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DEVELOPMENTS IN HUMAN RESOURCE MANAGEMENT : AN ANALYTICAL REVIEW OF THE AMERICAN AND BRITISH MODELS

PAWAN BUDHWAR

The present paper discusses the recent developments in the field of human resource management (HRM) in the western world. The paper is divided into three sections. Section one consists of an introduction to the concept of HRM and how it is different from the traditional personnel management. In section two, the major models of HRM are critically analysed. Section three highlights the existing issues and the expected challenges for HRM in the near future. An important aim of this review is to acquaint the Indian audience (both academics and professionals) with the recent developments in the field of HRM in the western world.

INTRODUCTION

The origin of HRM as a defined school of thought is usually traced back to 1970s with the development of Human Resource Accounting Theory (Flamholtz 1974). Earlier to this theory human resources were considered to be just a cost. Like other organisational resources their value was derived from their ability to render services which had economic value. Human resource accounting emphasised that human resources were assets for any organisation. It was defined as a process of identifying, measuring and communicating information about human

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resources to decision makers, specially about their cost and value. This view began to gain support in the 1980s (Hendry and Pettigrew 1991).

During 1980s changes in the international economic environment made US organisations come under severe competitive threat from Japan and the existence of low levels of worker commitment in American organisations became very clear. The increased level of competition in national and international market place combined with slow rate of productivity growth in the US and Western Europe demanded a strong need for major restructuring and reorganisation. All these developments made the academics and practitioners to realise the significance of human resources in combating these challenges. The need to integrate human resource strategy into the business strategy was felt and the academics responded to the challenges caused by the changing scenario by theorising about the models of HRM (Lengnick-Hall and Lengnick-Hall 1988; Guest 1990; 1991; Sparrow and Hiltrop 1994).

The increased importance of the topic of HRM is evident from the fact that over a short span of fifteen years or so it has become the topic of fast growing research and teaching interest. The creation of new chairs in HRM in the universities on one hand and the alteration of the names of Industrial Relations and Personnel departments to HRM both in universities and the industry on the other confirm the importance of the topic (Guest 1991). As a result of these changes HRM initially developed in the US in 1980s. Academics introduced an entire new course of HRM into the first year of MBA curriculum in 1980 and also developed important models of HRM (Walton and Lawrence 1985). These models formed the basis for the development of further theories of HRM and also differentiated HRM from the traditional personnel management by emphasising the involvement of HRM strategy in the business strategy.

Roots of HRM

The roots of HRM go back as far as the 1950s when writers like Drucker and McGregor stressed the need of visionary goal-directed leadership and management of integration (Armstrong 1987). This was

succeeded by the 'Behavioural Science Movement' in the 1960s, headed by Maslow, Argyris and Herzberg. These writers emphasised on the 'value' aspect of human resources in organisations and suggested for better quality of working life for workers. They raised issues such as recognition of the needs of workers, the appropriate learning process and different aspects of motivation, etc. (Sparrow and Hiltrop 1994).

The issues raised by behavioural scientists formed the basis of 'Organisational Development Movement' initiated by Bennis in the 1970s, which began to focus on the importance of seeing the 'Organisation' as a whole. Such an approach emphasises for a systematic analysis of the management of change process. The 'Human Resource Accounting' theory developed by Flamholtz (1974) was also an outcome of such sequential developments in the field of HRM.

Personnel Management and HRM

At the time when the above discussed developments were taking place in the field of HRM, another important and more related debate persisted in the late 1970s and early 1980s. The debate was to distinguish HRM from traditional Personnel Management. Legge (1989) drew some distinctions between the two topics by reviewing the definitions of a variety of writers and she identified three main differences:

- 1) Personnel management is an activity aimed primarily to non-managers whereas HRM is less clearly focused but is certainly concerned more with managerial staff;
- 2) HRM is much more of an integrated line management activity whereas personnel management seeks to influence line management;
- 3) HRM emphasises the importance of senior managements' management of culture whereas personnel management has always been rather suspicious of organisation development and related unitarist, social-psychologically oriented ideas.

Guest (1991) supported Walton's (1985) concepts of 'control' (which emphasises on subdividing work into small tasks, clearly fixing job

responsibilities, and holding individuals accountable for specific job requirements) and 'commitment' (which emphasises on mutual goals, mutual influence, mutual respect, mutual rewards and mutual responsibility, all these elicit commitment, which in turn yield both better economic performance and greater human development) for distinguishing between Personnel Management and HRM. He suggests that since both approaches are forms of control, it is more appropriate to label them as 'compliance' and 'commitment'. Personnel Management is closely associated with compliance based systems of control while HRM is typically allied to commitment based systems of control. Legge (1989) adds that in comparison with Personnel Management, HRM is a more central, senior-management driven strategic activity.

