to formulate and introduce sound development theories in the strategic HRD might be the reason for the gap that still exists between the theory and the practice of HRP (*Butensky and Harari 1983*). This might also be because the models and theories are built upon imagination and models from other areas of discipline.

This researcher concluded that the literature review demonstrated inconsistencies among HRM practices in business. The reason for this is the lack of development of sound models and guides to lead the companies to achieve their objectives and to compete well in a tight market. Other reasons for lack of sound models are that HRM often fails to define and to communicate its expectations in many cases. Managers are often not able to effectively perform the functions that management expects from their performance as a strategic manager (*Walker, 1986*).

In the United States many corporations are mature enough to have long-range solutions for their HR strategic problems. These corporations need a cure, not a temporary relief solution like many United States corporations practice. These companies can establish long-range solutions for their HR problems if they can be practicing the concepts, such as those developed by Walker (*1986*). They would be better off if they are people-oriented or employee-centered and they realize that people are the most important assets and resources in business organization management. In addition, the literature is far ahead of actual practices in many United States firms. Nicolin (*1986*) cautioned, “Human resource planning risks becoming the current personnel which makes great promises and ends up as an equally great disappointment through its failure to deliver on unrealistic expectations”.

Perhaps, the broad generalizations and recommendations found in the literature offer little practical guidance for organizations interested in developing a HRP system.
Questions of what theory to apply, how to better align business strategy, how to assess alternative HR strategies and the situational variables indicating the appropriateness of HRP for a particular organization are largely unanswered. It is now time for personnel managers and researchers to take a closer look at how to effectively implement HRP.

2.5.8 How Strategic is Human Resource Management (HRM)?

In 1995 Martell and Carrol studied 115 companies in FORTUNE to determine how they used integrated strategic planning systems within their organizations. They indicated that more companies now apply strategic planning than in the past. The literature also indicates that managers are being encouraged to link specific HRM programs to strategic outcomes (Martell, Carrol, & Gupta, 1992; Miles & Snow, 1984; Schuler & Jackson, 1987). Matching HRM with strategy helps HRM departments to focus more on skills, attitudes, behaviors, and Performance s that are needed to successfully implement and maintain strategies (Schuler & MacMillan, 1984; Ulrich, Brockbank & Young, 1989; Wright & McMahan, 1992).

They concluded that more top-level managers are involved in SHRP and are playing a more important role in the organization. The top managers are now establishing strategic partners who increase full participation in SHRP for the success of the programs (Misa & Stein, 1983; Thornburg, 1991; Walker & Bechet, 1991).

Research also indicates that in most organizations, experts and executives influence and integrate strategic formation in theory (Golden & Ramanujan, 1985; Nkomo, 1980).

Empirical research by Alpander (1982), Rowland and Summers (1981), and Tichy, Fombrun and Devanna (1984), however, found very low levels of HRM and strategy integration in the area of strategic formation.

The review of research indicated that strategic HRM (SHRM), as practiced in companies today, consists of explicit discussions of HRM issues, environmental factors, costs and resources, when developing strategic plans and utilizing HRM practices to implement strategies. The literature reviewed also indicated that many HRM executives involved their staff as “strategic partners” in high-level formal strategic planning roles, as opposed to the more traditional HRM roles of functional administrators or experts (Martell & Carroll, 1995). However, there are still conflicting reports to the extent of the
use of strategic planning in the corporation.

The prevalence of SHRM provides a contrast to some studies which found little integration between HRM and strategic planning and a minimal role for HRM in practicing, formulating, and implementing strategic planning.

Walker said types of practices vary within organizations, and up until now little work has been done to refine this theoretical framework. More effort is required in solving HRP questions. Otherwise, HR managers will continue to grope with the problem of evaluating and implementing strategic planning in the company. In strategic planning, companies must link SHRP to strategic business planning and must create HR systems that fit each company’s environment. When a company selects an appropriate HRP model, it will benefit in the long run.

The field of SHRP models and practices has passed the innovative practices stage. Utilizing appropriate formal strategic planning techniques will shorten development time. Many writers have cited that Walker’s 1974 Model is the best available to satisfy future needs of firms. Although there has been some criticism of his model regarding applications of evaluation and validity using a sample of large companies, this has led to a call by some HRM experts to validate it using medium-sized corporations.

### 2.6.1 Systems Thinking

“A system is set of components that work together for the overall objective of the whole (output)”. Systems Thinking – a new way to view and mentally frame what we see in the world; a worldview and way of thinking whereby we see the entity or unit first as a whole, with its fit and relationship to its environment as primary concerns; the parts secondary.

A new age-system age- has clearly begun. Today’s technological changes and innovations focus mainly on systems, particularly electronic ones, and on systems linking and interface (e.g., GATT, and the Internet). The systems around us have multiplied and enlarged, often to overwhelming numbers and proportions, Corporations span the globe; communication satellites ring the skies. As distance is redefined, systems collide in countless ways, defying the comprehension of change and the adequacy of the usual
problem-solving methods. One finds themselves in a small world of enormous complexity, a new world that demands a new perspective - a systems perspective - with a mindset attuned to processes, patterns, and relationships. The approach to Systems Thinking is tailor made to meet this demand and to help manage the organizations in systems age.

2.6.2 The Nature of Systems

A system, in Bertalanffy’s terminology, is any entity maintained by the mutual interaction of its parts, from atom to cosmos, and including such mundane examples as telephone, postal, and rapid transit systems. A Bertalanffian system can be physical like a television set, biological like a cocker spaniel, psychological like a set of laws. A system can also be a categorical combination, like the man machine system that composes a factory. A system can be static like a crystal, mechanical like a clock, mechanically self-regulating like a thermostat, and organismically interactive with the environment, like plants, people, and population.

A system can be composed of smaller system and can also be part of a larger system, just as a state or province is composed of smaller jurisdictions and also is part of a nation. Consequently, the same organized entity can be regarded as either a system or a subsystem, depending on the observer’s focus of interests. The hierarchical nature of system is itself a basic pattern or organization, as in such ascending levels of organized complexity as atom, molecule, cell, organ, organism, group, society, world, solar system, galaxy, and universe.

The common denominator of various definitions of system is the idea of interaction. On various occasions, Bertalanffy defined a system as “a set of elements standing in interaction”, “a complex of components in mutual interaction”, “a complex of interaction elements”, and “a dynamic order of parts and processes standing in mutual interaction”. A co-founder of the general systems movement, bio-mathematician Anatol Ropoport (1977), defines a system as “a whole that functions as a whole by virtue of the interaction of its parts,” adding that “a system, roughly speaking, is a bundle of relation”. Hence, a watch functions as a system, but it become just a heap of parts if it is disassembled. Likewise, when Star Wars robot C3P0 was disassembled in act of villainy, he lost all semblance of personality and become just a collection of mute junk. A watch and a robot, as systems, are entities that emerge from the organized relationship of their parts.
Chapter II

Literature Review

A system is a manifestation of something intangible, but quite real, called organization. A system, has been compared to various analogies like a work of art, is a pattern rather than a pile, like a piece of music; it’s an arrangement rather than an aggregate.

Every human is said to constituent more than just ingredients of a few gallons of water and sorted quantities of fat, carbon, lead, phosphorus, iron, lime, magnesium, and sulfurs. A human body is organization of parts – if the organization is disrespected, you die. Conversely, though the cell population of the human body repeatedly dies and is replaced, humans survive because the organization survives. Their existence is as an expression of a universal force of organization, a force that coordinates about 10 billion cells in the human brain and approximately 100 trillion cells in the body. It is a force, like gravity, that is too mysterious to explain – nobody knows what gravity is – but too common to ignore.

