LINKING INDIVIDUAL PERFORMANCE TO BUSINESS STRATEGY: THE PEOPLE PROCESS MODEL

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During the last five years, a team of researchers has worked with the senior human resource (HR) teams of seven large companies with United Kingdom operations. This research initiative has focused on a number of aims, one of which has been to understand and model how business strategies are translated through human resource strategies and people processes into individual and organizational performance. This article summarizes the key findings, provides a map of how this translation takes place in these companies, and discusses why some people processes are more strongly linked to business strategy. © 1999 John Wiley & Sons, Inc.

Introduction

A key challenge facing organizations is how they continue to deliver sustained competitive advantage in the short-term while also preparing for longer-term success. It is widely acknowledged that the sources of sustained competitive advantage lie not only in access to finance or capital, but within the organization, in people and processes capable of delivering business strategies such as customer satisfaction or rapid innovation (Barney, 1991; Lundy, 1994). What is the precise role of people and processes in delivering business strategy? This article builds on previous models of strategic human resource (HR) processes and describes what role these processes play in linking business strategy and individual performance.

The majority of models of the strategic human resource process are normative, in the sense that they map how human resource management (HRM) *should* work and provide guidelines on best practice (e.g., Devanna, Fombrun, & Tichy, 1981; Schuler, 1988; Legnick-Hall & Legnick-Hall, 1990). Empirical models are more scarce, due to the relative lack of empirical research in the field. Those that do exist are relatively sophisticated and take into account a broader range of contextual and output variables (Hendry, Pettigrew, & Sparrow, 1988; Hendry & Pettigrew, 1990). Conceptual or theoretical models derived from the literature are also more scarce than are normative models. The Harvard Business School, in one of the earlier books on human resource management (Beer, Spencer, & Lawrence, 1984), put forward a conceptual map of human resource management to guide thinking on the subject, while both Storey (1992) and Guest (1988) have derived variables and models from the literature. We aim to build on these models by mapping, through a case-based methodology, the particular aspect of the model that focuses on how the link between strategy and individual performance is played out.

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The methodology and initial theory behind the mapping was guided by a number of implicit assumptions. The first assumption was that as Mintzberg (1978) and others have argued, we could not assume that what is *intended* would be *realized*. This suggested that at this stage we focus on collecting exploratory data rather than seeking a predetermined typology. It also suggested that a case methodology, with in-depth data collected from many people within the company, would be preferable to questionnaire data from senior HR people. The second assumption was that the link between business strategy, human resource strategy, and realized human resource management operates in a dynamic manner and within a particular context. These two assumptions had a profound impact on the design of the methodology. We wanted to examine what was intended (both in the context of business and HR strategy) plus what was actually realized and the context in which this intention and realization took place. A more detailed description of the factors examined in the research is shown in Table I.

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Companies and Methodologies

During 1992 we created a research consortium comprising the United Kingdom (UK)

TABLE I **The Major Factors Examined in the Research.**

Intended Business Strategy
Articulated Strategic Objectives: strategic-type stated business goals

Intended Human Resource Strategy
Strategy Creation and Implementation: formal strategic planning processes; performance aspirations; clarity of corporate vision; extent of communication and understanding of strategy; perceived commitment of senior managers to strategic goals
Human Resource Strategy: strategy documents; human resource goals; integration between goals; current major human resource initiatives

Strategic Human Resource Context
Characteristics of the Human Resource Department: structuring of tasks, organization of the department; acquisition and use of knowledge; nature of the HR information systems; processes to identify and plan for the future; size of HR department
Level of Expertise: knowledge and expertise, perceived credibility; type of people employed
Design and Implementation of HR Interventions: participation of HR director in strategic decisions; level of HR expertise; linkage between strategy and HRS; employees' perceptions of the strategy of the HR department. Senior managers' expectations of the HR function; measures of success; main stakeholders in the HR policy formulation and implementation; change-facilitation skills of the HR department
Human Resource Philosophy: psychological contract; level of investment in human resource activities

Realized Human Resource Interventions
Type of Intervention: strategic linkage; major interventions; future plans; future challenges
Process Outcomes: recruitment and selection; induction; performance management; training and development; career and succession planning, equal opportunities, employee relations

