EUROPEAN HUMAN RESOURCE MANAGEMENT: 
REFLECTION OF, OR CHALLENGE TO, 
THE AMERICAN CONCEPT?

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Abstract

The concept of human resource management (HRM), and the associated concept of strategic human resource management, is being debated increasingly in the literature and used increasingly within employing organisations. The history of the notion of HRM has been summarised elsewhere (Hendry and Pettigrew 1990; Beaumont 1991). It developed initially from work in the United States of America in the 1960s and 1970s and emerged as two distinct, though perhaps not fully formed, strands in the mid 1980s. Since then the concept has been an ever more visible feature of the academic literature, of consultancy services and of organisational terminology. This use of the terminology spread from the USA firstly into the developed English speaking world and recently - and more partially - into Europe. It was not until 1987, for example, that the first French text to address the topic specifically was published (Besseyre des Horts 1987).

This paper addresses the question of whether the concept is applicable in Europe. Is the concept of HRM universally valid? Is it possible to differentiate a specifically European version of the concept? What features would distinguish such a version? It is argued that elements of a European version are indeed present and a new model of the concept which would encompass EuroHRM is proposed.
The HRM concept in the literature

The meaning of HRM is far from clearly established in the literature: different authorities imply or state different definitions and draw on different evidence. This fluidity in the concept is both instructive, in terms of indicating its potential power as an explanatory theory; and frustrating, in that it becomes impossible to test a theory that can subsume such a range of, often contradictory propositions (Popper 1945; Guest 1987). Many have attempted to classify the various areas which HRM covers: seeing, in one of the classic texts, a four-fold typology; employee influence, human resource flow (into, through, and out the organisation), reward systems and work systems (Beer et al. 1985); or four rather different areas; the acquisition, maintenance, motivation and development of human resources (e.g. DeCenzo & Robbins, 1988): or a five step HRM cycle; selection, performance, appraisal, rewards and development (Storey et al 1989).

This lack of clarity is one of the criticisms that the concept has faced in Europe. In the UK, for example, HRM has had a mixed reception. In the practitioners' literature, management teaching and amongst consultancies, it has been promoted as a new orthodoxy and necessary route to corporate - and personnel policy - success. The reception in the academic literature has been more sceptical. This scepticism revolves around several recurring themes apart from the lack of precision; the prescriptive, normative nature of HRM theories; the lack of empirical evidence in support of HRM; the lack of distinction from traditional personnel management theories; the inappropriateness (and undesirability) of human resource management prescriptions with regard to the European industrial relations history and practice. Without going into too much detail and repeating work that has been done elsewhere (see Legge 1989 for example) this section of the paper outlines the major approaches to the term HRM, and details the level of discussion used.

The 'hard' and 'soft' views of HRM have always been implicit in the concept but were emphasised most clearly in the mid-1980s by two competing texts. The first was published in 1984, edited by Fombrun, Tichy and Devanna. The second, by Beer et al was published in the following year, and stands, in essence, as a manifesto for the then newly developed HRM element of Harvard's MBA. The difference between the two approaches has been explored elsewhere (Legge 1989; Beaumont 1991, Hendry and Pettigrew 1990). Here it is only necessary to point out the key distinctive features of each approach.

The 'hard' approach focuses on the 'resource' side of the phrase 'human resource management'. It argues that people are organisational resources and should be managed like any other resource: that is, they should be obtained as cheaply and used as sparingly as possible, consistent with other requirements such as those for quality and efficiency; and they should be developed and exploited as fully and profitably as possible. The word 'people' is used rather than 'employees' because techniques such as outsourcing, subcontracting and franchising would in certain circumstances be seen as entirely appropriate to a hard view of HRM. The approach tends to have a much closer relationship to corporate strategy - with HRM often seen to follow such strategies. It is most typically linked to contingent analyses of corporate strategy, or product life cycle theories or organisational growth theories (see, e.g., Lengnick-Hall and Lengnick-Hall 1988).

By contrast the 'soft' approach to HRM concentrates upon the 'human' side of 'human resource management'. It argues that people are a resource unlike any other - for most organisations far more costly than other resources, but for all organisations the one resource which can create value from the other resources. This is the resource whose creativity, commitment and skill can generate real competitive advantage. This most precious resource therefore requires careful selection, extensive nurturing and development, proper rewards and integration into the management team.
the organisation. As such this approach will tend to concentrate on 'employees' and stands clearly in the long tradition of human relations and developmental studies. In this approach human resource management is more symbolically related to corporate strategy: the presence or absence of certain skills may push the organisation into or out of certain markets or products, for example.

Initially the main concern of writers in the UK such as Hendry and Pettigrew (1986) and Guest (1987) was to develop a unified working definition of the concept out of the parallel schools that were developing in the United States. Related concerns were (and are) to separate the concept from its strongly normative and prescriptive use, which, as Hendry and Pettigrew (1990) note, has been inherent from the outset; and to identify its theoretical parameters so that it can be integrated into research agendas. However the concept is defined the subject can of course be addressed at a variety of different levels. This paper, adopting the terminology proposed by Schuler (1992), is concerned with human resource management at what has been termed the "programmes" level and is not concerned with the amorphous issues of culture and ethos raised at the philosophical level, nor with the day-to-day administration of practice and process. HR programmes have been defined, somewhat tautologically, as the effect of HR efforts on organisational structure. "These efforts" it is argued "have in common the fact they they are generated by strategic intentions and directions the firm is taking and that they involve human resource management issues, i.e. that they are major people-related business issues that require a major organisational effort to address. They also share the reality of having strategic goals that are used to target and measure the effectiveness of the HR programme" (Schuler 1992). At this level therefore our focus is on the way that organisations equip themselves to handle HR issues and the correlation of activities in this area with the overall strategic directions that the organisation is taking.

The core elements of human resource management

If the concept of HRM cannot be comfortably defined to the agreement of most commentators, there should nonetheless be basic core elements that can be said to underlie most views of the topic if its validity is to be testable. Teasing out the core elements that make up HRM is complicated and controversial. Many of the specific areas or actions have been examined by Guest who emphasises the more 'human' resources aspects of the American theories and their roots in occupational psychology. He conceives of HRM not as an alternative to personnel management but as a particular form of personnel management, which stresses "the goal of integration, the goal of employee commitment, the goal of flexibility/adaptability, the goal of quality" (Guest 1987). A later paper by the same author discusses a range of "innovative techniques of the sort typically associated with HRM" including such issues as flexible working practices, quality circles, training in participative skills and job enrichment (Guest 1990 p.385).

Legge (1989), in her review of British and American writing on HRM, sees the distinctiveness of HRM as an activity in the following three areas: it gives greater emphasis to the development of the management team than personnel management; it differs from personnel management as an activity for line managers because it is more firmly integrated in the general coordinating activity of line managers, including a greater 'bottom-line' emphasis; it emphasises the management of corporate culture as a senior management activity (Legge 1989 pp.27,28).

Hendry and Pettigrew (1986) focus more on the 'hard' side: the elements of strategic integration:

"1. the use of planning;
2. a coherent approach to the design and management of personnel systems based on an employment policy and manpower strategy, and often underpinned by a 'philosophy';
3. matching HRM activities and policies to some explicit business strategy; and
4. seeing the people of the organisation as a 'strategic resource' for achieving 'competitive advantage' (Hendry and Pettigrew 1986).

Since then, Hendry and Pettigrew, if anything, appear to have moved further away from a clearly defined policy content of HRM, defining it: "as a range of things affecting the employment and contribution of people, against the criteria of coherence and appropriateness" (Hendry & Pettigrew 1990 p.24), though they continue to emphasise the issue of strategic integration as the key distinguishing element of HRM: "We see HRM as a perspective on employment systems, characterised by their closer alignment with business strategy" (Hendry & Pettigrew 1990 p.36). Other texts have also attempted to pull together some of these approaches to identify a limited number of core elements of HRM. Storey (1992) identifies 15 differences between personnel management and HRM under the four headings of beliefs and assumptions; strategic aspects; line management; and key levers. Mahoney and Deckop (1986) also examined the differences between "personnel" and "HRM". They argue that, overall, HRM involves a wider and broader view in six specific areas:

1. employment planning: from a narrow technical focus to closer links with business strategy
2. communication with employees: from a collective, negotiating focus to a more general approach to more direct communication with employees.
3. employee feelings: from job satisfaction to concern with the total organisational culture
4. employment terms: from selection, training, compensation policies focussed on individuals to a concern with group working and group effectiveness
5. employment cost-benefits: from a concern with cost-reduction through such strategies as reducing turnover, controlling absenteeism to a focus on organisational effectiveness and the "bottom line".
6. employee development: from individual skills to longer-term employment capabilities.

(Mahoney and Deckop 1986).