Storey (1992) proposes a model of twenty seven points difference between Personnel Management and Industrial Relations and HRM. His study of twenty two prominent British organisations depicts the change in the nature of personnel function from prescriptive and reactive to descriptive and proactive. Through this model he presents the expected direction and destination of the HR function in near future.

The explanation and discussion of such models and others of the type are beyond the scope of this paper. Moreover, the topics of debate in the field of HRM are changing very rapidly. However, clarification and discussion of the above mentioned issues is essential for the understanding of the rapid development of HRM, especially when the very idea of HRM is denoted as controversial (Storey 1992). Practitioners in the field regard HRM as 'just another set of initials' or 'old wine in new bottles' or 'old bottles with new labels' (Armstrong 1987). It would be inaccurate to suggest that one approach has taken over from the other, just as it would be wrong to suggest that one is modern and other old fashioned, or that one is right and other wrong. Both are usually present in one organisation at the same time, sometimes even in one person.

Presently human resources are being treated as the 'key' resource of organisation. The development of human resources is the direct concern of top management as part of the strategic planning processes of the enterprise (Armstrong 1987; Boxall 1992; 1994; Storey 1992). The

focus of debate has changed over time; at present it is examining the integration of HRM strategies into the business strategies, and the extent to which HRM acts as a key means to achieve competitive advantage in organisations (Schuler and Macmillan 1986; Barney 1991; Sweircz and Spencer 1992; Brewster and Larsen 1992).

All these developments have taken place over the last fifteen years or so, as a result of which the nature of HR function has changed drastically from reactive, prescriptive, and administrative to proactive, descriptive and executive (Storey 1992; Boxall 1994). Four main models of HRM (which are documented more in the literature than others), namely the "Matching Model"; the "Harvard Model"; the "Contextual Model", and the "5-P Model" explain these developments and the increasing scope of the topic (Sparrow and Hiltrop 1994).

MODELS OF HRM

Matching Model of HRM

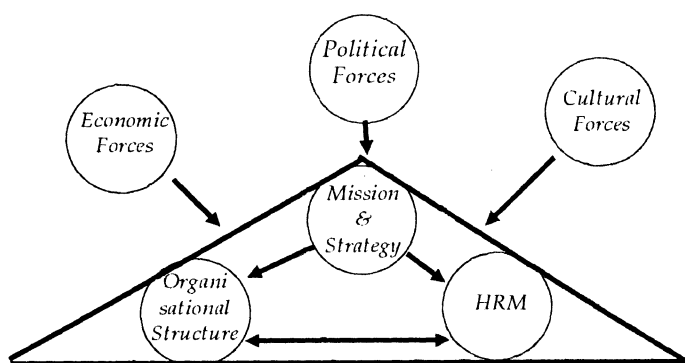
The main contributors of the 'Matching Model' of HRM are from the 'Michigan and New York schools. It was initiated by Fombrun *et al.* (1984). The model highlights the 'resource' aspect of HRM and emphasises the efficient utilisation of human resources to meet organisational objectives. This means that like other resources of organisation, human resources have to be obtained cheaply, used sparingly and developed and exploited as fully as possible (Sparrow and Hiltrop 1994).

The matching model is mainly based on the paradigms developed by Chandler (1962) and Galbraith and Nathanson (1978). Chandler (1962) provided a convincing argument that organisation's structure is an outcome of its strategy. Galbraith and Nathanson expanded on Chandler's analysis and linked different personnel functions such as analysis of career paths, rewards and leadership styles to organisation's strategy and structure. They highlight the significance of the HR function in the achievement of organisation's mission.

Fombrun *et al.* (1984) expanded these premises and developed the matching model of strategic HRM, which emphasises a 'tight fit'

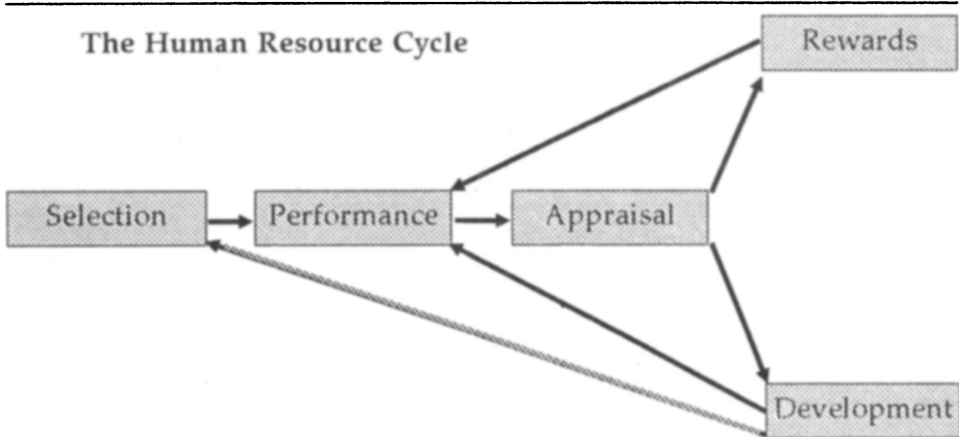
between organisational strategy, organisational structure and HRM system. Environmental pressures such as political forces, economic forces and cultural forces are responsible to a great extent for organisation's mission and strategy. Figure 1 explains these causal relations, which form the 'tight fit' between organisation strategy and organisation structure and organisation's HRM. On the basis of organisation's mission and strategy the shape of organisation is structured, i.e. people are organised to carry out different tasks to achieve organisation's mission. On the other hand the required HR practices and policies are developed. From Figure 1 this relation between the three becomes clear, that is, organisational strategy is independent of organisational structure and HRM.