There is nothing mysterious, in the perspective of science, about the idea that a system is greater than the sum of its parts. Some of our Stone Age ancestors employed the concept of system for their survival. At first, they lived on the perpetual edge of extinction, relying on hand-held stones that they shaped and sharpened to serve as tools for defense and hunting. Then they become masters of their environment as a result of being inspired to make tools of two or more different parts. They used stray vines to tie their or more different parts. They used stray vines to tie their sharpened stone to a wooden handle, thereby producing the first axes. Similarly, they produced the first spears by attaching a pointed flint-stone to a wooden rod. Gradually, they invented an entire arsenal of such composite tools, each providing more total power than its components could have provided independently. That system breakthrough marked the beginning of technology and the prelude to civilization.

System thinking is vital to a real understanding of a relationship like marriage, where “us” is significantly more than it seems because of qualities that emerge from the relationship themselves. In accordance with this principle of emergent, system have characteristic that emerges from the interaction of two parts of hydrogen and one part of oxygen. The same holistic magic occurs when a composer arranges notes to form a musical composition, when an artist arranges dabs of pigment to form a painting, and when a writer assembles lifeless words to form a work of living literature. He Nobel laureate poet of India, Rabindranath Tagore (1861-1941), expressed the principle of emergence when he wrote: “By plucking her petals, you do not gather the beauty of the flower”.

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2.6.3 Systems Thought

The concept of system as a fundamental structure of nature is not new. Bertalanffy traced it back to the beginning of European philosophy: Philosophy was born when the early Greeks learned to view the world as a cosmos which was intelligible and hence controllable in thought and rational action. One formulation of this cosmic order was the Aristotelian worldview with its holistic and theological notions. Aristotle’s statement that “the whole is more than the sum of its parts” is a definition of the basic system idea.

But the holistic worldview was eclipsed in the sixteenth and seventeenth centuries by the Scientific Revolution, which was guided by the method resolution employed in the brilliantly successful experiments of Italian astronomer-physicist Galileo (1564-1642). The analytic method of experimentation – learning how things work by literally or figuratively taking them apart to observe one element – produced the major achievements of modern science and technology.

Because analytic excremental science replaced a holistic viewpoint that had originated in a metaphysical awe of the mysterious organization force of the universe, most scientists of our time have equated all of science with analysis and have dismissed holism as a metaphysical antique. In contrast, Bertalanffy argued that analysis is necessary but not sufficient. He said there is an important dimension of existence that only manifests itself in whole, a dimension that vanishes into thin air when the wholes are broken down into their isolated parts. It was his conviction, therefore, that modern science was generally engaged in a one-legged race for knowledge – running with analysis but without synthesis.

Bertalanffy realized, of course, that there are many people in science and industry today who practice what is called system science. But there is little agreement among them about what that term involves. To some, it means the application of computer systems to some; it means the application of computer system to the strong and processing of information. To others it means a method of analyzing a business procedure, such as the flow of paper work in a particular department, by drawing a diagram. And to others, it means some combined use of data processing, diagramming forecasting inventory control, mathematical modeling, and simulation – often orchestrated by an interdisciplinary coordinator or multidisciplinary team of experts. The system science student, Bertalanffy observed in 1968, often “receives a technical training which makes system theory into another of the hundreds of academic specialties.” Too often, he added, the word system
is no more than “a fashionable verbal label.”

An important type of synthesis is performed by our brain automatically. We continuously organize great jumbles incoming sensory data. Individuals wouldn’t be able to maneuver a car in traffic or a shopping cart in the supermarket, and we would perceive television images as nothing but the dots of which they are composed.

2.6.4 The General System Approach

Bertalanffy’s general system theory is a system approach for all field and all kinds of people, because it is a systems approach to problems in general.

As a consequence, his General Systems Theory (GTS) shows why is so efficient about dealing with things and so inept about dealing with people why we are geniuses in technology but ignoramuses in the realms of behavior and society. The answer, said Bertalanffy, is that we have concisely applied the systems insight about interaction to our machines but rarely to the basic goals of science, society, and self.

All of our technological marvels have been spawned by the insight that the characteristic of a system emerge not only from its parts but also and more importantly from the way the parts are arrange and the way they interact. Bertalanffy maintained that such insight could be applied with comparable success to the entire range of scientific, behavioral and social question. He therefore urged that we learn to “think interaction” in all aspects of our lives. If a marriage is in trouble, we must find a way to examine the marriage relationship instead of just examining one or both partners separately. If a child is a trouble at home or in school, we must somehow examine the child interaction with his environment instead of just examining the child and the other involved persons separately. If a business is failing, we must examine the manner in which the failing entity is interacting with its environment, not just the nature of the business itself. If two nations appear to be heading toward war, we must examine the nature of their interaction as well as the nature of each nation separately. And so on with any comparable example from any area of the human condition.

A technological system approach was employed by the U.S. Defense Department for its military campaign in Vietnam. According to a fortune article of January 1967, the system analysts of the Pentagon deserved congratulations for “the best calculated mili-
tary supply effort in 20th century U.S. history.“ As Bertalanffy frequently noted during the Vietnam era, a general system approach to the Vietnam situation would have anticipated the ultimate failure of the U.S. military involvement by focusing on such nonmilitary factors as Vietnamese history, culture and nationalism along with the morale of our fighting men in a war of such political and ethical ambiguity. Moreover, a Bertalanffy GST approach would have included the primary question of whether or not the U.S. should have made a military commitment in Vietnam at all.

The U.S. intervention in Vietnam was doomed said Bertalanffy because our government system analysts had failed to use one of the most important concepts of the general system approach: boundary definition.

The purpose of boundary definition is to achieve a focus that is wide enough to include all factors that are relevant. Of course, you can’t examine every problem in the context of the cosmos. Nevertheless, it is foolish to focus only on individual trees when there is a threat to the forest, or to focus only on the forest when there are environmental questions involving a whole economic system, or to focus on a single economic system when an involves the entire community of nations. A dedicated GST thinker is constantly aware of the boundary-definition problem of suboptimization, which means the failure to examine a sufficiently broad picture, as exemplified by a museum spectator who misses the significance or impact of a painting by standing too close.

Suboptimization occurs whenever anyone judges a book by its cover, public taste from TV ratings, an entire group from the actions of a few – or tries to predict the weather by looking out the window.

In a typical form of suboptimization, a politician may tell you that a certain criminal law in your state is harmful because the enactment of law has been followed by an increase in the crime. The factor missing from his judgment is the crucial question of what happened to crime elsewhere in the nation during the same period. Perhaps there was a nationwide wave, caused by something entirely different. Maybe this nationwide crime wave was much worse in the other states, indicating that the aforementioned law in your state actually might have achieved relative crime control. By using your mind’s eye to see behind your personal horizon, you are applying an important aspect of the general systems approach.