In a similar, but slightly different way, Beaumont identifies five "major items typically mentioned" in the US literature as part of HRM:

1. relatively well-developed internal labour market arrangements; in such areas, for example, as promotion, training, individual career planning
2. flexible work organisation systems
3. contingent compensation practices and/or skills or knowledge based pay structure
4. high levels of individual participation in task-related decisions
5. extensive internal communications arrangements

(Beaumont 1991)

Together, these attempts to synthesise the elements of HRM show some areas of consistency (wider communication for example); some areas of greater or less detail (presumably, for example, flexible work organisation is intended to be a contribution to the bottom line; training for the longer term is an aspect of developing an internal labour market); and some areas of uncertainty (not only are the elements of compensation which are seen to be evidence of HRM different but even within Beaumont's synopsis he finds two different elements).
Whilst there can be no certainties here, it is possible to analyse these texts and other academic and even prescriptive texts to identify common elements in most views of HRM. Two elements in particular, one which is only infrequently stated explicitly and one of which is highly visible, seem to underlie most discussions of the topic (see Brewster and Bournois 1991).

- an employing organisation with a considerable degree of independence to take personnel decisions, including, inter alia;
- an independence of remuneration policy, allowing for a "bottom line" focussed contingent pay policy.
- an absence, or at least a minimal influence from, trade unions;
- a preference for a carefully controlled, or in some conceptions internal, labour market.
- a close involvement of HRM and corporate strategy

Much of the rest of this paper addresses these two fundamental, core elements of the HRM concept. Evidence is presented from a variety of sources; but drawing particularly on a major cross-national survey of human resource management in Europe, referred to here as PWCP 1991 (see Appendix for details).

Emphasis will be placed, in the analysis presented below, on a contrast between the situation in the United States of America and in Europe which, it will be argued, have led to different approaches to the notion of human resource management and, hence, to the need for a theory of HRM which encompasses these variations. By its nature, the argument will involve a considerable degree of generalisation: conflating differences within the USA and, more tendentiously, within Europe. The analysis is built on the assumption, identified by another commentator on "the conditions and circumstances within Western Europe", that although there are differences in HRM in each country, taken as a whole "they stand out as being distinct from other economic areas like the USA, USSR or Japan" (Remer 1986). The argument is also strained by a lack of hard data giving representative information about practice in the USA. Finally, in this brief list of caveats, it is worth repeating that the core elements abstracted from the 'American' texts are, precisely, an abstraction. No conception of HRM in the States or amongst its adherents in Europe mirrors this version exactly and many have other perspectives. Nevertheless, it is clear that the two fundamental core elements noted here underlie nearly all the leading texts.

Organisational autonomy

Central to the notion of HRM as currently propounded is the notion of organisational independence and autonomy. Defining and prescribing HRM strategies only makes sense if the organisations concerned are free to develop their own strategies. Guest (1990) has argued that this view of freedom and autonomy in HRM is peculiarly American - related to the American view of their country as the land of opportunity in which any individual, through hard work or self improvement can be a success, with the ideal model of the "rugged individualist" or self-reliant small businessman, and a vision of the "frontier mentality". We can see these ideals reflected in the comparatively low levels of support, subsidy and control provided, or at least commonly understood to be acceptable, from the State. We can see them in the "private enterprise" culture of the United States. We can see them in the concept of "the right to manage" and in the antagonism of management towards trade unions.
These factors are untypical of, to take our example, most European countries. Certainly they have some limited acceptability in Great Britain: but each point remains the focus of considerable controversy in Britain. In countries such as Germany and Sweden, by contrast, these assumptions would be held by only a small minority of the population.

In the European system organisations are less autonomous. Their autonomy is constrained at a national level, by culture and legislation, at the organisational level, by patterns of ownership, and at the HRM level, by trade union involvement, bargaining patterns and consultative arrangements and the labour market.

**Culture and legislation**

At the most general level the empirical data on national cultural differences, though limited, points clearly to the uniqueness of the United States. The US, one of the leading researchers in this field writes, "is quite untypical of the world as a whole" (Trompenaars 1985). The US culture is more individualistic and more achievement-orientated than most other countries (Hofstede 1980).

These national cultural differences are reflected in legislation. One German authority, Pieper, points out that "the major difference between HRM in the US and in Western Europe is the degree to which [HRM] is influenced and determined by state regulations. Companies have a narrower scope of choice in regard to personnel management than in the US". (Pieper 1990 p.8). Expanding on this, Pieper includes the greater regulation of recruitment and dismissal, the formalisation of educational certification, and the quasi-legal characteristics of the industrial relations framework in comparison to the United States. This catalogue clearly shows its origins in the German system. Including other European countries it is possible to add legislative requirements on pay, on health and safety, on the working environment and hours of work; and to supplement those with legislation on forms of employment contract, rights to trade union representation, requirements to establish and operate consultation or co-determination arrangements - and a plethora of other legal requirements.

Furthermore, Europe is unique in the world in having 12 of its countries at present (and more soon) committed to a supra-national level of legislation on a considerable range of aspects of the employer-employee relationship. The European Community, particularly through the steps associated with its Social Action Programme (see box), is having an increasing legislative influence on HRM (Brewster and Lockhart 1992).

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1 For more detail on this following section see Brewster, Hegewisch, Holden and Lockhart (1991).
2 The closest German equivalent to the linguistic distinction between personnel management and human resource management is between "Personalwesen" or "Personalverwaltung" (-administration) and "Personalmanagement"; this differentiation is much weaker and concentrates more on the shift from administration to management, rather than emphasising a different valuation of employees.
European Community Social Charter

The European Community Charter of Fundamental Social Rights or the "Social Charter" lists the following 12 as the major areas to be addressed.

- the freedom of movement;
- employment and remuneration;
- improvement of living and working conditions;
- social protection
- freedom of association
- vocational training;
- equal treatment for men and women;
- information, consultation and participation of workers;
- health protection;
- protection of children and adolescents;
- elderly persons; and
- disabled persons

After lengthy negotiations which intensified from May to December 1989, the Charter was signed by all member states except the UK at the Strasbourg summit in December 1989. Further work at EC level in the social field was similarly approved at the Maastricht summit in December 1991 (again, with the UK dissenting).

The European Commission is now busy with proposals to transfer these general objectives into EC policy, via the Social Action Programme.

Patterns of ownership

State involvement in HRM is not limited to the legislative role. In broad terms in Europe as compared to the USA the State has a higher involvement in underlying social security provision, a more directly interventionist role in the economy, provides far more personnel and industrial relations services and is a more extensive employer in its own right by virtue of a more extensive government-owned sector.

Patterns of ownership in the private sector also vary from one side of the Atlantic to the other. Although public ownership has decreased to some extent in many European countries in recent years it is still far more widespread than in the States. Nor should it be assumed that ownership in the private sector implies the same thing. In Germany, for example, most major companies are owned largely by a tight network of a small number of substantial banks. Their interlocking shareholdings and close involvement in the management of these corporations mean less pressure to produce short-term profits and a positive disincentive to drive competitors out of the market-place. (Randlesome 1991).

Trade union representation

These outside constraints on organisational autonomy are supported by a variety of internal constraints: particularly in the form of employee representation. It has been pointed out (Beaumont 1991) that studies of HRM in the United States have tended to take place in the non-union sector. A constant thread in research programmes in the US has been the link between HRM practices and non-unionism (see, e.g. Kochan et al 1984; Kochan et al 1986). "In the US a number of.... academics have argued that HRM [the concept and the practice] is anti-union and anti-collective bargaining" (Beaumont 1992, p.300).

The definition, meaning and reliability of union membership figures vary across countries (Walsh 1985; Blanchflower and Freeman 1990). However, it is quite
clear that, in general, the European countries are more heavily unionised than the United States. Some, such as Germany, France and the Benelux countries, have legislation requiring employers over a certain size to recognise unions for consultative purposes. In France, Greece and Portugal employers have to negotiate with a union if it can show that it has any members in the workplace. Countries such as France and Italy have avowedly Communist unions. (The "Eurocommunism" they have for many years espoused was perhaps an early forerunner of recent developments in Eastern Europe. Employers in these countries find little practical difference in dealing with "Communist" or "Christian" unions).

Europe is a highly unionised Continent. (See Table 1). Trade union membership and influence varies considerably by country, of course, but is always significant. Sweden has union membership of 85% of the working population, the UK around 40% and even in the less unionised countries such as France, union membership at 12% remains double that in the USA. Only 3% of Swedish organisations report union membership to be less than 50% and only 3% of German* organisations and 16% of UK ones have no union representation. In many European countries union recognition for collective bargaining purposes is required by law wherever there are trade unions and even in the UK, where there is no legal mechanism for enforcing recognition, there are still 72% of organisations with more than 200 employees recognising the trade unions. (see Table 2).