The main aim of the Matching model is to develop an appropriate 'Human Resource System' which will characterise those HRM strategies that contribute to the working of business strategies (see Figure 2). Such a match can be achieved if four HRM policies of selection, appraisal, rewards and development are coherent and 'consistent' and linked to the strategy i.e. they form an integrated part of HR cycle (Fombrun *et al.* 1984). This alignment is necessary in order to channel behaviours and create a dominant value or culture in the organisation that enables the effective implementation of strategy (Sparrow and Hiltrop 1994). This contributes to improvement of performance both at individual and group levels. Figure 2 shows the integration of these policies.



Source : Fombrun *et al.* (1984:38)

Figure I

**Figure 2**

Source : Fombrun *et al.* (1984: 41)

Further development to the initial matching model on its core theme of 'strategic fit' was made by Schuler group of New York school in the late 1980s. Relating HRM practices to organisational strategies, Schuler and Jackson (1987) presume that the successful implementation of different strategies require different 'role behaviours' on the part of employees which must exhibit different characteristics. On the basis of a survey of 304 business units they concluded that HRM practices are used differently by organisations that differ in their strategies. Moreover, greater differences in HRM practices are found within organisations than across organisations, regardless of strategy. Therefore organisations are likely to use rather different HRM practices with employees at different levels. Schuler and Jackson (1987) emphasise that as organisations change strategies they are likely to change HRM practices. They identified the most important HRM practices about which strategic decisions had to be made and for each practice noted the dichotomous (but logical) alternatives that could be applied (for details of such dichotomous alternatives see, Schuler and Jackson 1987). For them HRM could be seen as a menu of strategic choice to be made by human resource executives in order to promote the most effective 'role behaviours' that are consistent with the organisation strategy and aligned with each other (Sparrow and Hiltrop 1994).

Jackson *et al.* (1989) investigated the relationships between organisational characteristics and personnel practices in 267 firms. Their study revealed that innovative strategy of organisation lead to developing better personnel practices. Their study demonstrated that personnel practices vary with manufacturing technology, industry sector, organisational structure and size and the presence of union (s). The research also showed that personnel practices vary for managerial and hourly employees across sample.

The matching model of HRM has been criticised for a number of reasons such as it is too prescriptive by nature which is mainly due to the fact that its assumptions are too unitarist (Boxall 1992). As the model emphasises a 'tight fit' between organisational strategy and HR strategies, while doing so it completely ignores the interest of employees, hence considers HRM as totally a passive, reactive and implementationist function. The present literature shows an opposite trend (see for example, Storey 1992; Brewster and Hegewisch 1994). It fails to perceive the potential for a reciprocal relationship between HR strategy and organisational strategy (Lengnick-Hall and Lengnick-Hall 1988; Boxall 1992). The very idea of 'tight fit' makes the organisation inflexible, incapable of adapting to required changes and hence 'misfit' in today's dynamic business environment. Lengnick-Hall and Lengnick-Hall (1988:460) correctly commented in this regard: "The whole issue of fit deserves reassessment. Research has shown that achieving fit is not always desirable. Further a focus on maximising fit can be counterproductive if organisation change is needed or if the firm has adopted conflicting competitive goals to correspond to a complex competitive environment".

The matching model also misses the 'human' aspect of human resources. The very idea of the model to consider and use human resources like any other resource of organisation seems unpragmatic. With the increased level of awareness of employees about their rights, it will be wrong to presume that human resources can be exploited like other resources of organisation.

The model is worth criticising for taking only selection, appraisal, rewards and development as the 'generic' HRM functions. By doing

so it overlooks two fundamental policy domains which should be included among the list of the generic functions. They are leadership styles and recognition of labour relations (industrial relations — trade unions and their bargaining power).