The wide-angle view of GST can even benefit ecologists. They rightly pride themselves on their systems sophistication. They are deeply dedicated to revealing the inter-
connectedness of the web of life and the long-range systemic effects of reckless interference with the natural order. But ecologists might be better able to serve the cause of conservation if they adopted system thinking that is in general. GST might prompt ecologists to step back from their subject and discover that ecological issues can never be considered realistically in isolation from ecology. From a Bertalanffian viewpoint, environmentalism can never be an issue unto itself; concern about the environment must be broadened to a concern about environment-plus-economics. Ecologists must become sensitive to questions about jobs and other bread-and-butter questions, just as the commercial sector must become sensitive to questions about clean air and water. Otherwise, no lasting progress will occur in either area. A case in point: the failure of ecologists to persuade Third World governments to halt the impending destruction of the world's two-and-a-half billion acres of the rainforests. Some authorities believe half of that total area will be permanently destroyed by the year 2000 in the course of the Third World's expansion of fuel and farm development in response to their continuing population explosion. That would mean the loss of an enormous number of plant and animal species and perhaps a significant rise in global mean annual temperature that could trigger a whole series of worldwide ecological and economic disasters. In the words of Donald E. Stone, executive director of the twenty-four university Organization for Tropical Studies: "It is impossible and probably highly undesirable to convince countries in which there is a high proportion of poor and hungry people to set aside lands of conservation purposes unless these efforts are linked with economic development that will improve their lot. Systems' Thinking has universal application and thus, impacts all aspects of human life, society and planet.

2.6.5 Humanistic General Systems Theory

Because Bertalanffy's general systems theory was truly general, it focused not only outward, on our world, but also inward, in our selves. This distinction became so significant that Bertalanffy eventually found himself being introduced to lecture audiences as the father of humanistic general systems theory.

Bertalanffy placed great emphasis on the need to view the human being as a system, with all that such a concept implies for mind-body unity and holistic medicine. He placed even greater emphasis on the human beings as an open system, with all such a concept implies for the interaction of our heredity and environment. And he placed his greatest emphasis on the human being as the ultimate expression of organized complex-
ity, as a system with uniquely emergent qualities of creativity.

Bertalanffy's humanism markedly distinguished his systems approach from the technological approach of systems efficiency for its own sake. In Bertalanffy's GST, the social system must serve human goals, rather than vice versa. He believed that we must learn to live with systems—political, economical, technological, etc.—but that we ought never agree to live for such systems. That distinction, Bertalanffy warned, spelled the difference between human society and the society of insects.

His humanism has rooted in his belief in creative evolution. He was profoundly impressed with evolutionary evidence that the universal force of organization tends to move in the direction of increasing complexity, and that each level of complexity displays emergent qualities not present on the level below. As an exponent of evolutionary emergence, he vehemently opposed the reductionist view that living organism can be completely reduced to explanations of physics and chemistry or that human behavior can be completely reduced to the explanations of biology. He contended that the repertoire of a rat is much greater than that of a robot and much less than a human.

Bertalanffy's opposition to reductionism was no mere academic technicality. He believed that our view of our self, our self image, has a good deal to do with the way we behave and the way people behave towards us. A person who thinks he's nothing but a physico-chemical machine, Bertalanffy argued, is less likely to strive for human goals of fulfillment and dignity. A person who regards Homo sapiens as just another animal is less likely to cultivate human ideas of creativity and compassion.

In opposition to images of Homo sapiens as "the robot" of mechanistic technology, "the laboratory rat" of the behaviorist school of psychology, and "the naked ape" of pop anthropology, Bertalanffy put forward what he called a "new image of man," emphasizing the decisive role our species can play in shaping its own destiny. He based his image of humanity on evidence that Homo sapiens creates an environment of its own out of symbols, and thus humans have the ability to direct their own evolution on the ethical levels, through the cultivation of those symbols we call human values.

Because Bertalanffy's general systems theory was literally general, it took into account systems that are symbolic, including those of language, law, customs, values, and morality. For Bertalanffy, a system of beliefs was no less real or influential than the systems of genes or glands. He therefore sought to raise our consciousness about the need to
deal with our ethical beliefs as a system, an integrated whole, rather than just a heap of maxims or a list of commandments. He contended that, when we thus integrate our moral philosophy, we arrive at a solution to the age-old question about using immoral means for moral ends. If our moral behavior is a systemic whole, the means and ends are one, just as mind and body are one when we view the human being as system. In the spirit of the ethical percept of novelist-moralist Albert Camus (1913-1960) - “there are no ends, only means”- Bertalanffy’s general systems theory holds that means and ends are identical.

That perception would seem to clarify the widespread dilemma of organized idealism, in which idealists create an organization to further their goals in charity, religion, or social or political reform- the sacrifice the ideals on the organizations altar of expediency. A few years ago, for example, a famous charitable medical center raided some money for its treatment of lung cancer and cardiac patients by allowing its name to be widely publicized as the beneficiary of a women’s professional golf tournament that promoted the sale of a popular brand of cigarettes. The executive director of medical center, who have devoted decades of his life to the center’s laudable cause, adamantly defended the cigarette promotion during a long argument I happened to have with him about the matter. He summed up his defense by quoting, in Latin, the ancient motto, “There is no dirty money.” Aside from the fact that he has misused the motto- which was originally uttered, it is said, by a Roman philosopher when someone upbraided him for earning a living as a cleaner of sewers – the medical center administrator had closed his mind to a wide-angle view of his moral position. Had he been trained in GST, perhaps he would have seen himself in the position of the man who attempts to fill a hole in his backyard by acquiring soli that he obtains by digging an adjoining hole.

A Bertalanffian view of society would tend to elevate social ethics by emphasizing the continual need to ask ourselves which level of systems hierarchy is relevant for a particular ethical issue. For instance, a polluting industrial plant might be defended on the grounds that it provide prosperity to local workers, but a wider systems viewpoint would weigh that prosperity against the damage to the entire community and perhaps to future generations.

The Bertalanffian GST viewpoint is inherently ethical because it stresses an awareness of our functional interconnectedness with each other, with society, and with the environment we must all share. GST thus exposes the fragmented view of morality that permits a person to ignore the contradiction of being a saint on the job but a sinner at home, or a model head of the family who brings home bacon that has been stolen from another family.
On another level of behavior, a GST sense of ethics would end the fragmentation of our idealism. For example, civil rights activists might have saved themselves years of frustration if they had viewed busing as one factor in a social system rather than as a single end in itself. If busing advocates had backed up and looked at the larger picture, they might have empathized not only with the victims of segregation but also with the innocent bystanders of the middle class, whose children were being forcibly uprooted from their home environment by the busing program. Lacking a GST perspective, the busing advocates were temporarily successful in the small picture of partial racial integration but were sadly unsuccessful in the larger picture of reforming the social system for minority children and the public in general. While winning integration battles, the busing advocates lost in wider arenas- as civil rights successes of 1960s were undermined by middle-class political-economic backlash in subsequent years. Instead of busing children in an attempt to improve educational opportunities for the disadvantaged, the GST viewpoint suggests to his writer that a better answer might have been to bus dollars, as in moving some school funds from Beverly Hills to Watts. With that approach, the minority- neighborhood children might have received an upgrade education while families elsewhere continued to enjoy whatever value they placed on locally-based education for their children.

2.6.6 A New Worldview

Bertalanffy believed that the overall fate of the world depends on the adoption of humanity of a new set of values, based on general systems Weltanschauung (worldview). He wrote:

We are seeking another basic outlook: the world as organization. This (outlook) would profoundly change categories of our thinking and influence our practical attitudes. We must envision the biosphere as a whole...with mutually reinforcing or mutually destructive interdependencies. We need a global system of mutually symbiotic societies, mapping new conditions into a flexible institutional structure and dealing with change through constructive reorganization.