<table>
<thead>
<tr>
<th>Country</th>
<th>Density (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Denmark</td>
<td>73.2</td>
</tr>
<tr>
<td>Belgium</td>
<td>53.0</td>
</tr>
<tr>
<td>Ireland</td>
<td>52.4</td>
</tr>
<tr>
<td>Luxembourg</td>
<td>49.7</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>41.5</td>
</tr>
<tr>
<td>Italy</td>
<td>39.6</td>
</tr>
<tr>
<td>Germany</td>
<td>33.8</td>
</tr>
<tr>
<td>Portugal</td>
<td>(30.0)¹</td>
</tr>
<tr>
<td>Netherlands</td>
<td>25.0</td>
</tr>
<tr>
<td>Greece</td>
<td>(25.0)¹</td>
</tr>
<tr>
<td>Spain</td>
<td>16.0²</td>
</tr>
<tr>
<td>France</td>
<td>12.0</td>
</tr>
</tbody>
</table>

(Source: OECD Employment Outlook, Paris 1991)

1. estimates (see Table 4.1 p.101)
2. 1985

* Our data is collected from what was West Germany and our analysis refers to that part of the state. Comparable data is currently being collected for the eastern Länder (project funded by the Anglo German Foundation) and will prove a fascinating comparison.
Overall the data shows that trade unionism remains widespread and important in Europe; an importance that current EC approaches will certainly not diminish, and may well enhance.

**Employee involvement**

Beyond the immediate issue of trade union membership lies the European practice of employee involvement. In countries such as France and Germany the establishment of workers' councils is required by law.

Employers have to deal with workplace (and often wider) works councils wherever the employees request it in Germany, Italy and Portugal. In Greece the unions can only insist on the establishment of a works council where the organisation is larger than 20 employees; there have to be 35 or more employees in the Netherlands; 50 or more in Spain and France and 100 in Belgium. These various forms of works council have differing degrees of power: but most would shock American managers brought up on the theories of "management's right to manage". In Germany and the Netherlands, for example, employee representatives can resort to the courts to prevent, or to delay, managerial decisions in areas (recruitment, termination, changing working practices) which in the United States would be areas for almost unfettered managerial perogative.

Beyond the workplace, legislation in the Netherlands, Denmark and, most famously, Germany requires organisations to have two-tier management boards, with employees having the right to be represented on the more senior Supervisory Board. Employee representation can, depending on country, size and sector range up to 50% of the Board.

These arrangements give considerable (legally-backed) power to the employee representatives and, unlike the American position for example, they tend to supplement rather than supplant the union position. In relatively highly unionised countries it is unsurprising that many of the representatives of the workforce are, in practice, trade union officials. In Germany, as one instance, the majority of them are union representatives.

The UK has no legal requirements for consultation except in very particular (and mostly EC inspired) cases such as when there is a collective redundancy. In general

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**Table 2**

<table>
<thead>
<tr>
<th>CH</th>
<th>D</th>
<th>DK</th>
<th>E</th>
<th>F</th>
<th>I</th>
<th>N</th>
<th>NL</th>
<th>S</th>
<th>UK</th>
</tr>
</thead>
<tbody>
<tr>
<td>n/a</td>
<td>n/a</td>
<td>91</td>
<td>73</td>
<td>n/a</td>
<td>91</td>
<td>96</td>
<td>43</td>
<td>n/a</td>
<td>72</td>
</tr>
</tbody>
</table>

*n/a = question not asked: position determined by legislation not managerial decision.*

Source: PWCP 1991
the British system has relied on the voluntary system of collective bargaining to ensure that the workforce is made aware of managerial decisions and company performance.

At the supra-national, EC, level it is clear that the European Community is committed to maintaining the role of the "social partners" as it calls them: employers and trade unions. In particular the latest proposals from the European Commission on the subject of employee involvement offer a series of options for the member states. These are, in effect, an attempt to draw on the best practice available in all the Community countries rather than to impose the system which exists in one state on the others.

The considerable moves that have been made by many employers to expand the degree of information given to the workforce irrespective of legal requirements is clear from our data. (Table 3)

Reflecting on a longitudinal study of the maritime shipping industry, Walton (1987) puts the United States at the least innovative end of a group of eight nations when examining work reform. The UK, Sweden and Germany form a separate, middle, group. A key feature of these work reforms is delegation and participation.

This general increase in all channels of communication reflects the requirement to generate significant commitment amongst the workforce with the aim of improving organisational performance; a central theme of HRM. It is noticeable, however that this increasing provision of information includes extensive use of the formalised employee representation or trade union channels.

<table>
<thead>
<tr>
<th>Table 3</th>
<th>Increases in communication on major issues to your employees - by method (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Country</td>
<td>CH</td>
</tr>
<tr>
<td>Through representative staff bodies</td>
<td>30</td>
</tr>
<tr>
<td>Verbally, direct to employees</td>
<td>43</td>
</tr>
<tr>
<td>Written, direct to employees</td>
<td>57</td>
</tr>
<tr>
<td>Other</td>
<td>13</td>
</tr>
</tbody>
</table>

Source: PWCP1991

Centralised bargaining arrangements

At the level of specific HRM practice European countries tend to be more centralised (Hoogendoorn and Brewster 1992). The point can be made clearly using the very tangible example of pay determination. Amongst 10 countries in our recent major survey 8 had pay for manual workers in the private sector set predominantly by multi-employer negotiations at national or industry level. In several of the European countries these agreements are given legal or quasi-legal status. The exceptions were France and the UK (Hegewisch 1991). And of course, if the substantial public sector is included then the figures are even higher, with over half the countries having more than two-thirds of their organisations setting manual workers pay above the organisational level. (Price Waterhouse Cranfield Project 1991). In most countries the influences on pay from national or sectoral
level bargaining decline further up the job category hierarchy. Nevertheless, these "external" influences on an organisation's pay system remain extensive.

Even in the UK, where there has been a concerted effort by Government and employers' associations, and by many employers to drive pay determination down to the company level, there are still 37% of organisations where basic pay for manual workers is still established in national industry bargaining. This is consistent with other evidence from the UK. The WIRS surveys (Millward and Stevens 1986) and the more recent Marginson et al (1988) research in the private sector both show a considerable degree of centralisation in pay, and other related HR issues. More than that however the Marginson et al work also shows that, in a typically informal way, many multi-site UK businesses maintain a considerable involvement from head office in IIR decision-making. These conclusions are not uncontroversial; in a summary of these surveys, and his own research on the topic, Kinnie concludes that although there is some evidence of a move towards the decentralisation of management and of bargaining structures in the UK "these changes do not necessarily lead to an increase in decision-making discretion for establishment managers" (Kinnie 1989 p.33). Morris and Wood (1991), however, have argued that this may underestimate the extent of change. Very recently, there has been some evidence of companies like Shell (PM Plus April 1992) and public sector organisations like Sheffield Council (Personnel Today, 5-8 May 1992) recentralising personnel matters. There is little controversy about the fact that the European organisations continue to accept, to a substantial degree, the establishment of pay levels outside the organisation.

The Controlled Labour Market

Internal and external labour markets are used to some extent by all organisations. It is the balance between the two that is critical. Key to the organisation's focus on internal or external labour markets is the question of control. An internal market is more straightforward to control: external markets more complex.

In its simplest conception, an internal labour market exists where organisations tend to recruit at the bottom, with people expected to remain with one organisation for their whole working lives, rather than the organisation recruiting widely with people expecting to have to move employment between organisations.

The internal labour market is almost an assumption in much of the HRM literature. Thus Beer et al (1984 p.16) map out the territory of HRM in a way which allows for "inflow" and "outflow" but concentrates on "internal flow" (Walker 1980).

There are variations here as elsewhere throughout Europe. However internal labour markets are important across Europe. Some examples help to make the point: two-thirds of organisations recruit less than 30% of their senior managers externally; in Denmark and Germany, well over half their recruitment into clerical work is done through apprenticeships; private recruitment agencies for clerical and manual staff are unlawful in Germany and Sweden. Reporting on recruitment in the ten countries covered here across the different levels of employee, one authority concluded "in all countries recruitment from among their own employees is used most consistently across all categories" (Filella 1991, p.18).

A related aspect of the internal labour market is the development of employee skills (a central theme of many texts on HRM). Many organisations in Europe are spending considerable amounts of money on training (see Table 4). They are devoting substantial amounts of time to this purpose as well. Table 5 uses manual workers, the group that receives least training, as an example. Even here, in eight out of the ten countries more than 10% of the organisations devote five or more days - out of a presumed working year of around 200 days - to training.
In every European country examined more than half, and often more than three-quarters, of the organisations systematically analyse employee training needs and in most countries a clear majority monitored the effectiveness of their training (Table 6).