Moreover, all the research conducted by Schuler group to further refine and develop the matching model is done by adopting questionnaire survey. Boxall (1992) argues that research of a fundamentally different kind is needed (which should have formal fieldwork programmes) to investigate the dynamism in HR strategy. Surveys, due to their static nature, are not sufficient for such level of research and should be viewed as supplemental to more intensive research than other way round (Dyer 1984).

Despite of the many criticisms the matching model deserves all the credit for providing a good framework to theory development in the field of HRM. Researchers should adopt a comprehensive methodology to study the dynamic concept of human resource strategy.

The Harvard Model of HRM

The 'Harvard Model' of HRM is denoted as an analytical framework, which is premised on the view that if general managers develop a viewpoint of '*how they wish to see employees involved in and developed by the enterprise*' then most problems of historical personnel management can be solved.

The 'Harvard Model' of HRM was first articulated by Beer *et al.* (1984). Compared to the matching model, which might be called the 'hard' variant of HRM, this model might be termed as the 'soft' variant. It stresses the 'human' aspect of HRM and is more concerned with the employer-employee relationship. The model also highlights the interests of different stake holders in the organisation (such as share holders, management, employee groups, government, community and unions) and how their interests are related to the objectives of management. This aspect of the model provides some awareness of European model of alternative business systems such as the 'co-determination' (Boxall 1992).

The actual content of HRM, according to this model is described in relation to four policy areas i.e. human resource flows, reward systems, employee influence and work systems. The model recognises the influence of different stake holders and situational factors (like that of market situation) on HRM policy choices. 'Human resource flows' consist of activities involved in managing the flow of people at all levels into, through and then out of the organisation. 'Reward systems' consist of activities designed to attract, attain, motivate and retain employees in the organisation. 'Employee influence' deals with the extent to which employees are involved in decision making in the organisation. 'Work systems' are concerned with the arrangement of people, information, technology and activities so as to achieve appropriate outcomes (Sparrow and Hiltrop 1994 : 13).

Each of the four policy areas is further characterised by a series of tasks which the managers must attend. Figure 3 explains this aspect of the model. This model adds to the matching model of Fombrun *et al.* (1984) by describing a much broader range of contents for HRM policy co-ordinators. The attraction of the model lies in both the breadth of content covered by these policy areas and the emphasis it gives to develop broad patterns of activity.

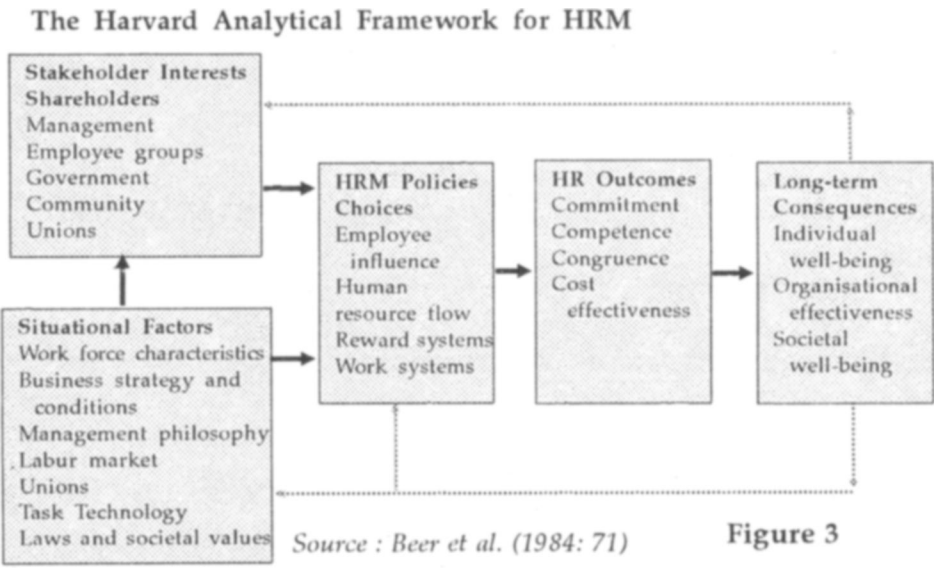


Figure 3

The outcomes that these four HR policies need to achieve are commitment, competence, congruence, and cost effectiveness. The sole aim of these outcomes is to develop mutual trust, to improve individual/group performance, to sustain it and achieve this at minimum expenditure so as to achieve individual well-being, organisational effectiveness and societal well-being. The model allows for multi levels of analyses of these outcomes. It can provide a useful basis for comparative analysis of HRM (Poole 1990). Such an approach is completely missing in the matching model of HRM.

The main criticism of this model came from Guest (1991), for not explaining the extensive relationship between strategic management and HRM. Both the matching model and the Harvard analytical framework represent two very different emphases, the former is closer to the strategic management literature, the latter to human relations tradition.