In effect, Bertalanffy advocated a new patriotism. Like Patrick Henry, he believed that the time has come for us to widen our scope allegiance. As patriot Henry dared to advocate that his people broaden their loyalty from state to nation, Bertalanffy advocated that we dare to broaden our loyalty from nation to globe. He urged that we become patriots of the planet, endeavoring to think and act primarily as members of humanity.
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Without necessarily diluting our own individual and cultural identity, he said, we must begin protecting the individual and cultural identity of others. He urged that we begin pledging our allegiance to humanity and to the earth on which we stand one planet indivisible or no planet at all.

In his call for a universal declaration of interdependence, he advocated a new global morality: “an ethos which does not center on individual good and individual value alone, but on the adaption of mankind, as a global system, to its new environment.” The need for this new morality, he said, was imperative:

We are dealing with emergent realities; no longer with isolated groups’ men, but with systematically interdependent global community. It is this level of [reality] which we must keep before our eyes if we are able to inspire large scale action designed to assure our collective and hence our individual survival.

Human survival, in Bertalanffy’s view, was the paramount purpose for cultivating the uncommon sense of general systems theory. He believed that the end for general systems consciousness was a matter of life and death, not just for us but also for what historian Arnold Toynbee computed to be 77,000 future generations that are possible on this planet before the death of our sun.

GST as likewise put forward as a mental tool for human survivor in R. Buckminster Fuller’s Operating Manual for Spaceship Earth (1969). In a chapter endorsing the GST approach, Fuller observed that humanity could no longer afford to ignore the fact that all of us on Earth as astronauts aboard a single spaceship system, and he concluded that we must begin immediately to view our situation in GST terms. Comparing humanity to an unhitched baby bird that has eaten all its readily available nutrient and must now break out of its shell to live, Fuller wrote: “We are faced with an entirely new relationship to the universe. We are going to have a spread our wings of intellect and fly or perish.”

As geneticist C.H.Waddington wrote in his manual of Systems Thinking, Tools for Thought (1977): “The ways of looking at things that we have in the past accepted as common sense really do not work under all circumstances. We need nowadays to be able to think not just about simple processes but about complex systems.

As physician-author Lewis Thomas wrote in his collection of essays, The Medusa and the Snail (1979): “When you are confronted by any complex social system...whatever you proposed to do, based on the common sense, will almost inevitably make mat-
ters worse. If you want to fix something, you are first obliged to understand, in detail, the whole system."

As research pathologist W.I.B. Beveridge wrote in his testimonial to general systems theory, Seeds of Discovery (1980): “A basic reorientation of scientific thinking [is] needed to help us understand the essential nature of systems.”

And as theoretical physicist David Bohm wrote in his book of essays on philosophy of modern science, Wholeness and the Implicate Order (1980):

The widespread distinctions between people (race, nation, etc.) which are now preventing mankind from working together...for survival [are largely caused by] the kind of thought that treats things as inherently...disconnected. So what is needed for man is to give attention to his habit of fragmentary thought, to be aware of it, and thus to bring it to an end.

In October 1931, fifteen months before Hitler became Germany’s Chancellor, English historian-novelist H.G.Wells (1866-1946) predicted that humanity’s failure to adopt a global system of cooperation would result in the massive horror of a second global war. It was in that context that Wells issued his oft-quoted warning that civilization was losing” the race between education and catastrophe.”

In the decades since that war, such warnings have become almost commonplace. Educator Robert M. Hutchins said “the world must unite or be blown to bits.” Editor Norman Cousins said “the choice for the world’s people is between being world warriors or world citizens.” Naturalist Loren Eiseley saw humanity being confronted by its own “collective brain” with a choice between civilizations “last miracle or last disaster.” And R.Buckminster Fuller saw us having to make the tantalizing/terrifying choice between “utopia and oblivion.”

If w can avoid oblivion, a utopian future is really possible, according to some highly qualified sources. The world’s leading authority on the origin of life, Cosmo-chemist Cyril Ponnamperuma of the University of Maryland, advises me that he and certain colleagues could forever free humanity from hunger by establishing procedures for creating food through chemical synthesis and other new methods of unconventional food production. Ponnamperuma believes we have basic knowledge. He says the job can be done if it is given an Apollo-like priority, with funds the superpowers could mutually divert from the arms race. Another scientist of great prominence in this field, university of Southern California Professor of Chemical Engineering Todd M.Doscher, tells me that scientists
also have the know-how to solve the energy crisis. He says they can engineer environmentally safe methods of converting the global economy from oil to coal, which he believes would "buy us the one-to-two centuries needed to develop an ideal and permanent energy provider" such as nuclear fusion. Like Ponnamperuma, other says the task he proposes can be achieved with funds the superpowers could mutually divert from the arms race.

The World's scientific community has abundant basic knowledge that can be applied to solve not only the problems of energy and food shortages but also those of over-population and pollution, according to what I have been told by geochemist Harrison Brown, one of the world's most highly respected futurologists and director of the Resources Systems Institute of the East-West Center in Honolulu:

We can achieve a life for all humanity that actually would approach utopia. But what stands in the way is humanity's unwillingness to organize. We must organize to end the arms race, eliminate the gap between the rich and poor nations, and end the industrial world's lifestyle of economic waste. The urgent need for that organizational effort is the major problem that confronts civilization today. And in the course of not taking those actions, humanity has put the world in a dangerous position whereby anyone of a number of events can trigger a holocaust which would lead civilization to oblivion.

The sane choice demands that humanity adopt a wider perspective. We must learn to view our species as a whole. We must learn to see the world as a world global system. In the same manner, on a personal level, we must learn to understand how each of us interacts with systems on all levels of our social existence, from our immediate family to the family of nations. As stated in futurologist Alvin Toffler's The Third Wave (1980), we must "move from a Second Wave culture that [has] emphasized the study of things in isolation from one another to a Third Wave culture that emphasizes contexts, relationships, and wholes."

This present book is about that perspective, that vision, that way of perceiving reality with the uncommon sense of general systems insight, as conceived in uniquely profound detail by Ludwig von Bertalanffy.

The reader is invited to begin with Bertalanffy when he began with his work in biology, in which he developed his basic systems concepts, including the model of the living organism as an open system. Then we'll see how he extended those ideas to current questions about evolution, the nature of human nature, the role of human values, the
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history and present status of human culture, and today's global threats to human survival. Next, we'll examine the multifaceted and multinational systems movement. And we'll conclude with his epistemological viewpoint of perspectives, which reflected what regarded as "the many flavors of truth."

All of this is preceded, however, by the story of Bertalanffy himself; for his book is also intended as an intellectual adventure story. On that level, it is the drama of a single human mind trying to comprehend the All. In Bertalanffy's seventieth-birthday Festschrift ("festival of writing" or anthology in tribute to a scholar), historian William M. Johnston of the university of Massachusetts wrote that Bertalanffy had strived "to integrate all aspects of Experience." Like previous attempt to ascend the mountain of ultimate unity, this one failed to reach the summit. But there was triumph in the trying. Such attempts, regardless of outcome, affirm that our species really is special.

2.6.7 Putting the Principles to work

It is important to obtain a mental handle on the principles of openness, interrelationship, and interdependence; it is only natural for us to wonder how we can get a practical handle on putting them to work in the organizations and other living systems. Collaborative, team, and systems-oriented efforts are becoming more and more common in organizations and communities. Also, there are fields of thought such as Gestalt Therapy, Complexity Theory, and Chaos Theory, and technological areas like operations research, telecommunications, and information systems, which deal with the interrelationship of processes and patterns-the art of Systems Thinking in its broadest sense. Among its practitioners are such diverse people as Fritjoff Capra, Jay Forrester, Peter Senge, Ruess, Ackoff, Meg Wheatley, Eric Trist, and Ludwig von Bertalanffy, all of who recognize that systems behave in accordance with these principles, and that what is seen changing at one systems level will affect other levels in various ongoing patterns of cause and effect.