Few commentators would go so far as two Dutch commentators on Sweden, who, having pointed out that "training is seen as the top priority by all enterprises, government programmes, employers' organisations" went on to claim that "internal ... flexibility has replaced external .... flexibility". (Delsen and van Veen 1992, p.95, 96). Nevertheless, there is clear evidence of the widespread use of internal labour markets in Europe.

The external labour market

These training figures need to be read alongside the national data on educational standards and particularly, vocational training within the educational (or at least outside the employing organisational) context. Once again, the way that governments collect statistics means that detailed comparisons need to be treated with caution. Tables 7 and 8 give the figures for the European Community countries collected by the European Community's Directorate General for Employment, Industrial Relations and Social Affairs. They show the percentage of over-18s in higher education and government support for vocational training. Here
too, the external environment impinges upon (or perhaps is part of) human resource management.

Table 7
Share of 18-24 age group in higher education
European Community 1986/87 (%)

<table>
<thead>
<tr>
<th>Country</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Spain</td>
<td>22</td>
</tr>
<tr>
<td>France</td>
<td>21</td>
</tr>
<tr>
<td>Belgium</td>
<td>21</td>
</tr>
<tr>
<td>Germany</td>
<td>21</td>
</tr>
<tr>
<td>Denmark</td>
<td>21</td>
</tr>
<tr>
<td>Greece</td>
<td>19</td>
</tr>
<tr>
<td>Netherlands</td>
<td>18</td>
</tr>
<tr>
<td>Italy</td>
<td>17</td>
</tr>
<tr>
<td>Ireland</td>
<td>14</td>
</tr>
<tr>
<td>Portugal</td>
<td>11</td>
</tr>
<tr>
<td>UK</td>
<td>9</td>
</tr>
</tbody>
</table>


Table 8
Public expenditure on labour market training in relation to GDP in the Member States 1988/89

<table>
<thead>
<tr>
<th>Country</th>
<th>Expenditure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ireland</td>
<td>0.59</td>
</tr>
<tr>
<td>Denmark</td>
<td>0.53</td>
</tr>
<tr>
<td>France</td>
<td>0.32</td>
</tr>
<tr>
<td>Germany</td>
<td>0.29</td>
</tr>
<tr>
<td>UK</td>
<td>0.25</td>
</tr>
<tr>
<td>Greece</td>
<td>0.23</td>
</tr>
<tr>
<td>Netherlands</td>
<td>0.22</td>
</tr>
<tr>
<td>Portugal</td>
<td>0.22</td>
</tr>
<tr>
<td>Belgium</td>
<td>0.14</td>
</tr>
<tr>
<td>Spain</td>
<td>0.12</td>
</tr>
<tr>
<td>Italy</td>
<td>0.03</td>
</tr>
<tr>
<td>Luxembourg</td>
<td>0.02</td>
</tr>
</tbody>
</table>


This is followed through into the vocational training level. Taking the most widely discussed example - Germany - the picture is clear: "the system of vocational training supplies companies with well-trained labour, especially the so called
Facharbeiter. Since this system is run in joint co-operation with state agencies, companies enjoy the advantage of not being solely responsible for financing such training" (Pieper 1990 p.10).

Nor is training the only example of national support for the external labour market. Table 9 outlines the percentage of GDP devoted to public expenditure on labour market programmes. The figures include training, retraining and job transition support, job creation schemes and programmes to help younger people and the long-term unemployed get into the labour market.

<table>
<thead>
<tr>
<th>Country</th>
<th>% of GDP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Belgium</td>
<td>4.21</td>
</tr>
<tr>
<td>France (1987)</td>
<td>3.07</td>
</tr>
<tr>
<td>West Germany</td>
<td>2.41</td>
</tr>
<tr>
<td>Italy</td>
<td>1.61</td>
</tr>
<tr>
<td>Netherlands</td>
<td>3.82</td>
</tr>
<tr>
<td>Norway</td>
<td>0.93</td>
</tr>
<tr>
<td>Sweden</td>
<td>2.59</td>
</tr>
<tr>
<td>Spain</td>
<td>3.14</td>
</tr>
<tr>
<td>UK</td>
<td>2.50</td>
</tr>
<tr>
<td>USA</td>
<td>0.69</td>
</tr>
</tbody>
</table>


These levels of educational and vocational training and of Governmental labour market support mean that European organisations are more free to develop external market strategies with a comparatively low degree of risk. This is, in fact, what has happened. Table 10 shows the extent of part-time working in a range of European countries.

<table>
<thead>
<tr>
<th>Country</th>
<th>% of employees working part-time</th>
</tr>
</thead>
<tbody>
<tr>
<td>Netherlands</td>
<td>28.3</td>
</tr>
<tr>
<td>Denmark</td>
<td>25.4</td>
</tr>
<tr>
<td>UK</td>
<td>22.7</td>
</tr>
<tr>
<td>Germany</td>
<td>12.2</td>
</tr>
<tr>
<td>France</td>
<td>11.6</td>
</tr>
<tr>
<td>Belgium</td>
<td>11.0</td>
</tr>
<tr>
<td>Ireland</td>
<td>7.3</td>
</tr>
<tr>
<td>Luxembourg</td>
<td>7.3</td>
</tr>
<tr>
<td>Italy</td>
<td>4.7</td>
</tr>
<tr>
<td>Spain</td>
<td>4.8</td>
</tr>
<tr>
<td>Portugal</td>
<td>4.3</td>
</tr>
<tr>
<td>Greece</td>
<td>4.0</td>
</tr>
</tbody>
</table>

Source: abstracted from Community labour force sample survey Table VI/2 (data from Spring 1987)
At the organisational level Table 11 shows that many organisations in Europe have more than one tenth of their workforce on part-time, temporary or fixed-term contracts. (Referred to by the European Community as 'atypical' contracts).

### Table 11
Percentage of Organisations Having More than Ten Percent of Employees on Forms of Atypical Contracts

<table>
<thead>
<tr>
<th></th>
<th>CH</th>
<th>D</th>
<th>DK</th>
<th>E</th>
<th>F</th>
<th>I</th>
<th>N</th>
<th>NL</th>
<th>S</th>
<th>UK</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>PART-TIME</strong></td>
<td>37</td>
<td>20</td>
<td>37</td>
<td>3</td>
<td>13</td>
<td>6</td>
<td>41</td>
<td>35</td>
<td>44</td>
<td>24</td>
</tr>
<tr>
<td><strong>TEMP./CASUAL</strong></td>
<td>4</td>
<td>1</td>
<td>4</td>
<td>23</td>
<td>9</td>
<td>3</td>
<td>8</td>
<td>18</td>
<td>14</td>
<td>7</td>
</tr>
<tr>
<td><strong>FIXED TERM</strong></td>
<td>10</td>
<td>12</td>
<td>8</td>
<td>26</td>
<td>15</td>
<td>10</td>
<td>11</td>
<td>3</td>
<td>1</td>
<td>5</td>
</tr>
</tbody>
</table>

Source: PWCP 1991

### Table 12
Percentage of Organisations Having Increased their Use of Forms of Atypical Contract over Last Three Years.

<table>
<thead>
<tr>
<th></th>
<th>CH</th>
<th>D</th>
<th>DK</th>
<th>E</th>
<th>F</th>
<th>I</th>
<th>N</th>
<th>NL</th>
<th>S</th>
<th>UK</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>PART-TIME</strong></td>
<td>80</td>
<td>47</td>
<td>18</td>
<td>22</td>
<td>29</td>
<td>49</td>
<td>30</td>
<td>58</td>
<td>17</td>
<td>48</td>
</tr>
<tr>
<td><strong>TEMP./CASUAL</strong></td>
<td>58</td>
<td>31</td>
<td>20</td>
<td>51</td>
<td>40</td>
<td>19</td>
<td>35</td>
<td>66</td>
<td>25</td>
<td>46</td>
</tr>
<tr>
<td><strong>FIXED TERM</strong></td>
<td>43</td>
<td>54</td>
<td>16</td>
<td>49</td>
<td>46</td>
<td>43</td>
<td>43</td>
<td>20</td>
<td>24</td>
<td>28</td>
</tr>
</tbody>
</table>

Source: PWCP 1991

(There is, of course, some trade-off between temporary and fixed-term contracts, depending partly on local legal requirements. For an individual on a short fixed-term contract the distinction may be of little importance). Table 12 provides evidence that not only is the number of organisations using these kinds of contract now significant, but that it has been growing recently. Although space does not admit full details it is worth noting that only in the case of part-time workers in Sweden and temporary/casual workers in Denmark do the number of organisations reducing their use of a particular form of contract exceed those increasing it: and even in those two cases the difference is only marginal.