The 'Contextual Model' of HRM

On the basis of the human resource policy framework provided by the Harvard Model, researchers at the Centre for Corporate Strategy at the Warwick Business School, England, developed an understanding of strategy making in complex organisations and related this to the ability to transform HRM practices. They investigated empirical data (through in-depth case studies) of over twenty leading British organisations to examine the link between strategic change and transformations, and the way in which people are managed (Hendry, Pettigrew and Sparrow 1988). Their view of HRM argues that it is not appropriate to label HRM as a single form of activity. Organisations may follow a number of different pathways in order to achieve the same results. To analyse this, the past information related to organisation's development and management of change is required (Sparrow and Hiltrop 1994).

The model (Figure 4) shows an outer environmental and inner organisational context (business strategy and HRM as 'content' responses) and a series of processes which link these. The solid arrows in Figure 4 indicate direct processes which lead to strategy development

Model of Strategic Change and Human Resource Management

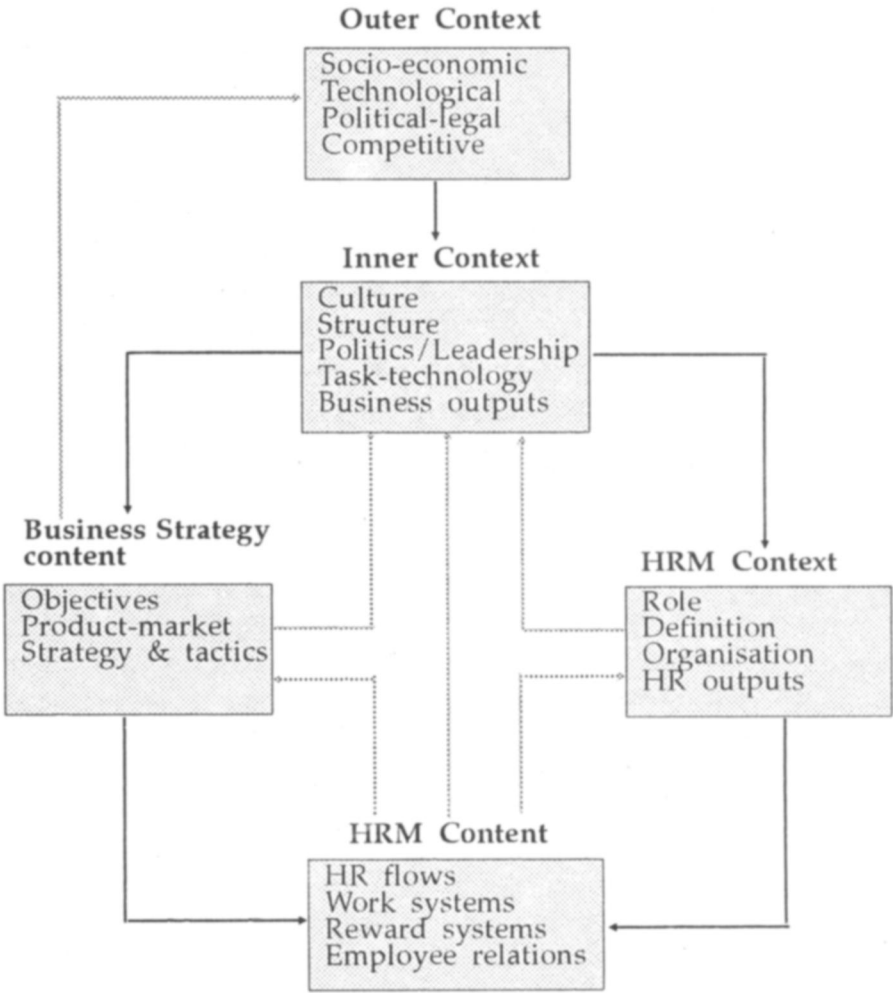


Figure 4

Source : Hendry and Pettigrew (1992: 139)

and the dotted arrows denote the feedback loops. This model adopts the more inclusive Harvard framework to describe the range of HRM activities. The term ‘economic’ in the outer environment context depicts the ownership and control, organisation size and structure, organisation’s growth path or stage in the life cycle and the structure

of the industry and its markets (Hendry and Pettigrew 1990 : 26). All these variables are interrelated to one another. The competitive conditions which the firm faces and the level of profitability are defined by the organisation's growth path and its structure. These then, alongwith the form of ownership, influence organisation's objectives and strategy. The business strategy is also influenced by organisation's size and structure.

The term 'technological' in the model refers to the type of technology which is available and adopted. The changing level of technology has a direct relation to skill requirements of work organisation and practices and the way such changes are managed in terms of industrial relations. The research of Hendry, Pettigrew and Sparrow (1988) has shown that 'skill' development could become a core concept in the management of human resources.