The Systems Thinking Approach TM and mindset thus requires mental model that helps people to discover more than just "partial systems" solutions—focused efforts. As yet there is only one body of thought that provides us with those mental models, offering us a way to reach fully integrated solutions to the systems problems. And it is not Gestalt Therapy or Chaos Theory. It is General Systems Theory, a lost art based on a natural perspective of the world and its many systems. Perhaps because its originators were
primarily biologists, this theory looks not to artificial constructs or paradigms for its understanding of the world, but to life itself, acknowledging that living systems are the natural order of life.

### 2.6.8 The Principle of Openness

Any system falls into one of two basic categories: open or closed. An open system accepts inputs to create outputs, and releases the outputs to its environment. In contrast, a closed system is isolated and hermetic: an experimental, sterile chemistry lab would be an example. Every living system in which we operate is an open system, although some are more open than others—a key to success, as we shall see later in this guidebook.

By viewing the living systems around us as the open ones, we become more aware of their interactions with their environment. This awareness is crucial, for if we are to manage change, make decisions, and solve problems within the living systems, the considerations must include that environment as well as the system components that support the objective of the whole. This is the nature of systems, and we have to work with it.

### The Principles of Interrelationship and Interdependence

When one component of a system changes, it affects many other systems components and may even alter the entire system. Likewise when a system itself changes, it has a necessary effect on the other systems in its environment. Why? Because there are points of relationship and interdependence that extend through and across systems and link them in various ways.

Just think of an ecosystem like a salt marsh. Its inhabitants—biological systems like birds, insects, mollusks, grasses, algae—depend on the conditions of that marsh: but the conditions also depend on them. If the grasses begin to die off, for example, the birds will be more vulnerable to intruders and have no place to rest; their absence will cause condition breakdown for other inhabitants, who will likely overpopulate. Moreover, the lack of grasses will mean more erosion. If poor conditions continue, eventually the marsh will be little more than drainage holing.

Why might the grasses begin to die? Because of a change in the marsh’s environment, in other systems. May be an increase in storms has resulted in a closed breech way,
causing water deoxygenating (a casual chain running from weather to coastal to marsh­
land systems); or perhaps a rise in breach traffic has led to more exhaust pollutants (a
confluence of chemical, technological, and biological systems). And the loss of marsh
will affect the entire coastal area, itself a system full of systems and interrelated with, and
interdependent on, it’s larger environmental systems.

‘Systems Thinking’ is not yet a phrase in general use. It is predicted that eventual­
ly, Systems Thinking and analytical thinking will come to be thought of as the twin com­
ponents of scientific thinking, but this stage of our intellectual history has not been
reached. It is necessary to establish, the phrase’s credentials (Checkland, 1981). Despite
significant advances in system thinking, particularly in areas such as systems inquiry
(Checkland, 1981; Flood and Jackson, 1991), systems intervention (Flood and Romm,
1996; Midgley, 2000), the learning organization (Senge, 1990), and group model build­
ing (Vennix, 1996), evidence suggests that on the whole nothing much has changed
regarding the widespread acceptance of Systems Thinking. (Hammond, 2002; Atwater et
al., 2005; Bawden, 2005). In addition, as Checkland (2000) observes, the hope that
General Systems Theory (GST) would ‘provide a meta level language and theory in
which problems in many disciplines could be expressed and solved’ and so ‘help to pro­
mote the unity of science’ has not materialized— ‘looking back from 1999 it can be seen
that the (GST) project has not succeeded’ (Checkland, 2000: S11). Systems Thinking
remains marginalized from mainstream science.

To change this situation, systems thinkers need to more strongly advocate the his­
torical scientific importance of their systems approaches. Excellent examples include
Emery (2000) who explains the scientific basis of Emery’s open systems model as part
of a continuum along a ‘Thin Red Line’ defining the accumulation of knowledge in terms
of ‘material universals’ compared to developments in terms of ‘abstract universals’
(Emery, 2000), Ulrich’s (1983) exposition of philosophical basis to his Critical Heuristics
of Social Planning, Flood’s (1990) discourse on ‘liberating Systems Thinking’, and
Schwaninger’s (2006) attempt to position System Dynamics within the positivist and
interpretivist traditions.

In addition, one needs to rethink the current strong, and sometimes exclusive iden­
tification of the systems held with organicism. This identification promotes Systems
Thinking as the opponent of mainstream ‘reductionist’ science, and, rather than winning
some assumed ‘war’ against reductionism, Systems Thinking has become trapped in the
rhetoric of the 19th century arguments in biology between ‘reductionism’ and ‘holism’
(Koestler and Smythies, 1969; Weiss, 1969). In fact, extreme reductionists and extreme
holists are the joint enemies of sound science.

As a contribution to improving our understanding of the role of Systems Thinking in science, there is a need to return to some basics of the scientific method and accept Checkland’s challenge to clarify the relationships between ‘Systems Thinking and analytic thinking’. To achieve this outcome, it may be argued that the scientific method is best understood as dialectic between analysis and synthesis supported by Peirce’s triadic logic (Peirce, 2: 619–644). Within this context, ‘system’ is understood as a cognitive construct that frames this dialectic.

Consequently, as Johanssen and Olaisen (2005) observe, the system plays a central role in the scientific method and lays the foundation for framing ethical debate. At the more general level, Lakoff (2004, 2006) demonstrates the importance of framing in community debate. This argument leads to the conclusion that the open systems concept, in the sense of socio-ecological systems, provides our most useful systems frame for addressing contemporary human issues.

2.6.9 Systems Thinking, Analytic Thinking and the Scientific Method

The problem with Checkland’s reference to Systems Thinking, analytical thinking and the scientific method is that, given the history of science primarily links analytical thinking to synthesis (Holton, 1998b; Gross and Jones, 2004), it is implied that Systems Thinking is the same as synthesis. This interpretation is reinforced by references such as the title of Hammond’s book: ‘The Science of Synthesis’ (Hammond, 2003) and Culliton’s article ‘Age of Synthesis’ (Culliton, 1962). This situation contrasts with Ackoff’s recognition of the complementary nature of analysis and synthesis, but with analysis more closely identified with ‘machine-age thinking’ and synthesis with Systems Thinking. (Ackoff, 1981).

We will now focus the discussions to the area that Systems Thinking involves both analysis and synthesis, and that Systems Thinking provides a distinctive approach to the manner in which both analysis and synthesis operate within the scientific method. However, it is imperative to define the relationship between analysis and synthesis and the scientific method more clearly. In particular, the definition of scientific method as constituting dialectic between analysis and synthesis.
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Analysis and Synthesis

Ritchey (1996) records that: The terms analysis and synthesis come from (classical) Greek and mean literally ‘to loosen up’ and ‘to put together’, respectively. In general, analysis is defined as the procedure by which we break down an intellectual or substantial whole into parts or components. Synthesis is defined as the opposite procedure: to combine separate elements or components in order to form a coherent whole (Ritchey, 1996).