Grahl and Teague (1991) have argued that different "trajectories" are apparent here: first, competitive flexibility, which aims to develop adaptability and cost-efficiency and which they link explicitly to HRM. They see this epitomised in the UK. A second trajectory is termed constructive flexibility, which aims to combine adaptability with social protection, and which emphasising output expanding activities. This they see elsewhere in Europe and particularly in Sweden (Elam and Börjeson 1988). Data on other forms of atypical working confirms the desire of organisations to develop a more controlled external labour market. Thus subcontracting has grown considerably whilst widely touted options like homeworking and tele-working are still restricted to a handful of organisations.

This is a subject that is causing increasing concern within the Commission of the European Community mainly because of the potential exploitation of some workers on these forms of contract. The Social Charter includes a provision to extend workers' rights to individuals on atypical contracts; and the European Court of Justice has been making judgements under the equal opportunities legislation which are restricting the cost advantages of employing workers on these contracts.
Currently, however, there would seem to be evidence here to support the idea that European organisations are looking to create a more controlled external labour market for themselves.

Summarising the data on labour markets, it has been argued that there is evidence of European organisations using both internal and external labour markets. The received wisdom in HRM tends to support an internal labour market strategy. However, this material, taken enables the development of an alternative approach: that an external labour market can be sufficiently State-supported, and sufficiently controlled, to create the option of a dual strategy - an organisational version of the core-peripheral labour market model introduced by Atkinson (1984).

Restricted organisational autonomy

In sum, then, this section has shown that organisations in Europe have restricted autonomy (or from another angle, higher levels of support) in their handling of the relationship with employees. The culture of Europe has little in common with the "frontiersman" approach of and to business leaders in the States; patterns of ownership are different; legal regulation of the employment relationship is much more extensive; and trade unions are more firmly embedded. Furthermore, the higher levels of State support in the external labour market open up the possibility of a lower risk dual option in the choice of labour markets.

HRM and Business Strategy

One of the most widely discussed distinctions between HRM and old fashioned personnel management is the closer linking of the former to business strategy. This is largely a feature of the more prescriptive writing; there is little compelling evidence, despite exhortation from an early stage, (Walker 1978; Craft 1981) that such linkage is taking place in reality, even in the United States (Guest 1990). This section of the paper considers this element under the short-hand expression "integration".

By integration is meant the degree to which the HRM issues are considered as part of the formulation of business strategies (see e.g. Schreyögg 1987; Butler 1988; Wohlgemuth 1988; Guest 1989; Brewster and Holt Larsen 1992). There is - in research as well as in the business community - an increasing awareness of the relationship between business strategy and HRM (Storey, 1989; Freedman, 1991). Indeed, in Germany particularly, the debates about HRM have tended to focus on the issue of "strategy" (see Conrad and Pieper 1990 for a full review of the German debate on HRM). The more organisations become knowledge, service or hi-tech oriented, the more human behaviour becomes a competitive factor. Employing highly skilled, professional staff with pronounced expectations of the work environment necessitates a job structure with challenge and responsibility, a communication pattern with un-filtered upwards and downwards information flows and a career management system providing multi-level and multi-type career tracks.

It has been argued that such an integration of business strategy and HRM has several advantages:

"First, integration provides a broader range of solutions for solving complex organisational problems. Second, integration ensures that human, financial, and technological resources are given consideration in setting goals and assessing implementation capabilities. Third, through integration organisations must explicitly consider the individuals who comprise them and must implement policies. Finally, reciprocity in integrating human resources and strategic concerns limits the subordination of strategic considerations to human resource preferences and the
neglect of human resources as a vital source of organisational competence and competitive advantage” Lengnick-Hall & Lengnick-Hall 1988 (p. 459-560).

Nevertheless, much is still unknown about the dialectic relationship between strategy and HRM. As proxies of integration we can take findings in three areas: HR specialist involvement in the main policy-making forum of the organisation (Board of Directors or equivalent); HR specialist involvement in the development of corporate strategy; and whether or not such strategies are linked with HR policies which are translated into targets and evaluated. The first two items require little explanation. In European countries personnel or HR specialists rarely reach the very highest positions in employing organisations (Coulson-Thomas 1990; Coulson-Thomas & Wakeham 1991). Of course, this varies by country and would appear to be more common in Scandinavia. It is also true that there are numerous CEOs who may not have come from the personnel function but exhibit a particular interest in HRM. However, these are still exceptions. In practice an informed HR input to top-level debates is most likely only where there is an organisational structure which provides for the head of the HR functions to be present at the key policy-making forum. Our third proxy item, targetted and evaluated HR policies, requires more explanation. It is argued that a full integration of HR into business strategy can only occur where this function, like production, marketing, finance, has set targets against which it is measured. The assumption here is that aspects of business strategy which are seen as important by an organisation’s top team are monitored against set objectives.

Tables 13 and 14 indicate the proportion of companies with an HR presence at the level of the Board (or equivalent); and the role that such Board-level HR specialists play in the development of corporate strategy. These show significant differences across Europe, but in most countries a clear majority of organisations have an HR presence at the top strategic level: as many as four out of five organisations in Sweden, France and Spain. However in some countries, notably Germany and Italy, the HR function is only rarely represented at Board level.

<table>
<thead>
<tr>
<th>Table 13</th>
<th>Head of Personnel or Human Resources function on the main board of directors or equivalent %</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>CH</td>
</tr>
<tr>
<td></td>
<td>58</td>
</tr>
</tbody>
</table>

Source: PWCP 1991

This data underestimates this factor of integration. In Germany, for example, the Codetermination Act of 1976 required the Executive Boards of large companies to have a labour director with responsibility for staff and welfare matters. Furthermore, the Executive Board is overseen by a Supervisory Board on which, depending on size and sector, legislation provides for a third or a half of the seats to be reserved for employee representatives (Gaugler and Wiltz 1992). These State determined requirements are in addition to, or perhaps supplement, having the head of the function on the main Board. Inevitably they mean that human resource issues are an integral part of corporate decision-making. The Netherlands and Denmark also have two tier Boards with union representation on the Supervisory Board. Other requirements for consultation and disclosure (noted above) may also have the effect of raising awareness of HR issues at the top level.

When we examine personnel department involvement in the development of corporate strategy the picture changes somewhat. In Germany and Italy our
respondents tell us that human resource issues are taken into account from the outset in the development of corporate strategy by more organisations than the number who have Board level responsibility for the HR function: supporting the point made in the previous paragraph. In the Netherlands and UK HR influence from the outset approximately mirrors Board level involvement. In the other six countries there are considerable numbers of HR specialists with a place on the Board who, nevertheless, are not involved in the development of corporate strategy until a later stage.

<table>
<thead>
<tr>
<th>Table 14</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>HR Involvement in Development of Corporate Strategy (%)</strong></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>from the outset</td>
</tr>
<tr>
<td>consultative</td>
</tr>
<tr>
<td>implementation</td>
</tr>
<tr>
<td>not consulted</td>
</tr>
<tr>
<td>don't know/missing</td>
</tr>
</tbody>
</table>

Source: PWCP 1991

In only three Northern European countries, Sweden, Germany and Norway, do more than half the organisations involve the head of HR in the formulation of corporate strategy from the outset. Otherwise, between a third and a half of all organisations in all the other countries have an early HR involvement at this critical level.

The next stage in this analysis of integration is to examine those organisations who have formal HR strategies which the organisation takes seriously enough to translate into work programmes and deadlines and to monitor. The figures for HR strategies are given in Table 15. Again they show considerable variation. In Germany only 20% of organisations have a written personnel or HR strategy, with 43% claiming to have an "unwritten strategy". In Norway, at the other extreme, 74% of organisations have a written strategy and a further 16% have an "unwritten strategy". There is a broad correlation between having the head of the HR group on the Board, or equivalent, and having a written HR strategy. Perhaps Board membership encourages HR specialists to feel that formalised strategies are as important for their function as for other areas of the business. The noticeable exceptions to this broad correlation are in the Latin countries of Spain, France and Italy. In Spain and France Board-level representation is high, but formal policies exist in only half as many organisations; and in Italy formal strategies exist in twice as many organisations as have Board-level representation for the HR function.

<table>
<thead>
<tr>
<th>Table 15</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Personnel/HR Management Strategy (%)</strong></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>written</td>
</tr>
<tr>
<td>unwritten</td>
</tr>
<tr>
<td>no strategy</td>
</tr>
<tr>
<td>don't know/missing</td>
</tr>
</tbody>
</table>

Source: PWCP 1991
The ten countries differ in the degree to which they are likely to translate their HR strategies into work programmes and plans. Nearly all the German organisations with written HR strategies go on to operationalise them; only half the Danish organisations do so. However, there is little change in the general order of integration (see Table 16).