The role of 'socio-political' context becomes crucial as it provides a national education and training set-up to equip employees (of all levels) with the required type of skills. The main emphasis of HRM according to this aspect of the model is to minimise 'people' as a cost.

Along with these external factors a number of internal factors such as the organisational culture, structure (positioning of HR), leadership, level of technology employed and business output directly contribute in forming the contents of HRM.

Guest (1991) after analysing these models suggests, that the time has come to explore the relationship between strategic management and HRM more extensively. The literature shows an increasing concern over this issue starting roughly from 1986-87 (see for example, Schuler and Jackson 1987; Lengnick-Hall and Lengnick-Hall 1988; Hendry and Pettigrew 1992).

The '5-P' Model of Strategic Human Resource Management (SHRM)

The literature reveals a new trend in which HRM is becoming an integral part of business strategy (Schuler and Jackson 1987; Lengnick-Hall and Lengnick-Hall 1988; Brewster and Larsen 1992;

Schuler 1992). The emergence of the term SHRM is an outcome of such efforts. Schuler (1992) has given a composite definition of strategic human resource management. SHRM is largely about 'integration' and 'adaptation'. Its concern is to ensure that:

- 1) Human resource management is fully integrated with the strategy and strategic needs of the firm;
- 2) Human resource policies are coherent both across policy areas and across hierarchies;
- 3) Human resource practices are adjusted, accepted, and used by line managers and employees as part of their every day work (1992 : 18).

Together, these viewpoints suggest that SHRM has many different components, including policies, culture, values and practices. Schuler (1992) developed a 5-P model of SHRM which melds various HR activities with strategic needs (strategic needs reflect management's overall plan for survival, growth, adaptability, and profitability). This model to a great extent explains the significance of SHRM activities in achieving the organisation's strategic needs. The 5-P model shows the interrelatedness of activities that are often treated separately in the literature. This is helpful in understanding the complex interaction between organisational strategy and SHRM activities. Figure 5 depicts the whole process of 5-P model of SHRM.

Figure 5 shows that strategic business needs of an organisation are influenced by its internal (which mainly constitute of factors such as organisational culture and nature of business) and external characteristics (which consist of the nature and state of economy in which the organisation is existing and critical success factors i.e. opportunities and threats provided by the industry), which further melds with Human Resource (HR) activities. The five Ps in the model stand for HR Philosophy, Policies, Programmes, Practices and Processes. These form the main components of HR strategy.

HR philosophy is generally in the form of a statement which highlights the business values of the firm. It explains the role of HRs in the overall