Significantly, Ritchey also makes a comment: Careless interpretation of these definitions has sometimes led to quite misleading statements — for instance, that synthesis is ‘good’ because it creates wholes, whereas analysis is ‘bad’ because it reduces wholes to alienated parts. According to this view, the analytic method is regarded as belonging to an outdated, reductionist tradition in science, while synthesis is seen as leading the ‘new way’ to a holistic perspective (Ritchey, 1996).

In the history of science, two issues have dominated the discussion of analysis and synthesis. First, whether or not it makes sense to think of them as separates or couples (Gross and Jones, 2004), and second, the order in which analysis and synthesis are applied. Note that each of these issues assumes that some process has occurred that identifies an entity to which analysis and synthesis may be applied.

Identifying ‘Hypothesis’ as the ‘Entity’ Constituting a Starting Point for Analysis and Synthesis C.S. Peirce provides the starting point for inquiry as ‘The surprising fact, C, is observed’. That is, a phenomenon exists that sufficiently attracts our attention and motivates our further inquiry. The challenge is then to make sense of this ‘surprising fact’ by interpreting the event within some contextual frame. The entity described within this frame then becomes the focus of our attention. Such entities have been variously described as a ‘system’ (Crick, 1994), a ‘statement of purpose’ (Riemann as described by Ritchey (1996), a ‘model’ (Nersessian, 2002), and a ‘hypothesis’ (Plato as described by Holton (1998b). Not surprisingly, systems thinkers will want to describe this entity as a ‘system’.

It is now a relatively straightforward matter to define what we mean by a ‘system’ and by ‘Systems Thinking’. A system is a cognitive construct for making sense of ‘surprising facts’. Although attacking Systems Thinking as perceived at that time, Lilienfeld does provide us with a more complete definition: The world is seen as an unlimited complex of change and novelty, order and disorder. Out of this we select certain contexts; these contexts serve as organizing gestalt or patterns that give meaning and scope to a
vast array of detail that, without the organizing pattern, would be meaningless or invisible. Lilienfeld (1978).

Systems Thinking occur when we use this cognitive construct to frame the scientific process which can be defined as dialectic between analysis and synthesis. In this sense the importance of the systems approach is summarized by Johanssen and Olaisen (2005). The role of Systems Thinking in science addresses an issue raised by Peter Checkland some 25 years ago, that of the relationship between Systems Thinking, analysis and the scientific method. The argument that the scientific method is most usefully interpreted as dialectic between analysis and synthesis supported by the triadic logic of C.S. Peirce, and that the role of Systems Thinking is to frame this dialectic. Three generic forms of the system concept are identified — closed systems, input-output systems and open systems. Consequently, systems’ thinking is shown to play a central role in mainstream science. The paper concludes that a system is best defined as a cognitive construct for making sense of complexity and the organization of knowledge and that contemporary Systems Thinking is best identified as the ethical, scientific pursuit of knowledge using the socio-ecological (open) systems frame.

The normal way of thinking cheats us. It leads us to think of wholes is as made up of many parts, the way a car is made up of wheels, a chassis, and a drive train. In this way of thinking, the whole is assembled from the parts and depends upon them to work effectively. If a part is broken, it must be repaired or replaced. This is a very logical way of thinking about machines. But living systems are different.

Unlike machines, living systems, such as the human body or a tree, create themselves. They are not mere assemblages of their parts but are continually growing and changing along with their elements. Almost two hundred years ago, Goethe, the German writer and scientist, argued that this meant we had to think very differently about wholes and parts.

For Goethe, the whole was something dynamic and living that continually comes into being “in concrete manifestations.” A part, in turn, was a manifestation of the whole, rather than just a component of it. Neither exists without the other. The whole exists through continually manifesting in the parts, and parts exist as embodiments of the whole.

The inventor Buckminster Fuller was fond of holding up his hand and asking people, “What is this?” Invariably, they would respond, “It’s a hand.” He would then point
out that the cells that made up that hand were continually dying and regenerating themselves. What seems tangible is continually changing: in fact, a hand is completely re-created within a year or so. So when we see a hand—or an entire body or any living system—as a static "thing," we are mistaken. "What you see is not a hand," said Fuller. "It is 'pattern integrity,' the universe's capability to create hands."

For Fuller, this "pattern integrity" was the whole of which each particular hand is a concrete manifestation. Biologist Rupert Sheldrake calls the underlying organizing pattern the formative field of the organism. "In self-organizing systems at all levels of complexity," says Sheldrake, "there is a wholeness that depends on a characteristic organizing field of that system, its morphic field." Moreover, Sheldrake says, the generative field of a living system extends into its environment and connects the two. For example, every cell contains identical DNA information for the larger organism, yet cells also differentiate as they mature—into eye, or heart, or kidney cells. This happens because cells develop a kind of social identity according to their immediate context and what is needed for the health of the larger organism. When a cell's morphic field deteriorates, its awareness of the larger whole deteriorates. A cell that loses its social identity reverts to blind undifferentiated cell division, which can ultimately threaten the life of the larger organism. It is what we know as cancer.

To appreciate the relationship between part and wholes in living systems, we do not need to study nature at the microscopic level. If one were to gaze up at the nighttime sky, one would see all of the sky visible from where you stand. Yet the pupil of your eye, full open, is less than a centimeter across. Somehow, light from the whole of the sky must be present in the small space of the human eye. And if the pupil were only half as large or only one quarter as large, this would still be so. Light from the entirety of the nighttime sky is present in every space—no matter how small. This is exactly the same phenomenon evident in a hologram. The three-dimensional image created by interacting laser beams can be cut in half indefinitely, and each piece, no matter how small, will still contain the entire image. This reveals what is perhaps the most mysterious aspect of parts and wholes: as physicist Henri Bortoft says, "Everything is in everything." When we eventually grasp the wholeness of nature, it can be shocking of the whole." This is the awareness that is stolen from humans when they accept the machine worldview of wholes assembled from replaceable parts.

**The Emergence of Living Institutions**

Nowhere is it more important to understand the relation between parts and wholes
than in the evolution of global institutions and the larger systems they collectively create. Arie de Geus, author of The Living Company and a pioneer of the organizational learning movement, says that the twentieth century witnessed the emergence of a new species on earth—that of large institutions, notably, global corporations. This is a historic development. Prior to the last hundred years, there were few examples of globe-spanning institutions. But today, global institutions are proliferating seemingly without bound, along with the global infrastructures for finance, distribution and supply, and communication they create.

This new species' expansion is affecting life for almost all other species on the planet. Historically, no individual, tribe, or even nation could possibly alter the global climate, destroy thousands of species, or shift the chemical balance of the atmosphere. Yet that is exactly what is happening today, as our individual actions are mediated and magnified through the growing network of global institutions. That network determines what technologies are developed and how they are applied. It shapes political agendas as national governments respond to the priorities of global business, international trade, and economic development. It is reshaping social realities as it divides the world between those who benefit from the new global economy and those who do not. And it is propagating a global culture of instant communication, individualism, and material acquisition that threatens traditional family, religious, and social structures. In short, the emergence of global institutions represents a dramatic shift in the conditions for life on the planet.

It may seem odd to think about titanic forces such as globalization and the information revolution as arising from the actions of a new species. But it is also empowering. Rather than attributing the changes sweeping the world to a handful of all-powerful individuals or faceless "systems," we can view them as the consequences of a life-form that, like any life form, has the potential to grow, learn, and evolve. But until that potential is activated, industrial age institutions will continue to expand blindly, unaware of their part in a larger whole or of the consequences of their growth, like cells that have their social identity and reverted to growth for its own sake.