<table>
<thead>
<tr>
<th>Table 16</th>
<th>Organisations with written HR strategy translated into work programmes and deadlines (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>CH</td>
<td>D</td>
</tr>
<tr>
<td>42</td>
<td>18</td>
</tr>
</tbody>
</table>

There is considerably greater variation when this translation of strategies into programmes and deadlines is taken one step further, to identify what proportion of these organisations evaluates the performance of the personnel department (Table 17). On this measure both the UK and Italy move up the order quite sharply; Norway moves down a considerable way. It appears that though personnel departments in UK and Italian organisations are less likely to be integrated into the business, they are considerably more likely, where they are integrated, to have their performance monitored.

<table>
<thead>
<tr>
<th>Table 17</th>
<th>Organisations with written HR strategy translated into work programmes and deadlines where performance of personnel department is systematically evaluated (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>CH</td>
<td>D</td>
</tr>
<tr>
<td>24</td>
<td>8</td>
</tr>
</tbody>
</table>

Source PWCP 1991

This raises the issue of the rationale for such monitoring. The assumption made earlier was that organisations tend to measure what is important to them: hence the evaluation of the personnel or HR department would indicate a degree of seriousness being accorded to the function. An alternative explanation is that these departments are having to prove their value, whereas in countries where they are less commonly measured their value is taken for granted. Thus in Germany, where the extensive legal and quasi-legal requirements of employment mean a substantial administrative role at least, less than one in ten organisations evaluate the performance of the personnel department.

Comparing the countries on these criteria some other anomalies, besides those on evaluation, stand out. Spain appears to be one of the least consistent countries, being near the top of the scale on Board membership, much further down in terms of written HR strategies and their translation into work programmes and otherwise in central positions. This volatility is understandable given the dramatic and comparatively recent change from fascism to democracy in Spain, rapid economic growth following accession to the EC, and the subsequent attempts of the personnel function to clarify its new role.
Other anomalies concern France's high rating on Board membership and early involvement in the creation of corporate strategy compared to its much lower rating on the HR strategy issues. It is arguable that this fits in with stereotypes (supported by some evidence, see Laurent 1983 and Hofstede 1980) of France as a rigidly hierarchical country: the influential senior HR specialists do not want their autonomy restricted by written policies.

A final point to make about the linkage of human resource management and corporate strategy concerns the nature of the link. In the USA there is a widespread belief that HRM is the dependent variable and business strategy the independent variable in this relationship. (see e.g. Galbraith and Nathanson 1978; Tichy et al 1982). "The critical managerial task is to align the formal structure and the HR systems so that they drive the strategic objectives of the organisation" (Fombrun, Tichy and Devanna 1984, p.37). The assumption is that human resource management is in some sense "strategic" when it follows closely the corporate strategy of the organisation. This conception, widespread in the United States, is open to three kinds of criticism.

First, it shows a considerable misunderstanding of the process of strategy formulation. Mintzberg (1978 p.935) indeed argues that "formulation" of strategy doesn't take place - it's much less explicit, conscious or planned. He suggests using the term "formation" instead. The development of strategy is in fact a complex, iterative and incremental process, so that it is difficult to define a point at which the corporate strategy can be "finalised" sufficiently to allow the "HRM strategy" to be created. (For a brief, clear view of this issue see Hendry and Pettigrew 199x, p.34).

Second, there is considerable evidence from the States (Springer and Springer 1990; Devanna, Fombrun and Tichy 1984; Quinn Mills 1985; Quinn Mills and Balkaby 1985; Burack 1986; Buller 1988; CCH 1989) that the integration of HRM with business strategy is in practice rare even amongst large corporations (see Guest 1990). British authors have gone so far as to suggest that, like previous theories of management, American texts on HRM "need to be read, therefore, as indictments of what American industry largely was not" (Hendry and Pettigrew 1990 p.19).

Third, the process described in the States is built on different assumptions than those which operate in much of Europe. The rational/logical view that is widespread in America leads to a view that HRM strategies should be determined by experts closely following the business strategy. Indeed it is a direct importation of this approach that informs the research reported above. The data indicates that HRM is more closely integrated into the strategic level in Europe. However, this view of the implication of such integration is built on a particular set of assumptions. Thus, for example, discussing how what he calls "modern personnel management" could be more closely integrated with the organisation's functioning a German author draws the immediate conclusion that "this could perhaps mean that staff participation in the organisational process ....... might be more feasible now that was the case in the past" (Remer 1986, p.361). American texts tend not to make the assumption that employees will be involved in the process of strategy formation.

Authors such as Pieper have argued that in Germany HRM "seems to be more a theoretical construct than an applied reality" (Pieper 1990 p.18). These authors are looking for an American-style HRM in Germany; and not finding it. However, in general the evidence presented here for Europe as a whole is supported by case study evidence in the UK which argues "that there has indeed been a remarkable take-up by large British companies of initiatives which are in the style of the `human resource management model" (Storey 1992 p.28). Overall it appears that in Europe there may be a higher degree of integration of HRM at the top levels of
organisations than there is in the United States: especially when the extra-organisational cultural and legislative influences are included.

**Alternative Approaches to HRM**

This paper has argued that the concept (or perhaps bundle of concepts) of HRM that have come to Europeans from the USA have two key components: organisational autonomy and strategic integration. It has also argued that these components look very different from the other side of the Atlantic. This final section of the paper attempts to pull together these differing threads; to argue that despite differences within Europe, a European approach to HRM is discernible; and to use that to build on available theories to propose a more internationally applicable model of HRM.

Such an ambitious programme would be more daunting if much of the groundwork had not already been laid. Europeans are increasingly critical of the American model. Looking at the UK, Guest sees "signs that ....the American model is losing its appeal as attention focuses to a greater extent on developments in Europe" (Guest 1990 p.377) and the same author is elsewhere sceptical of the feasibility of transferring the American model to Britain. However, the elements of a model that could serve as the basis for comparative international research are not made explicit.

The inapplicability of American models in Europe has also been noted in Germany. Gaugler returns to the first principles of personnel management in developed economies, those that have to be fulfilled by any company anywhere such as: the procurement of the right number of staff with the right qualifications at the right time and the right costs; the management of compensation; company leadership- and response to employee expectations of fair treatment, acceptable working conditions and opportunities to do fulfilling work. However, Gaugler concludes that the different legal, institutional and economic context show that there is no uniform model of personnel management: "An international comparison of HR practices clearly indicates that the basic functions of HR management are given different weights in different countries and that they are carried out differently." (Gaugler 1988 p.26). Another German, Pieper, surveying European personnel management similarly concludes that "a single universal model of HRM does not exist" (1990 p.11). Critiques of any simplistic attempts to "universalise" the American models have also come from France (see, e.g. Boumois 1991a, 1991b).

It is valuable to point out weaknesses in theory, but it is not sufficient. There is a need to move beyond that to, at least tentatively, proposing improvements to the models. This is more important in the light of two very different developments: the increasing interest in the linkage between HRM and economic success; and the drive towards Europeanisation.

**The HRM-economic success equation**

It is frequently argued that there is a direct correlation between strategic HRM and economic success. Porter believed that HRM can help a firm obtain competitive advantage. Schuler and Macmillan (1984 p.242) make a similar point, that "effectively managing human resources" gives benefits which "include greater profitability". Other authors make the point explicitly that "firms that engage in a strategy formulation process that systematically and reciprocally considers human resources and competitive strategy will perform better ....over the long term" (Lengnick-Hall and Lengnick-Hall 1988 p.468); HRM has even been propounded as "the only truly important determinant of success" (Beyer 1991 pl). Salaman (1991) comments "this is an obvious but important point". Pieper builds on this to argue that "since HRM is seen as a strategic factor strongly influencing the economic success of a single company one can argue that it is also a strategic factor for the success of an entire nation" (1990 p.4).
The problem both with the obvious point and the logical extension to national success is that there is a marked dearth of evidence to support them. Indeed at the most visible level, the national level, there is some evidence that on the most generalised assumptions taken here the evidence points in the opposite direction. Thus, those nations who allow least autonomy to their managements (with most legal regulation and trade union influence), tend to have been most successful in recent years. Those nations, in Europe, include some where organisations tend to have an HR function closely integrated with business strategy and some where it appears only rarely represented at Board level. Many successful European states have moved sharply in the direction of external labour markets. National differences in human resource management and in practices linked frequently with the American views of good HRM practice have no correlation with national differences in economic performance.

Part of the answer to this problem is undoubtedly methodological, based around the impossibility of finding nations (or organisations) which are equal in all substantial areas except HRM strategies. It seems unlikely however that better methodology would resolve the issue. This raises two possibilities: the first is that the link with economic success, despite its obvious logic, is a fallacy. The second, more promisingly, is that current conceptions of HRM are inadequate. This would go some way towards explaining the lack of correlation of a narrowly conceived view of organisational strategies with economic success.