Outcomes
Organizational Commitment: the ambience of a firm in terms of morale, conviviality, satisfaction, and shared commitment
Profitability and Growth: level and stability of profitability; growth rate of sales or revenues
Adaptability: flexibility
Competence: employees have the competence to take on new jobs and skills as needed; a positive attitude toward change and learning

heads of personnel for a number of large companies. The aim of this consortium was to gather highly sensitive data about the true nature of human resource management in these companies, to provide a forum in which information could be reported and debated, and to make the research findings available to a wider audience (and by doing so, to create a platform for a deeper and more informed debate about people management issues). During 1992 and 1994 we collected data from the UK business of seven large, complex companies: BT Payphones, Lloyds Bank (now Lloyds TSB), Citibank, Glaxo Pharmaceuticals (now Glaxo-Wellcome), Hewlett Packard, WH Smith News Distribution, and Kraft Jacob Suchard (part of the Philip Morris group). Within each company we focused on one business, unit, or region to obtain in-depth data, rather than simply collecting broad-brush information across the company as a whole. A brief contextual description of each organization is presented in Table II: The Participating Companies. All the companies had significant operations in the UK. Although they were from different sectors, all were in the top five in their particular sectors in terms of turnover, size, and profit.

We are aware that the choice of location and companies had certain weaknesses. In an effort to reduce contextual differences, we chose to focus on one country—the UK. Secondly, the nature of a research consortium such as this created the need, in the early stages, for confidentiality, and this removed the possibility of within-sector comparisons with competing companies. Clearly this is a self-selected sample and may not be representative of a wider sample of major companies. We have attempted to compensate for this, however: by ensuring we have identical methods across all the companies, by concentrating the analysis on a vertical slice through the organization, and by ensuring comparable elements.

Case-based method is central to the research approach. This is well suited to an endeavor such as our own, which is predominately exploratory, with emergent rather than a simple dominant or unifying theory, and where the focus is theory building, rather than theory testing. This triangulation (Jick, 1979) uses a combination of methods to study the same phenomenon, the basic premise being that the particular limitations of a given method will be compensated by the counterbalancing strengths of another (Snow & Thomas, 1994).

Interviews

We took a vertical slice through each business and interviewed about 37 people in each of the seven businesses. There were three distinct types of interviews: (1) semi-structured interviews elicited the opinions of employees about the nature of the business strategy, role of HR, and the nature of the HR interventions; (2) the "unwritten rules of the game" (Scott-Morgan, 1994) interviews were deeper and more prolonged, designed to uncover the sense-making activities of employees (e.g., What do you have to do around here to get along? Who gets promoted?); (3) an initial focus group with members of the HR function provided orientation and an initial framework about the structure and nature of the HR interventions. These interviews were tape recorded and transcribed before being written into the company cases.

Employee Survey

In order to increase the scope and depth, we complemented the qualitative methods with a questionnaire sent to a representative sample of 20% of the employees. In total, 2,200 were returned, representing a response rate of 60%. The questionnaire contained measures on organizational strategy and values, satisfaction with HR interventions and the HR function, employee relations and standard scales on job satisfaction, commitment, and trust.

Archival Data

Internal and external documents were analyzed to provide a validity check of field findings. We collected written information about the intended HR strategy (policy documents and plans), the HR interventions (forms, documents), and outcomes (company surveys, retention rates).

The Emerging Map

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TABLE II **Participating Companies.**

Company	*Organization / Type*	*Area Studied*	*Product Activity*	*Total Employee Number in Area Studied*	*Number of Respondents to Survey (percentage response rate in parenthesis)*
BT	UK / Utility	BT Payphones	Telecommunications	2,800	293 (50%)
Move from the public to the private sector, with emphasis on customer service. Major downsizing program. Payphones seen as a major turnaround.					
Citibank	US / TNC	Global Finance Europe	Corporate Banking	1,790	177 (59%)
Highly competitive marketplace, with emphasis on teamworking, informality, autonomy. Significant downsizing in past.					
Glaxo	UK / TNC	Pharmaceutical UK	Pharmaceuticals	1,400	178 (71%)
Move from hierarchical and authoritarian culture to emphasis on teams and cross-functional working.					
Hewlett Packard	US / TNC	Computer Service (Sales and Marketing)	Office Equipment	2,000	215 (56%)
Emphasis on the HP way—humanistic, open culture. Recent administrative reorganization has cut bureaucracy and increased responsibility.					
Kraft Jacob Suchard (Philip Morris)	US / FMCG	UK Headquarters	Consumer Goods (Food)	500	164 (69%)
Fast-moving company with emphasis on short-term financial results and brand management. Growth by acquisition, strong adherence to process.					
Lloyds Bank	UK / Chain	Thames Valley and East Region	Clearing Bank	3,200	609 (62%)
Bureaucratic, paternalistic tradition undergoing change to adapt to new market conditions with greater emphasis on the customer and increased centralization.					
WH Smith	UK / Chain	News Distribution	Distribution	4,300	569 (57%)
Cash-rich business of Group and long history of autocracy tempered by paternalism, strong family feel, unionized, high proportion of unskilled workers.					