The species of global institutions reshaping the world includes non-business organizations as well. Today, for example, it's possible to enter an urban school in China or India or Brazil and immediately recognize a way of organizing education that has become completely taken for granted in the west. Students sit passively in separate classrooms. Everything is coordinated by a predetermined plan, with bells and whistles marking time, and tests and plans to keep things moving like one giant assembly line throughout each hour, day and year. Indeed, it was the assembly line that inspired the industrial
age school design, with the aim of producing a uniform, standardized product as efficiently as possible. Though the need to encourage thoughtful, knowledgeable, compassionate global citizens in the twenty-first century differs profoundly from the need to train factory workers in the nineteenth century, the industrial age school continues to expand, largely unaffected by the realities within which children are growing up in the present day.

As Buckminster Fuller pointed out, a living system continually recreates itself. But how this occurs in social systems such as global institutions depends on both our individual and collective level of awareness. For example, each individual school is both a whole unto itself and a part, a place for the “presencing” of the larger educational system. So, too, is each individual member of the school: teachers, administrators, students, and parents. In particular, adults carry the memory, expectations, and emotions of their own Experience as schoolchildren. The same holds true in businesses: the organization’s member become vehicles for presencing the prevailing systems of management because those systems are most familiar. As long as our thinking is governed by habit—notably by industrial, “machine age” concepts such as control, predictability, standardization, and “faster is better”—we will continue to re-create institutions as they have been, despite their disharmony with the larger world, and the need of all living systems to evolve.

In short, the basic problem with the new species of global institutions is that they have not yet become aware of themselves as living. Once they do, they can then become a place for the presencing of the whole as it might be, not just as it has been. (Source: Presence of Human Purpose, Peter Senge)

2.6.10 The Definition of a Strategic Management System

A strategic management system can be defined as: A comprehensive system to lead, manage, and change our total organization in a conscious, well planned out, and integrated fashion, based on our core strategies (and using research that works) to develop and achieve our ideal future vision. A new way to run the business; to manage business in a systematic way based on our strategies. Interactive and participative methods in which people help create the system. And people support what they help create; this is a basic truth. A method managed as a complete systems change (with strategic/annual/individual plans, budgets, and measurements).
A successful method if it is: Inspired by a common vision and shared, Mission-focused/customer-focused, Based on organizational values and culture, strategically driven and Oriented towards outcomes and results. A strategic management system’s hallmark is strategic consistency yet operational flexibility (focus, focus, focus).

The 15 key Benefits of a Strategic Management System: 1) Taking an organization-wide, proactive approach to a changing global world. 2) Building an executive team that serves as a model of cross-functional or horizontal teamwork 3) Having an intense executive development and strategic orientation process 4) Defining focused, quantifiable outcome measures of success 5) Making intelligent budgeting decisions 6) Clarifying your competitive advantage 7) Reducing conflict; empowering the organization 8) Providing clear guidelines for day-to-day decision-making 9) Creating a critical mass for change 10) “Singing from the same hymnal” throughout the organization 11) Clarifying and simplifying the barrage of management techniques 12) Empowering middle managers 13) Focusing everyone in the organization on the same overall framework 14) Speeding up implementation of the core strategies 15) Providing tangible tools for handling the stress of change

### 2.6.11 Strategy Implementation and Change—
Major Activities

Ensure education and understanding of the team development model. Conduct team-building process for teams selected with regular follow-up check-points. Learn skills in Meetings management and role clarification. Group dynamics, process, and facilitation. Team leadership and management functions. Interpersonal and influence management, as well as communications. Ethical persuasion, decision-making, and conflict resolution. Develop a proactive management fit and coordination with outside sources of impact, the other tracks, and any other major improvement projects (i.e., systems fit, alignment, and integrity).

Thinking of leadership development as a system, instead of just providing training programs, is an entirely new way of thinking for many organizations. Every leader and organization should think this way, for when we boil competitive edges to their essence, effective leaders and managers are the only true sustainable edge the long term. Thus using a system of development is one the best ways to gain and maintain this edge.
Leadership practices are the ultimate competitive advantage and the foundation for all else. For Example: Leadership is needed at all organizational levels: Executive Professional /Technical, managerial Team, Supervisory, and Operational. For Example: Senior management defensiveness is one big barrier to leadership development. This seems to be a common problem in change programs, where managers reason defensively and change become a mere fad. Change has to start at the top, as defensive senior managers are likely to disown any transformation in behavior or pattern of reason coming from lower levels.

**System Concepts: Strategic Leadership Development System**

The system concepts below are essential to effective leadership development and gaining “the people edge.”

**Core Concepts of Leadership**

A set of core concept is the responsibility of senior management. It is usually carried out and led through an executive/employee development board (an EDB). Includes the concept of individual development plans for each executive. Is tied to the strategic plan, especially strategies / values.

**Alignment of People Process:** The EDB’s role is to align the following processes to the strategic plan in order to create “the people edge” at the executive and lower-management levels. Selection /Hiring, Promotion/Succession planning, Executive development, Management development, Career development / Life planning, Rewards, both intrinsic and extrinsic.

**The Individual Development Plan (IDP) Concept:** This needs to cover at least three levels of management: Executives, Middle management, First-line supervisors.

**Core Skills and Values:** While the continuously changing environment creates the need for a living, breathing, flexible leadership development system, it also requires a set of core skills such as: Self-mastery Training others/Mentoring them - Coaching and Facilitating group and teams counseling, Learning how to learn: Handling disagreements constructively reflection time. It also requires valuing the following - Integrity Discovery, Curiosity Dialogue.
2.6.12 History of Systems Theory

The words “General Systems Theory (GST)” implies that some things can usefully be said about systems in general, despite the immense diversity of their specific forms. One of these things should be a scheme of classification. Every science begins by classifying its subject matter, if only descriptively, and learns a lot about it in the process; and systems especially need this attention, because an adequate classification cuts across familiar boundaries and at the same time draws valid and important distinctions which have previously been sensed but not defined.

In short, the task of GST is to find the most general conceptual framework in which a scientific theory or a technological problem can be placed without losing the essential features of the theory or the problem. (Geoffrey Vickers 1970)

As we have seen, there is a consensus in all major fields form subatomic physics to history—that are orientation of science is due. Developments in modern technology parallel this trend.

So far as can be ascertained, the idea of a “General System Theory” was first introduced by the present author prior to cybernetics, systems engineering and the emergence of related fields.

As with every new idea in science and elsewhere, the systems concept has a long history. Although the term “system” itself was not emphasized, the history of this concept includes many illustrious names. As “natural philosophy,” we may trace it back to Leibniz; to Nicholas of Cusa with his coincidence of opposites; to the mystic medicine of Paracelsus; to vico’s and ibn- Khaldun’s vision of history as sequence of cultural entities or “systems” to the dialectic of Marx and Hegel, to mention but a few names from a rich panoply of thinkers. The literary gourmet may remember Nicholas of Cusa’s De ludo globi (von Bertalanffy, 1928b) and Hermann Hesse’s Glasperlenspiel, both of them seeing the working of the world reflected in a cleverly designed, abstract game

There had been a few preliminary works in the field of general system theory. Kohler’s “physical gestalten” (1924) pointed in this direction but did not deal with the problem in full generality, restricting its treatment to gestalten in physics (and biological and psychological phenomena presumably interpretable on this basis). In a later publication (1927) Kohler raised the postulate of a system theory, intended to elaborate the most general properties of inorganic compared to organic systems; to a degree, this demand
was met by the theory of open systems. Lotka’s classic (1925) came closest to the objective, and we are indebted to him for basic formulations. Lotka indeed dealt with a general concept of systems (not, like Kohler’s restricted to systems of physics). Being a statistician, however, with his interest lying in population problems rather than in biological problems of the individual organism, Lotka somewhat strangely, conceived communities as systems, while regarding the individual organism as a sum of cells.