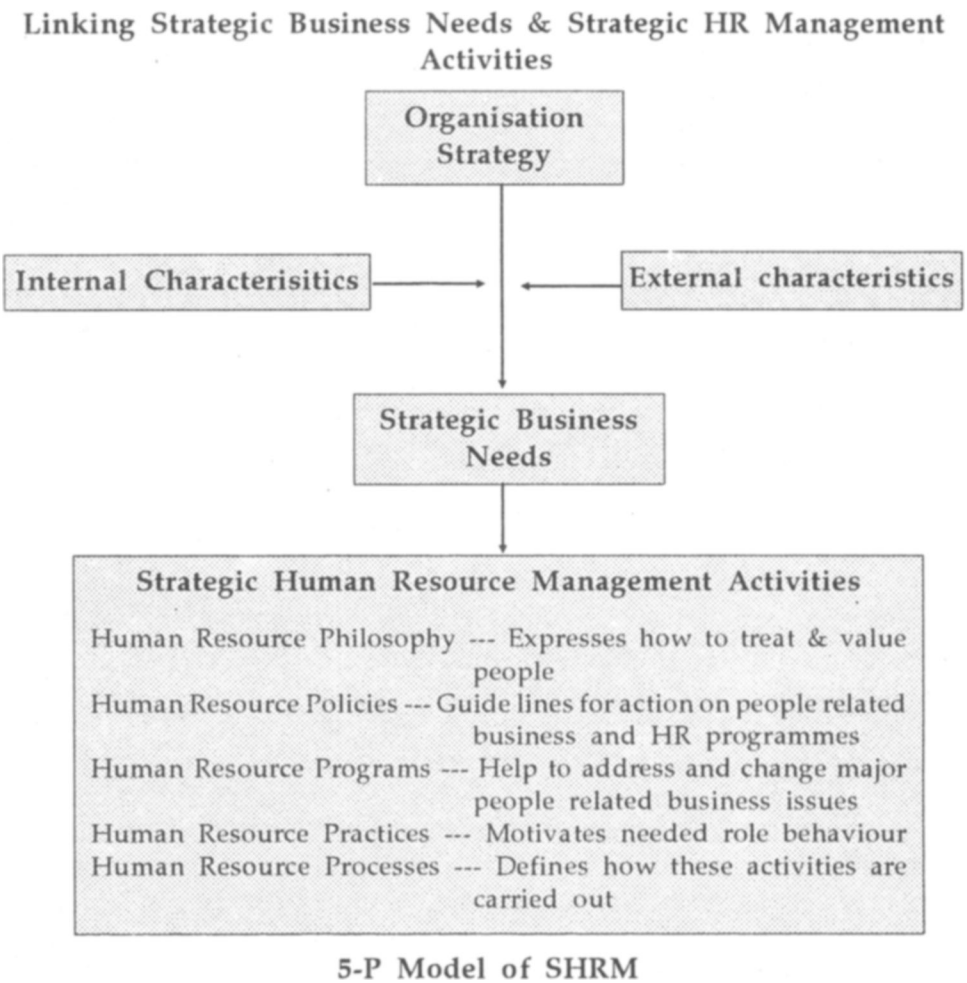


Figure 5

Source: Schuler (1992: 20)

success of the business. *HR Polices* provide guide lines for action on 'people-related business issues', and for the development of HR programmes and practices based on strategic needs. HR programmes are shaped by HR policies and represent co-ordinated HR efforts to achieve strategic business needs, such as initiate, disseminate and sustain strategic organisational change efforts necessitated by the

strategic business needs. *HR practices* highlight the different roles of HRs, viz. leadership, managerial and operational. For the smooth achievement of organisational objectives, the behaviours associated with a given role should support strategic needs. *HR process* deals with 'how' all the other HR activities are identified, formulated and implemented.

This model attracts criticism for being over perspective and very hypothetical in nature. The way Schuler (1992) has presented this model, it seems very attractive, but only on paper, as practitioners will find it difficult (if not impossible) to implement it. It needs lot of time to gain an understanding into the way the strategic business needs are defined. Further the melding of business needs with HR activities is very challenging. This is mainly because linkages between human resource activities and business needs tend to be exceptional even during non-turbulent times (1992 : 20).

The generalisability of this model is questionable, as Schuler has built this model on the basis of observation in only three organisations (Forest Product company, Grand Union and Pepsi-Cola International). Moreover, these three companies are large (they have around eighteen thousand employees on average) and well established. It is difficult to comment on the applicability of this model to smaller firms which have less than 200 employees, where most of the times the Personnel / HR department is not well established (Brewster and Larsen 1992).

Figure 5 indicates clearly the linkages between the organisation strategy, strategic business needs and HR activities. The figure also highlights another aspect of this linkage, that is, organisation strategy dictates HR activities, which means HR activities are dependent on organisation strategy. The same aspect was put forth in the 'matching model' of HRM (see Figure 1). In a way Schuler is talking about the same things which were put forth about twelve years ago. No wonder critics of HRM call it 'old wine in new bottles'.

Apart from all this, while discussing the practical implications of the model, Schuler uses words such as 'if', 'then', 'but', 'also', and a number of pre-conditions for its successful implementation. Such pre-conditions are difficult to be fulfilled in general situations.

It seems, due to these limitations, this model is being referred less by academics. Another reason for this can be that it was formed only three years ago. However, undoubtedly this model provides ideas and issues for future research such as in the area of identifying employee role behaviours and linking them with HR practices. A more comprehensive methodology, supported by intensive fieldwork could be more fruitful in identifying such linkages than the one adopted by Schuler (his findings are based on observation).

EXISTING TRENDS AND FUTURE CHALLENGES FOR HRM

Existing Trends in HRM

From the above discussion it is evident that one of the more prominent existing debates in HRM literature is to integrate it into the business strategy. Along with this another debate is existing which demands the development of responsibility to line managers. On the basis of the issue of 'integration' and 'development' Brewster and Larsen (1992) and Brewster, Hegewisch and Lockhart (1991) have shown distinct dissimilarities regarding HRM practices and the inappropriateness of the American models of HRM among European nations. Brewster and Larsen (1992) argue that despite cultural differences among these nations as shown by Hofstede (1980), these nations can be categorised, inter alia, by the degree of integration of HRM into business strategy and the degree of development of responsibility to line managers.

Brewster and Larsen (1992) define integration as "the degree to which the HRM issues are considered as part of the formulation of the business strategy". They define the concept of development as "the degree to which HRM practices involve and give responsibility to line managers rather than personnel specialists". With the closer link between strategy development and human resource development, line managers are given primary responsibility for HRM as they are in constant touch with the employees. Brewster and Larsen say that there is a close involvement of HRM specialists with senior line management in the development of business policy. On the basis of such involvement, policies can be created while relating HRM and business strategy to

each other, allowing HRM practices to be more easily understood and undertaken by line managers. On the basis of these two dimensions of integration and development, Brewster and Larsen (1992) formed models of European HRM. Their models are based on data collected under the 'Price Waterhouse Carnfield Project', which was established in 1989.