workshops in which the research team, and the HR teams from each of the companies met together to compare data. Over a period of time, a map emerged of the relationship between business strategy and individual and organizational performance. From the case information and discussions with the practitioner and research team, a number of propositions emerged:

- The link between business strategy and individual performance occurs in part through the organizational capability to create and embed people processes along a number of dimensions: vertical linkage (to create alignment with short-term business needs); horizontal linkage (to create cohesion); and temporal linkage (to transform to meet future needs).
- These clusters of people processes can be described and observed across all the businesses in the sample.
- The strength of the linkage between people processes and business strategy varies across the processes and across the businesses.

Proposition 1: Dimensions of Linkage

The notion of the creation of a link between business strategy and the performance of every individual in the organization is central to this model. *Vertical linkage* expresses the most visible aspect created, for example, through linking a business goal to individual objective setting, to the measurement and rewarding of that business goal. The concept of *horizontal linkage* is more complex, expressing as it does the linkage created within and between the people processes. These types of linkage are essentially static, however expressing immediacy. We created the term *temporal linkage*, To capture the notion of time and change which describes the linkage between the capabilities of the present and the aspirations of the future.

Vertical Linkage. At the core of many models of human resource strategy (HRS) is the vertical linkage between strategy (or the objectives of the business), individual behavior, and ultimate individual team and company performance. This vertical integration—where leverage or linkage is gained through procedures, policies, and processes—is widely acknowledged to be a crucial part of any strategic approach to the management of people (Schuler & Jackson, 1987; Tichy, Fombrun & Devanna,1982; Truss & Gratton, 1994). It ensures the presence of an explicit complementary relationship between internal people policies and processes and the external product market or larger business strategy. It also creates and supports the individual behavior and competencies that have the potential to be a source of competitive advantage (Wright, McMahan, & McWilliams, 1994). Linkage ensures a focus on what Jackson, Schuler, and Rivero (1989) have described as "needed employee behavior," that behavior which is central to the delivery of the business strategy.

Horizontal Linkage. We observed that horizontal linkage between the processes plays a major role by ensuring key people processes have cohesion and coherence. Underlying this concept is the proposition (Guest, 1987) that cohesion is likely to create synergistic benefits, and the company's strategic plans are more likely to be successfully implemented.

Temporal Linkage. When we studied these companies, however, it became clear that the concepts of vertical and horizontal linkage were not sufficient to capture the dynamic nature of this linkage. We found seven companies in periods of extreme change and transformation. Some had emerged from periods of extensive downsizing (BT Payphones and WH Smith); others were restructuring their operations (Citibank) or preparing for mergers (Glaxo-Wellcome and Lloyds-TSB). In short, the HRS agenda they faced was one of continual change, where the need was to balance continuity and consistency with the challenge of change. We termed the phrase "temporal linkage," which acknowledged that at the heart of the delivery of long-term competitive advantage there must be a vision for the future and a focus on concerns that are broader, more long-term oriented, and less problem centered than the short-term (Mahoney & Deckop, 1986).

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considerably longer than those for financial or technological resources. Consider the following: It takes ten to fifteen years to select and develop an international senior executive cadre; a minimum of three years to pilot and implement a reward system refocused on supporting a new set of competencies; five years to reshape the technological skill base of employees. In sum, for the crucial people issues, the temporal perspective is not just months, and could even be decades, so the planning cycle for people resources must be capable of creating a foundation for skills and behaviors far beyond the one-year cycle favored for many business strategies. We believe this distinction between delivering short-term business goals and the creation of longer-term capability is an important distinction. It has been forcibly argued by a number of commentators (Hamel & Prahalad, 1989) that too many Western companies emphasize the short-term to the detriment of longer-term success.

Proposition 2: The Relationship Between the Core People Processes

At the core of the model are clusters of processes that create vertical linkage (primarily performance management processes) and clusters that create a link with the future (primarily the transformational processes). But what was the dynamic relationship between these processes? We had, rather naively in retrospect, expected HRS documents (i.e., the intended strategy) to play a key role. What we found instead was a more complex, iterative relationship, which is shown in the italic ovals in Figure 1.