Nevertheless the necessity and feasibility of a systems approach became apparent only recently. Its necessity resulted from the fact that the mechanistic scheme of isolable causal trains and meristic treatment had proved insufficient to deal with theoretical problems, especially in the biosocial sciences, and with the practical problems posed by modern technology. Its feasibility resulted from various new developments— theoretical, epistemological, mathematical, etc.—which, although still in their beginnings, made it progressively realizable.

The present author, in the early 20’s, became puzzled about obvious lacunae in the research and theory of biology. The then prevalent mechanistic approaches just mentioned appeared to neglect or actively deny just what is essential in the phenomena of life. He advocated an organismic conception in biology which emphasizes consideration of the organism as a whole or system and sees the main objective of biological sciences in the discovery of the principles of organization at its various levels. 1925-26, while whitehead’s philosophy of “organic mechanism” was published in 1925. Cannon’s work on homeostasis appeared in 1929 and 1932. The organismic conception had its great precursor in Claude Bernard, but his work was hardly known outside France; even now it awaits its full evaluation (Bernal, 1957). The simultaneous appearance of similar ideas independently and on different continents was symptomatic of a new trend which, however, needed time to become accepted.

In connection with experimental work on metabolism and growth on the one hand, and an effort to concretize the organismic program to the other, the theory of open systems was advanced, based on the rather trivial fact that the organism happens to be an open system, but no theory existed at the time. Biophysics thus appeared to demand an expansion of conventional physical theory in the way of generalization of kinetic principles and thermodynamic theory, the latter becoming known, later on, as irreversible thermodynamics.

But then a further generalization became apparent. In many phenomena in biology and also in the behavioral and social sciences, mathematical expressions and models are
applicable. These obviously, do not pertain to the entities of physics and chemistry, and in this sense transcend physics as the paragon of “exact science.”

The structural similarity of such models and their isomorphism in different fields became apparent; and just those problems of order, organization, wholeness, teleology, etc., appeared central which were programmatically excluded in mechanistic science. This then was the idea of “general system theory.” After the war, general system theory was presented in lectures, amply discussed with physicists (von Bertalanffy et al., 1951)

The proposal of system theory was received incredulously as fantastic or presumptuous. Either—it was argued—it was trivial because the so-called isomorphism’s were merely examples of the truism that mathematics can be applied to all sorts of things, and it therefore carried no more weight than the “discovery” that 2+2=4 holds true for apples, dollars and galaxies alike; or perhaps it was false and misleading because superficial analogies—as in the famous simile of society as an “organism” – camouflage actual differences and so lead to wrong and even morally objectionable conclusions. Or, again, it was philosophically and methodologically unsound because the alleged “irreducibility” of higher levels to lower ones tended to impede analytical research whose success was obvious in various fields such as in the reduction of chemistry to physical principles, or of life phenomena to molecular biology.

Meanwhile another development had take place. Norbert Wiener’s Cybernetics appeared in 1948, resulting from the then recent developments of computer technology, information theory, and self-regulating machines. It was again one of the coincidences occurring when ideas are in the air that three fundamental contributions appeared at about the same time: Wiener’s Cybernetics (1948), Shannon and Weaver’s information theory (1949) and von Neumann and Morgenstern’s game theory (1947). Wiener carried the cybernetic, feedback and information concepts far beyond the fields of technology and generalized it in the biological and social realms. It is true that cybernetics was not without precursors. Cannon’s concept of homeostasis became a cornerstone in these considerations. Less well-known, detailed feedback models of Physiological had been elaborated by the German physiologist Richard Wagner (1954) in the 1920’s the Swiss Nobel prize winner W.R. Hess (1941, 1942) and in Erich von Holst’s Reaffernzprinzip. The enormous popularity of cybernetics in science, technology and general publicity is, of course, due to wiener and his proclamation of the second Industrial Revolution.

Systems theory also is frequently identified with cybernetics and control theory. This is incorrect. Cybernetics, as the theory of control mechanisms in technology and
nature and founded on the concepts of information and feedback, is but a part of a general theory of systems; cybernetic systems are a special case, however important, of systems showing self-regulation.

The system problem is essentially the problem of the limitations of analytical procedures in science. This used to be expressed by half-metaphysical statements, such as emergent evolution or “the whole is more than a sum of its parts,” but has a clear operational meaning. “Analytical procedure” means that an entity investigated be resolved into, and hence can be constituted or reconstituted from, the parts put together, these procedures being understood both in their material and conceptual sense. This is the basic principle of “classical” science, which can be circumscribed in different ways: resolution into isolable causal trains, seeking for “atomic” units in the various fields of science, etc. the progress of science has shown that these principles of classical science first enunciated by Galileo and Descartes—are highly successful in a wide realm of phenomena.

2.6.13 Analytic Thinking vs. Systems Thinking

There has been adequate debate on the argument that Systems Thinking is a higher level of Thinking as compared to Analytical Thinking. In the table given below, a clear distinction between Analytical and Systems Thinking has been attempted. Humans by nature are said to be systems thinkers, they follow the law by nature but education compels us to think analytically.

<table>
<thead>
<tr>
<th>Analytic Thinking</th>
<th>Systems Thinking</th>
</tr>
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<tbody>
<tr>
<td>(Analysis of Today)</td>
<td>(Synthesis for the Future)</td>
</tr>
<tr>
<td>1. We/they</td>
<td>1. Customers/stakeholders</td>
</tr>
<tr>
<td>2. Independent</td>
<td>2. Interdependent</td>
</tr>
<tr>
<td>3. Activities/tasks/means</td>
<td>3. Outcomes/ends</td>
</tr>
<tr>
<td>4. Problem solving</td>
<td>4. Solution seeking</td>
</tr>
<tr>
<td>5. Today is fine</td>
<td>5. Shared vision</td>
</tr>
<tr>
<td>6. Units/departments</td>
<td>6. Total organization</td>
</tr>
<tr>
<td>7. Silo mentality</td>
<td>7. Cross-functional teamwork</td>
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<tr>
<td>8. Closed environment</td>
<td>8. Openness and feedback</td>
</tr>
<tr>
<td>9. Department goals</td>
<td>9. Core strategies</td>
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<tr>
<td>10. Strategic Planning project</td>
<td>10. Strategic Management System</td>
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<tr>
<td>Analytic Thinking</td>
<td>Systems Thinking</td>
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<tr>
<td>(Analysis of Today)</td>
<td>(Synthesis for the Future)</td>
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<tr>
<td>11. Hierarchy and controls</td>
<td>11. Serve the customer</td>
</tr>
<tr>
<td>12. Not my job</td>
<td>12. Communications and collaboration</td>
</tr>
<tr>
<td>13. Isolated change</td>
<td>13. Systemic change</td>
</tr>
<tr>
<td><strong>Summary: Parts are Primary</strong></td>
<td><strong>Whole is Primary</strong></td>
</tr>
</tbody>
</table>

*(Stephen G. Haines, 2004)*

*(Reinventing Strategic Planning, 2004 Centre for Strategic Management)*