Storey (1992) found significant evidence of the shift in responsibility from personnel specialist to the line managers in a comprehensive study of twenty two core case companies of Britain. He showed a positive trend of devolution in certain personnel activities to line managers which shows the involvement of HRM into the business strategy.

Apart from the debate on the integration of HRM into the business strategy and the development of HRM to line managers another debate which exists today is regarding the extent to which HRM can contribute in achieving competitive advantage. Macmillan (1982) says that there are various ways of gaining competitive advantage, but one which is generally overlooked is through HRM practices. This is achieved due to the increasing involvement of HRM in the formulation and implementation of strategy. The primary purpose of HRM is to attract, retain and motivate human resources. Schuler and Macmillan (1986) referred this as the core of HRM function. They listed human resource planning, staffing, appraising, compensating, training and development and union management relationships as key HRM practices, which if carried out successfully help in achieving competitive advantage.

Lawler and Ledford (1992), speaking about the advantages of skill based HRM approach over the traditional job based approach, suggest that by adopting skill based approach of HRM competitive advantage can be achieved as it leads the organisation to perform better and results in creating core competencies which is an important key to competitive success. The advantage achieved on the basis of skill based HRM is sustainable as organisations following the traditional approach find it difficult to duplicate it.

Recently, Sparrow *et al.* (1994) cluster analysed data from twelve countries to identify country groupings across a range of human

resource policies and practices that could be used for competitive advantage. They statistically analysed the data and interpreted these in light of the relevant literature. Their investigation concluded that there is indeed a convergence in the use of HRM for competitive advantage.

Swierez and Spencer (1992) have been successful to a great extent in showing the contribution of effective human resource system in the creation of sustainable competitive advantage. Their theory is based on Barney's (1991) model of creating a sustainable competitive advantage. Barney argues that before a resource can contribute to a sustained competitive advantage, it must meet four conditions : 1) it must be valuable, 2) it must be rare, 3) it must be imperfectly imitable and 4) it must lack strategically equivalent substitutes.

Swierez and Spencer (1992) showed that Delta's HRM system is responsible, to a great extent, in achieving and sustaining competitive advantage mainly due to its valuable and rare organisational skills and HR relationships that could not be perfectly imitated by competitors, for which there were no close substitutes.

The contributions of Schuler and Macmillan (1986), Lawler and Ledford (1992), Barney (1991) and Swiercz and Spencer (1992) show the growing importance of HRM in attaining competitive advantage.

Future Challenges for HRM

The literature reviewed and analysed in this paper provides dependable evidence regarding the rapid changes and developments taking place in the field of HRM. The level of globalisation and internationalisation of business has increased tremendously over the years. The opening of Chinese and Indian markets to multinational companies and the end of cold war in Eastern Europe have contributed enormously in this regard. As such the scope of personnel function has changed drastically. Now apart from managing the headquarters' HRs, the personnel function is also required to manage HRs in their subsidiaries. This has resulted in the growth of the new topic of International HRM (Dowling *et al.* 1994).

Until the 1970s it was believed that management theories have a universal applicability. This misconception of the convergence hypothesis has now waned as it has become clear that there is no such thing as a universal management theory (Hofstede 1993). To what extent does this apply to the relatively new field of HRM given that most of the models of HRM have been developed in the Western literature.

The future challenge before both the HRM academics and practitioners is to find out the various factors which affect HRM at both national and regional levels so that appropriate HR practices and policies can be formulated and successfully implemented. The thrust of future research in the area of HRM is expected to be in this regard. A number of contingent and national variables which can be both "culture-bound" and "culture-free", are expected to influence HRM. Recently some research has been initiated in this direction (see for example, Dimick and Murray 1978; Cohen and Pfeffer 1986; Fisher and Shaw 1992; Hendry and Pettigrew 1992; Hofstede 1993; Lawler *et al.* 1995; Easterby-Smith *et al.* 1995). Research in the area will help to generalise HRM theories across nations and will further enrich the debate regarding the influence of various contingent and national factors on HRM practices and policies. Such research forms the agenda for future HR research in the late 1990s.

The review presented in this paper could be beneficial to both the communities of Indian academics and practitioners. For academics it can provide important guidelines for further theory building in the area of HRM or human resource development or industrial relations. Practitioners can learn from it to develop and implement change programmes and accordingly appropriate HRM policies and practices for their organisations. Such is the need of time in India, especially in the present day rapidly changing business environment.

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