It has been recognised from the earliest discussions of personnel administration and management that practice here has to be related to directly impinging environmental factors - such as labour markets and State legislation. Literature, perhaps, lagged rather behind practice. A paper at the end of the 1960s on the then dominant "human relations" approach argued that the human relations literature of the immediate post-War years and the succeeding organisation development and change literature ignored all external, economic variables (Strauss 1968). The same critique could well be applied to much of the more prescriptive HRM literature. This could be shown as in Figure 1. (The dotted line represents the situation where organisations can develop practices in HR without having any HRM policy).

From the early 1980s this debate has been widened. Several authors in that period (see for example Nkomo 1980; Tichy et al 1982; Fombrun 1982, 1984) argued that human resource management needed to follow the corporate strategy literature in acknowledging, and positioning itself in line with environmental influences. Indeed, Beaumont recently commented that, whatever the other failings, of the latest writing on HRM, it "no longer ignores external, economic variables" (Beaumont 1991). This was, for example, included in the "perspective" proposed by Lengnick-Hall and Lengnick-Hall where "competitive strategy" and "HR strategy" are still in separate boxes (but boxes which are connected or, in their terms, "mesh") and which are both impacted by external issues: for HR these issues
overlaps with issues for competitive strategy (Lengnick-Hall and Lengnick-Hall 1988 p.467). This, and similar suggestions from other American authors are simplified into the position represented in Figure 2. The environment is conceived of as including different things. For example, Lengnick-Hall and Lengnick-Hall include economic conditions, industry structure, distinct competence, product market/scope, competitive advantage; Beer et al (1984) include in their "situational factors" some of these HR characteristics (work force characteristics, management philosophy, task technology) and some external ones (business strategy and conditions, labour market, unions, laws and societal values). For ease of representation these are left out of the diagram.

These approaches have been criticised in the USA. In the article just quoted on human relations Strauss also attacked contemporary approaches as ignoring (or being anti) trade union and being based on a unitary view of organisations (Strauss 1968). The same criticisms have been made about theories of HRM. It is in response to this that Beer et al supplemented the Figure 2 diagram with the notion of plurality of interests by including (potentially conflicting) "stakeholder interests" in their classic "map of the HRM territory" (Beer et al 1984 p.16). Interestingly, however, much of their succeeding discussion reflects a unitarist concept of the organisation: and in fact moves into a clearly normative and prescriptive path.

These models have been subject to significant criticism in Europe. Poole (1990) wishes to add to the Beer et al map 'globalisation' - the practice of multinational corporations including, centrally, the transfer of executives between countries (Brewster 1991) - power and strategic choice. Hendry and Pettigrew (1990) similarly start from the Beer et al model and wish to amplify it to categorise the factors influencing strategic decision making in HRM, under the headings of "economic"; "technical" and "socio-political". Under "economic" they include ownership and control, organisational size and structure, the growth part of an organisation, industry structure and markets; under "technical" they refer to skill, work organisation and labour force requirements of technologies; "socio-political" encompasses the institutional framework, particularly the national education and training system.

The environmental factors have been central to discussions of this issue in other European countries (see, for example Bournois 1990 in France). A more explicit instance can be taken from Remer (1986), discussing personnel management in the more administrative German context: he does so in terms of "external characteristics" (economy, technology, society, employers, politics, law, science, culture).

Pieper categorises the environmental factors affecting HRM similarly to Harvard, or to Hendry and Pettigrew. However, he feels that this approach does not overcome the problem of presenting "lists" of things and, in the last instance, is atheoretical and forced to rely once again on the black box of culture to explain international differences. (1990 p.22).
Whether these lists of environmental issues are contextual or are an intrinsic aspect of the HRM concept may be more than a matter of semantics. It is noteworthy that it is in general the American authors who have seen it as contextual and the European authors who have wanted to include these areas within the concept. Going down the route of seeing these issues as contextual has led to the often very detailed, case-study based, and sophisticated attempts to create a "contingency" approach to HRM. Thus Schuler (1989), a leading figure in this movement, has attempted to link HRM strategies to life-cycle models (as did Fombrun and Tichy 1983 and Kochan and Barocci 1985) and to Porter's models for achieving competitive advantage in different industry conditions (Schuler and Jackson 1987; Schuler 1989). Other authors have argued that HRM should be contingent upon markets (Baird, Meshanlan and Degive, 1983; Dertouzos, Lester and Solow 1989) and upon groupings within organisational levels (Lorange and Murphy 1984). The examples could be multiplied (see also Macmillan and Schuler 1985 where the reciprocity of HR and strategy is clearly stated; Lengnick-Hall and Lengnick Hall 1988; Schuler and Macmillan 1989; Schuler 1991).

This contingent determinism has been adopted by some authors in Europe (Staffelback 1986; Ackermann 1986; Eckardstein 19xx; Besseyre des Horts 1987, 1988). However contingency theory has come under attack in the corporate strategy literature (originated by Child 1976 and followed through by such authorities as Porter 1980, 1985 - see the recent debate on 'organisational economics' led by Donaldson in the Academy of Management Review 1990). A major critique is that it allows little role for managerial action other than that of identifying the current position and matching strategy to it. Many of the "contingency" school of HRM writers fall into a form of strategic determinism in which management's task is essentially no more than to establish the "fit" of HRM to a given - usually corporate strategy driven - scenario. Such attempts have been sharply criticised by Conrad and Pieper (1990); by Staehle (1987), who criticises the American literature accessible in Germany for its derivative approach to personnel management which is seen as dependent upon corporate strategy, rather than contributory to it; and by Poole: "strategic choices imply discretion over decision-making (i.e. no situational or environmental determinism)" (Poole 1990, p.5).

The Europeanisation of theory

There is a general trend in theorising on the eastern side of the North Atlantic towards arguing that an over-ready acceptance of American models has gone beyond its provable value: and that the time is now ripe for distinguishing specifically European approaches. It is surely no coincidence that this coincides with the revitalisation of the European Community and Europe's economic success compared to the USA.

Thurley and Wirdenius, for example, were concerned with the development of a functional model of management, particularly in the context of international business activities, rather than with HRM in particular or the comparative analysis of different national models of HRM. But they are relevant here because they try to distil what is particular to "Europe" rather than the US or Japan. They focus on the cultural context of management, and, in the face of the predominance of American and Japanese conceptions of management, the need "now to distinguish 'European Management' as a possible alternative approach" (1991 p.128). They see this as necessary to reflect the different cultural values and legal-institutional practices that are dominant in Europe. Such a European approach has the following characteristics:

"European Management
is emerging, and cannot be said to exist except in limited circumstances;

is broadly linked to the idea of European integration, which is continuously expanding further into different countries (i.e. the 12);

reflects key values such as pluralism, tolerance, etc., but is not consciously developed from these values;

is associated with a balanced stakeholder philosophy and the concept of Social Partners."

(Thurley and Wirdenius 1991 p.128)

There has been criticism of the importation of American theory elsewhere too (Cooper and Cooper 1985). In the context of HRM specifically, European authors have argued that "we are in culturally different contexts" and, "Rather than copy solutions which result from other cultural traditions, we should consider the state of mind that presided in the search for responses adapted to the culture" (Albert 1989, p.75 translations in Brewster and Bournois 1991).

A "European Model"?

Our evidence here suggests two paradoxical trends run through HRM in Europe. First, there are clear country differences which can be understood and explained in the context of each national culture and its manifestations in history, law, institutions and trade union and employing organisation structures; or in terms of regional clusters within Europe (Filella 1991). Second, there is an identifiable difference between the way in which HRM is conducted in Europe and the situation in the United States of America; a difference which allows us to speak of a European form of HRM and to question the appropriateness of the American concept of HRM in this other continent. (We would add that intuitively we believe that there may also be questions about the relevance of the US form of the concept in other continents).

What is needed is a model of HRM that re-emphasises the influence of such factors as culture, ownership structures, the role of the state and trade union organisation. Clearly the European evidence suggests that managements can see the unions, for example, as social partners with a positive role to play in human resource management: and the manifest success of many European firms which adopt that approach shows the, explicit or implicit, anti-unionism of many American views to be culture-bound.

Attempting to encompass these areas within a concept of HRM takes it back towards the industrial relations system approach first outlined by Dunlop (1958) in which the state and its agencies, employers and their associations and employees and their representative bodies formed the constituent elements.

Until recently a call to re-establish the primacy of the wider industrial relations concept may have been seen as a nostalgic attempt to deny the replacement of an older theory by a new one. However, the recent publication by Kochan et al (1986) has breathed new life into the older theory. A major weakness of an otherwise very important book is its lack of a comparative, international framework. The evidence presented here is that one element of the Kochan et al argument - that governmental, market and labour-management relations are interwoven - would have been all the stronger if they had drawn international comparisons.