In the current model, the word "process" is intended to embrace philosophies, policies, and practices (Schuler & Jackson, 1987); however, the emphasis is on practice and embedded processes, those that take place in a systematic rather than an ad-hoc manner and that have a procedural reality rather than philosophical rhetoric. Change and transformation are captured in the dynamic and iterative nature of the model. Across all the companies we observed the use of four key people processes that essentially deliver short-term business goals:

1. the ability to set objectives that are clearly and consistently linked to the business strategy;
2. the ability to create performance metrics capable of measuring and

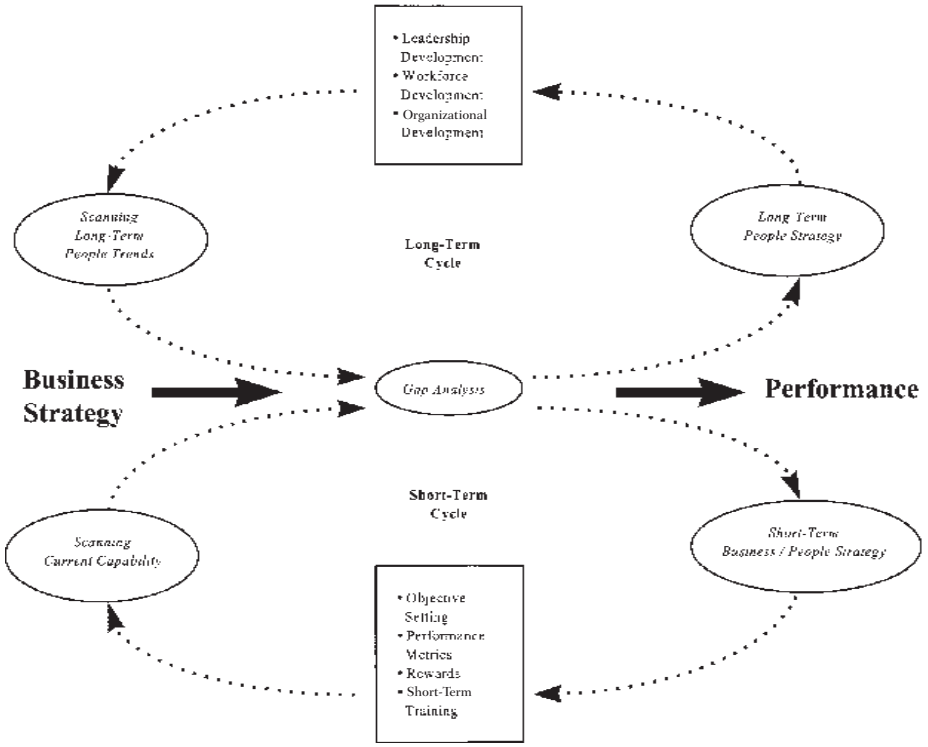

FIGURE 1. The people process model: Embedding transformational change.

reporting on those behaviors and performance outcomes that reflect the business goals;
3. the ability to reward performance in line with the business goals; and
4. the provision of short-term training capable of supporting the delivery of the short-term business goals.

These are shown in the short-term cycle of the model.

We also observed within these companies a set of processes that are essentially transformational, working with time cycles of many years:

1. creating a leadership cadre capable of delivering the international strategy over the next decade;
2. transforming the basic skills and aspirations of the workforce to prepare for the longer-term; and
3. creating an organizational structure and value set that will underpin longer-term success.

These are shown in the long-term cycle of the model.

These clusters of processes support the policies and systems that deliver short-term performance and prepare the foundation for long-term transformation. The continual adjustments of these processes to changes in the business strategy, however, requires a set of feedback and redirectional elements. In these companies, many of these dynamic feedback elements are relatively weakly developed. It was possible, however, to observe vestiges in all companies. They consisted of three elements:

1. to scan and diagnose people capability;
2. to create an understanding of the gap between capability and business requirements (as expressed in strategy documents); and
3. To create a people strategy through an analysis of this gap (either implicitly or explicitly), which influences the design and delivery of the people processes.

This cycle of activity operates in a short-term (i.e., the next six months) time frame and a long-term (i.e., the next two years and ahead) time frame shown in the two cycles of the model.

Proposition 3: The Strength of the Processes

Although all the people processes and elements were apparent in these seven organizations, we observed varying strength in the ability of the process to create linkage between the business strategy and individual performance.

In developing the map of the processes and feedback elements, it became clear that some processes are very strongly linked to business strategy. They are sufficiently embedded, well understood, and communicated so that changes in business and people strategy could be rapidly translated into adjustments in the process. Other processes are weak; they happen in an ad-hoc basis and are so loosely coupled that they could not respond to changes in business strategy.