It is our contention that HRM theory needs to adopt the wider perspective of the model proposed by Kochan et al, and a more comprehensive view of the actors in
the system, if it is to become a theory that stands the test of international application.

This paper proposes a model of HRM (outlined in figure 3) which places HR strategies firmly within, though not entirely absorbed by, the business strategy. The two-dimensional presentation doesn't show, but must be taken to include, an interaction between the two rather than one following from the other. The model also shows, in a simplistic form, that the business strategy, HR strategy and HR practice are located within an external environment of national culture, power systems, legislation, education, employee representation and all the other issues discussed above. The organisation and its human resource strategies and practices in turn interact with and are part of that environment. The model places HR strategies in close interaction with the relevant organisational strategy and external environment in a way that is not unforeshadowed in much of the literature but is indicated simply and clearly here.

This different presentation of the HRM concept points towards a model which places HRM firmly within the national context: thus allowing fuller understanding of situations which differ from that existing in the United States. The advantages of this approach include a better fit of the model to the European scene and experience. This changes the debates in Europe from two angles. From the normative side, where commentators and consultants have criticised employing organisations for not adopting the 'American' model, this approach allows a change. Rather than searching for, and not finding, traditional HRM, and then criticising employing organisations and their personnel specialists for not adopting these 'modern' approaches, the model enables the consultants to be more modest and employers to be less defensive. From the analytical side, where academics have found little evidence of HRM in practice and significant shortcomings in the concept as it has come across to us from the USA, the model enables analysts to move beyond discussions of whether HRM should be 'accepted' or 'rejected' to a more positive debate about the forms and styles of HRM.

By allowing for a greater input into HRM from the environment in which the organisation is located, this approach also enables the analysts to link HRM more clearly with some of the advantages in international competition which leading strategic theorists claim will accrue to certain sorts of organisations: specifically, those which take greater account of personnel requirements, are more tolerant of ambiguity and challenge, are in a position to take greater risks and are more accepting of variability (Bartlett and Ghoshal 1989; Hedlund and Rolander 1990). Perhaps based partly on this reasoning the model provides a closer fit between HRM and national success. The fact that personnel aspects are brought into corporate strategy by culture, legislation, union involvement can be encompassed here: thus going a considerable way towards explaining why some countries, even including those with limited natural resources, that do not meet the traditional criteria of HRM are nonetheless amongst the most successful in the world. The link between positive HRM and economic success is restored.
A final note (not a conclusion)

This paper has focussed upon presenting data on HRM practices in Europe and outlining the challenge that the European perspective provides to at least many of the 'American' notions of HRM. Developing the concept to take account of the more limited autonomy (or greater support) of organisational managers which is evidenced in Europe, and including the external factors within a different presentation of the concept of HRM, has a value beyond the presentation of simple diagrams. Clearly, it needs refinement, but it does present a way forward. Without some adaptation to take account of the European (and perhaps other?) non-American situations, the HRM concept will continue to attract fundamental critiques, even in its most sophisticated form, for its failure to accept different degrees of managerial independence, different approaches to working with employee representatives and Governmental involvement and, most damagingly, its inability to link HRM to economic performance. This paper, by attempting to clarify some of these fundamental bases of the concept, suggests one way forward.

The conceptual limitations of this paper will be apparent. One in particular is the conflating of Europe into a single entity. There is some rationale for this - the European Community provides a unifying political theme even for countries which at present only aspire to join it; and in many areas the similarities between countries in Europe in distinction to those in other continents are more obvious than differences within Europe. Nevertheless differences within Europe are important and are touched on in this paper - and addressed in more detail in Brewster and Bournois 1991, Filella 1991 and Brewster and Holt Larsen 1992.

A second oversimplification in the model, and one where it clearly needs development, is in its relation to MNCs. Clearly it shows the need for international organisations, and particularly international managers (Brewster 1991) to be aware of, and to adapt to, local environments - as in practice they frequently do. However a more complicated, perhaps three-dimensional, model would be required to provide a full picture of the world environment within which many international organisations operate.

The methodological limitations are in one sense at least less important as the paper has drawn on a range of data and other research. Nevertheless a continual frustration is the lack of directly comparable data from the United States of America. In at least some respects the focus on case study evidence in the United States has led to a theoretical debate which it has been argued is "data-poor" (Kochan 1991). There is a real need for a substantial survey of organisations in the US to establish hard data on the extent of particular practices in human resource management.
Appendix

METHODOLOGY OF THE PRICE WATERHOUSE CRANFIELD PROJECT ON EUROPEAN TRENDS IN HUMAN RESOURCE MANAGEMENT

Increasingly attention is focused on people management and differences in management techniques and strategies in this area (Pieper (ed) 1990; Brewster and Tyson, 1991). In order to obtain an accurate picture of policies and trends, it was decided to carry out a survey of employing organisations, repeating it at least three times. In the first year of the project the survey covered five countries: France, Germany and the UK as the largest European economies; Sweden as the largest Scandinavian EFTA member; and Spain as a less industrialised economy within the European context. The second year extended the group of participating countries by a further five: Denmark, Italy and the Netherlands as further EC members and Norway and Switzerland as additional EFTA member states. The Tables in this paper use the following standard abbreviations in referring to countries: Switzerland (CH), Germany (D), Denmark (DK), Spain (E), France (F), Italy (I), Norway (N), Netherlands (NL), Sweden (S), United Kingdom (UK). The third year has seen the number of countries increased yet again. This paper is based on data from the second year of the Project.

The survey is based on a postal questionnaire. This concentrates on hard data: factual information about policies and practices rather than attitudes. The questionnaire covers the following subject areas:

- HR departments and IIR strategy;
- recruitment policies;
- pay and benefits policies;
- training policies and evaluation;
- contract and working hours flexibility;
- industrial relations and employee communication;
- responses and attitudes to the approaching Single European Market.

It was decided that in the interest of long-term comparability of trends that an (as far as possible) identical questionnaire would be used in all countries. In some areas national differences had to be incorporated; the major area here is that of staff categories. For example, French organisations tend to divide employees into Cadres referring to management and some professional employees; ETAM, who are administrative, technical and supervisory staff, and ouvriers or operatives. These are not only customary definitions but are also defined in law. There is little point therefore in trying to force French personnel managers into the customary British four-fold division of "management"; "professional/ technical"; "clerical" and "manual". In Germany most companies have different policies for dealing with skilled manual workers (Facharbeiter) and semi- and unskilled manual workers. Again the questionnaire had to take account of these differences.

Problems in ensuring that the selection and interpretation of topic areas was not biased by one country's approach, and in the translation of concepts and questions, were to some extent overcome by detailed collaboration between business schools located in each country (see Table). Comparability of industrial classifications was made possible by adopting the NACE system used by the European Community.

(For full details of the methodology and the attempts to overcome the problems created by international research see Brewster, Hegewisch and Lockhart 1991).
Table 1: European Partner Schools of the Price Waterhouse Cranfield Project

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<th>Country</th>
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<td>Switzerland</td>
<td>Hochschule St. Gallen</td>
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<td>Germany</td>
<td>Universität Mannheim</td>
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<tr>
<td>Denmark</td>
<td>Handelshojskolen; Kopenhagen</td>
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<td>Spain</td>
<td>ESADE, Barcelona</td>
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<tr>
<td>France</td>
<td>Groupe ESC Lyon</td>
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<tr>
<td>Italy</td>
<td>SAIS, Johns Hopkins University, Bologna</td>
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<tr>
<td>Norway</td>
<td>Handelshoyskolen BI; Oslo</td>
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<tr>
<td>The Netherlands</td>
<td>Rotterdam Business School, Erasmus University</td>
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<tr>
<td>Sweden</td>
<td>IPF, University of Uppsala</td>
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<tr>
<td>UK</td>
<td>Cranfield School of Management</td>
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</table>

In 1990/91 The questionnaire was tested, translated and distributed to a broad sample of personnel directors in ten countries. 6300 organisations responded across all ten countries; the detailed response rates for the 5449 usable responses are set out in the chart below (The first year of the research covered five countries, with replies from over 5600 organisations, and usable returns from 5047 organisations).

In broad terms the responses are representative of the employment size, country of origin and sectoral distribution of the economy of each participating country. This is the largest and most representative survey of HRM policies and practices in Europe.

**Response Rates (%) in each Country**
**together with usable responses**
Further Information

Further details and information about this project may be obtained by contacting: The Price Waterhouse Cranfield Project, Cranfield School of Management, Cranfield, Bedford MK43 OAL, England. Telephone: (0234) 751122 or (0234) 750773
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