In trying to understand this, we set out to analyze the strength of each process and element across each of the seven case companies. We achieved this in two stages; first we agreed what each process and element would look like if it were strongly or weakly linked, and created descriptions along a five-point scale. There have been previous attempts to describe the concept of linkage; these have either focused on a single process (e.g., strategy development, Tyson & Fell, 1986; Quinn & Mills, 1985) or described the strongest level of linkage without articulating the weakest (Ulrich & Lake, 1990; Walker, 1980). We attempted to describe all of the processes at all levels of linkages. An example of the level description for the objective-setting process is presented in Table III, Individual and Team Objectives Linked to Business Goals.

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The Findings

Using these level descriptions, the research team assimilated the data from interviews and questionnaires to create both a rating process and elements across all the case companies. In Table IV we summarize the overall findings, and in the next section we describe strong and weak linkages and discuss the underlying reasons and implications.

For all the companies, training that focused on short-term business needs was seen as a key aspect of their ability to create the flexible and multi-skilled workforce crucial to delivering both short- and longer-term business performance.

Strongly Linked: Objective Setting

All these companies had experienced restructuring, and many had delayered with a resultant emphasis being placed on managerial and employee responsibility. In these companies, this devolution had been accompanied by real efforts to create strong linkage among the objectives of individuals, business goals, and outputs. Processes for setting annual objectives and agreeing targets were a feature of all the companies in the sample. Two of the companies, Hewlett Packard (with their ten-step process) and Kraft Jacob Suchard (with their Managing and Appraising People Process), operate with strong strategic linkage and had developed an objective-setting process that links individual objectives to annual business goals in a clear and articulated manner. In both companies, joint objective setting was the foundation of a performance management framework that ensured objectives were flexed to meet the changing needs of the business strategy. The processes were well documented, systematically rolled-out, supported by trained managers, and the quality was reviewed. As a consequence, of the employees we surveyed, the vast majority were aware of the business strategy and how it linked to their performance, had clearly defined work goals, and understood the basis upon which their job

TABLE III **Individual and Team Objectives Linked to Business Goals.**

Strong Linkage

Level 1

The *business objectives of the overall strategic plan* are *clearly articulated* to the individual and are transformed into *clear objectives* that are discussed and agreed on an annual or bi-annual basis. Processes exist which ensure that individual objectives are *realigned* to take account of annual changes in business strategy.

The quality of the objective setting process is *monitored* and *changes are made* to ensure that it remains an effective process.

Level 2

The *business objectives of the overall strategic plan* are *clearly articulated* to the individual. There is *some linkage* between these *business plans and individual objectives*, and *some reshaping* of individual objectives as business objectives change.

No explicit monitoring systems are in place that provide feedback on the success of the process.

Level 3

There is *some articulation of the business strategy* to the individual. Managers meet with their teams at *least annually* to discuss the objectives for the coming year. These objectives are *recorded* and kept to be revisited on an annual basis.

However, there are no *clear processes in place* capable of directly linking individual objectives to the business strategy or *flexing* these objectives as the business strategy is realigned.

Level 4

There is no *clear articulation of the business strategy* to the individual. A proportion of managers *meet annually with team members* to talk about performance and set expectations for the coming years. These expectations relate to the individual and his or her manager; *they do not have any clear link* through to the business strategy and key imperatives.

Level 5

There is *no clear articulation of the business strategy to the individual*. While individuals and their managers *talk about performance*, these discussions are *infrequent, vague, ad-hoc, and unrecorded*. There are *no mechanisms in place to link* these discussions with the business.

Weak Linkage

performance was appraised. A crucial element of the embedding of the process is that in both companies the objective-setting process had been in place for over a decade and as a consequence had become part of the way in which individuals saw the company doing business. It was part of the fabric of the culture and an important management discipline.

Strongly Linked: Short-Term Training

For all the companies, training that focused on short-term business needs was seen as a key aspect of their ability to create the flexible and multi-skilled workforce crucial to delivering both short- and longer-term business performance. For a number, a key lever was the ability to maximize the performance of knowledge workers and thus begin to build a learning organization.

For Glaxo, Hewlett Packard, and Citibank, on-line and off-line training was seen by employees as making a significant contribution to organization performance, and the survey showed that the majority believed they had the skills needed to deliver against the performance objectives with which they had agreed. Many also felt that the organization encouraged the development of new skills. Interestingly, although these three companies had made significant investments in off-line training (with over 50% of those employees surveyed reporting more than five days of training per year), their employees believed that being faced with challenging jobs had played the most significant role in developing their work performance.

Strongly Linked: Leadership Development

Processes to support the creation of leadership cadres had been a central activity for many of these companies, particularly those requiring international executives capable of operating in a multinational context. Kraft Jacob Suchard and Citibank both had complex succession processes supported by the early identification of high-potential people, accelerated development of this group, and succession lists and "backstopping" arrangements. Of the multinationals, only Hewlett Packard had chosen not to systematize a high-potential process. In part,

TABLE IV **Linkage Across the People Process Model.**

The Short-Term Cycle

- *Objective Setting: Strong Linkage*, clear objectives set in most companies.
- *Performance Metrics : Medium Linkage*, strong metrics around financial performance, much weaker around "softer" people elements.
- *Rewards: Strong Linkage*, particularly in the American multinationals, weaker linkage around team pay and upward feedback.
- *Short-term Training: Strong Linkage*, all had significantly invested in training to meet immediate skill needs.

The Long-Term Cycle

- *Leadership Development: Strong Linkage*, well-established leadership development and high-potential cadres.
- *Workforce Development: Weak Linkage*, focus on the present rather than the future; career planning and psychological contract is problematic in many companies.
- *Organizational Development: Medium Linkage*, some have a clear view of OD, others lack view and capability.

Feedback and Redirectional Elements

- *Scanning Current Capability: Medium Linkage*, some use of surveys and skills audit but lacks cohesion and integration; rarely sufficiently communicated to line managers.
- *Short-Term Business/People Strategy: Medium Linkage*, articulated HR strategy plan and influential HR people in most companies; link between espoused and enacted can be weak.
- *Scanning Long-Term: Weak Linkage*, isolated use of long-term visioning; limited feedback to managers; broad directional element rather than clear articulation.
- *Long-Term People Strategy: Weak Linkage*, vision rarely more than 2 or 3 years; generally the process is not embedded; limited impact on management decisions.

this reflects the company's commitment to a meritocracy, where the accelerated development of an elite group would be seen as countercultural (Hope, 1994).

Weakly Linked: Long-Term People Strategy

In other areas, the link between business strategy and people processes was relatively weak across all the companies. We focus here on two areas: the development of a long-term people strategy and the transformation of the workforce.

From a methodological perspective, analyzing the elements that support preparation for the future was the greatest challenge for the research team. These processes are opaque, occur in small management teams, may not be documented (and if they are the documents are not circulated), and occur on an ad-hoc basis. In summary, analysis is complex and circumspect, involving interviews with senior management, document trawls, and questionnaires sent to the head office. The piecing together of this rather disparate information began to create a picture of how these companies prepare for the future and the role people issues play in this preparation. All is not always as it appears: The existence of a strategic human resource document in one company signified the culmination of a real dialogue about the future and the role of people, while in another company it was a "dead" document, devoid of meaning. In yet another company, there was a lively ongoing debate about the future, but no human resource document.

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Here we were looking for examples of processes that supported the creation of a long-term view of the future of the organization and its implications for people. Processes such as scenario planning, models, and simulations have been described as central to the activity of reshaping the view of the organization. None of these companies regularly used these processes, and usage tended to be rather experimental and related to the issues of a single business, or the activities of a particular long-term oriented manager. Most companies were operating with a relatively weak strategic linkage. Cross-functional groups met occasionally to discuss the likely people implications of strategic intent, and these discussions tended to concentrate on current issues. In each of these companies, debates about people followed the development of strategy. In no case did human resource consideration take precedence over business strategy. At Hewlett Packard, the alignment was strongest because the "HP Way," which informs the thinking in the organization, places people as an intrinsic part of the values and culture of the company.

Weakly Linked: Scanning Long-Term People Trends

These elements play a crucial part in preparations for long-term business performance. They can provide a vehicle to scan the external environment, identify probable competitive pressures, legal trends, demographic changes, or likely contractual trends. An understanding of these trends can prepare the company for potential skill shortages and can be helpful in planning for the impact of work or lifestyle changes. They also form the baseline for the gap analysis, which illuminates the priorities for the long-term strategy. None of these companies engaged in frequent scanning of these long-term people trends, and as a consequence, this information was not used systematically in the development of people strategy.

Weakly Linked: Workforce Development

Although high-potential individuals are seen as a key source of longer-term leverage, this view appears not to be held for the general workforce. For many companies, compared to the other processes, the transformation of the workforce was operating at the lowest level of strategic linkage. Analysis of the case studies suggest that this lack of strategic linkage results from two major factors: (1) profound downsizing and restructuring, which have destroyed the old career paths and the psychological contracts associated with them, and (2) accelerating changes in the technological and competency base of the organization, which require a whole new set of skills. Together these factors had created a real sense of instability for many employees and a lack of understanding of future options for employers.

The first factor, breakdown of the old career paths and the old notions of the psycho-

logical contract, was apparent in all these companies. The career paths had in the past provided the on-the-job experience to support (generally in a rather ad-hoc way) the longer-term development of experience and knowledge. As these organizations change, so the paths become obsolete. For some companies such as Citibank, these new structures had been in place for a sufficient length of time to allow the creation of associated career paths. The creation of task and project team based structures and the associated destruction of functional, "silos" was a challenge faced by Glaxo Wellcome. The new structure required an emphasis on ad-hoc teams, project teams, and task forces as the predominant structuring mechanisms. This change had destroyed the old career paths and had only begun to create an awareness of what the new paths of experience could be. Under these circumstances, it was not surprising that only 18% of the total employees surveyed felt satisfied with their career management.

The move from the old paternalistic psychological contract to a new psychological contract between employer and employee was exemplified by BT Payphones and Lloyds Bank. Both are significant UK employers who until relatively recently have operated in a paternalistic, bureaucratic, and hierarchical manner. Historically, those joining these companies (generally at the beginning of their careers) were assured of a job for life and a relatively clear career structure. This is no longer the case. Since that time these companies have downsized and refocused their strategy to increase customer focus and product awareness.

The second factor, the profound change in the technological and competency base of the company, also serves to create uncertainty and lack of focus. For many of these companies, the processes required to predict future skill needs were underdeveloped, and therefore there was limited understanding of what work experiences are appropriate to create future-oriented skill sets. Although there were examples of career planning processes (particularly in Hewlett Packard), none had developed systematic portfolios of policies and career planning procedures which would ensure that employees had an opportunity to participate in a series of work experiences that would prepare them for future challenges. Instead, those policies and processes in place were primarily serving the current skill and competency needs.

Given this lack of clarity regarding future skill needs and the breaking of the old psychological contract, it was no surprise that the career appraisal processes that collect information about career preferences were viewed with some skepticism. In all companies, changes in the organizational structure, delayering, and downsizing had severely reduced employees' opportunities to move vertically, yet processes to encourage or reward horizontal or team-based development were underdeveloped or lacking.

Although broad directives (e.g., to gain multi-functional experience, to develop international awareness, to gain customer experience) can be seen, what was lacking at this stage was the translation of these broad directives into clear policies and processes.

Discussion

Embedding people processes and creating strong linkage to business strategy are of enormous importance to any HR practitioner. We found that some processes seemed more easily embedded than others and that some companies were more skillful at embedding them than were others. In this discussion, we explore why this may be the case.

Differences Across the Processes

Perhaps the most striking feature of this research is the relatively stronger linkage for short-term people processes and the weaker linkage (with the exception of leadership development) for longer-term oriented processes. We believe that these have evolved for a number of reasons, but are mainly due to the complexity of embedding these processes and the general short-term view of the companies.

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Complex Interventions: Developing human resource strategies, reshaping the view of the organization, and creating alignment are all processes that are highly complex and on which relatively little has been written. For instance, we looked for examples of processes that supported the creation of a long-term

people-oriented vision—using perhaps the scenario planning, models, or simulations described by various commentators (Gratton 1994; Ulrich & Lake, 1990; Walker 1980). None of these companies regularly and systematically used any of these processes, and where they had been used, they were experimental or related to specific issues or were supported by a particular long-term oriented manager. We believe that creating a clearer understanding of these longer-term HR processes is critical for practitioners.

Short-Termism: We found that generally the support of the line manager was critical to both the successful embedding and the quality of people processes. Where managers were supportive, they were generally appraised on their people-management skills and trained to support and deliver the process, but a strong counter to the embedding of processes—particularly the long-term processes—was the prevailing short-term drive. In many of these companies, the key performance drivers were to maintain and increase share price through cost-cutting, which emphasizes short-term income. At Kraft Jacob Suchard for example, the performance metrics were almost exclusively focused on delivering profitability. The monthly measures and annual timescales increased the pressure on short-term delivery. This external pressure has two distinct effects on managers' capacities to deliver these processes. First, managers generally understand, both formally through performance objectives and informally through the demands of their bosses, that the main priority is the "hard stuff" and the "numbers." Many of the comments from the "unwritten rules of the game" reinforced this perception. To advance in the company, what matters is delivering financial results, not investing in long-term development. Second, managers have (as a result) little incentive to invest in processes such as reshaping or transforming individuals that do not have a short-term payoff. Only at Hewlett Packard and Citibank did we see any systematic measurement of the managers' capability and motivation to develop their team. Team and collegiate feedback were used across many groups, and while the other companies were piloting these processes, they had not yet embedded them. We would argue that a key role of the HR practitioner is to focus the organization on the longer-term and to challenge the predominant short-term thinking.

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Differences Across the Companies

Clearly, there are differences in the strength of linkage across the processes, with some generally more strongly linked than others. We are considering this question in the longitudinal study that is taking place during 1996 and 1999; however, for this article we have developed a number of hypotheses about some of the key factors that influence the organization's ability to create and embed people processes. Before talking of the differences among the companies, the most obvious similarity is the significant downsizing and flattening of structures that all of the companies in this sample had experienced. While there are also commonalities that have had a profound impact (particularly on the long-term development of the workforce), there are striking cross-company differences in the ability to create strong linkages. The following are some of our current working hypotheses.

Multinational Companies: Generally, these had more strongly linked people processes than nationally based companies. Hewlett Packard, Citibank, Glaxo, and Kraft Jacob Suchard all had stronger people processes than did BT Payphones, Lloyds Bank, and WH Smith. As these companies had moved outside the national boundaries, so the people processes appear to have been more strongly embedded and linked to the strategy and less ad-hoc and unmonitored (Adler & Ghoder, 1990).

Scale of Transformation: The strategic linkage of the processes was generally weakest where the company had recently experienced major catastrophic transformation and change. This was perhaps most marked at BT Payphones and Lloyds Bank, where a refocus toward customer orientation had necessitated a fundamental shift in what is appraised, rewarded, and developed. In both companies, the company rhetoric was still way ahead of the reality, and people felt uncomfortable and disorientated as they saw the processes around them changing. Further, some of the newly introduced processes had created clear ex-

amples of procedural injustice, a topic we are focusing on with particular interest in the longitudinal study. Of course, change is part of the corporate agenda for Hewlett Packard and Kraft Jacob Suchard, but this had been absorbed in an incremental way without the "catastrophe" and unfreezing experienced by other companies. This study highlights for HR practitioners the severe weakening of HR processes associated with transformation and the need to create a clear view of how these processes can be rebuilt around the new corporate mission.

Administrative Heritage: Our final hypothesis concerns the administrative heritage and process discipline within the companies. In those companies where the processes had been in place for many years and were rolled-out in a disciplined and often centralized manner, they were better embedded and supported. For example, the ten-step plan at Hewlett Packard and the MAP process at Kraft Jacob Suchard had both been in place for over five years and were not subject to frequent changes in policy. Support and consistency were less apparent where the processes had been recently introduced and where powerful regional managers blocked the introduction. At WH Smith, performance management had been recently introduced and was not seen as part of a wider process of change. At BT Payphones, although much effort had been focused on cascading business objectives, a rapid series of initiatives had left employees uncertain and the processes weakly embedded. The message here is clear: Faddish "flavor of the month" interventions serve simply to divert management resources. Strongly linked processes are built over time in a consistent manner.

This leads us to the complex question of whether strongly linked people processes make for strong corporate business performance. Rather than answering this question directly, we make two comments—one about methodology and one about success.

First, with regard to methodology, we have found that it is not unusual for there to be a significant gap between rhetoric and reality. For example, in one company, the personnel director believed that employees understood the basis on which they were appraised. The reality was that 70% of those employees we surveyed said they did not understand the basis on which they were appraised. The triangulated, multifaceted methodology we used allowed us to differentiate between rhetoric and reality and to comment on the reality. We believe that the gap we observed suggests that this type of triangulated, case-based comparative research is crucial to a real understanding of organizational experiences and can provide a depth and breadth of understanding lacking in studies based exclusively on the comments and conclusions of personnel directors or human resource managers. It is our view that case-based methodologies are critical to moving the field forward.

Second, with regard to the nature of success, all the companies we considered were, at that time, within the top five business performers in their sectors. Some had more strongly linked processes than others. For example, BT Payphones and Lloyds had recently moved from relatively stable environments to highly turbulent environments. Partly as a consequence, the people processes that had historically been strongly linked to the "old" strategy were poorly linked to the "new" strategy. Without understanding the heritage of BT Payphones and Lloyds, and without monitoring these companies over time, it is impossible to fully understand the relationship between their commercial success and their people processes. A real understanding of HR policies and the relationship to commercial success can only come through longitudinal studies.

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We have raised some questions as well as discovered some answers in this research study. But what it has shown is that if we are ever to truly understand the relationship between success and people processes, then in-depth, case-based, comparative triangulated, and longitudinal studies have a crucial role to play.

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