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## Personnel policies in the European firms: some evidence of the existing model(s) and the potential role of Corporate Universities.

by

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### International Conference on "Human Capital and Employment in the European and Mediterranean Area" Bologna 10-11 March 2011

# Personnel policies in the European firms: some evidence of the existing model(s) and the potential role of Corporate Universities.

by

Giulio Pedrini\*

#### Abstract

This study deals with the attitude of European firms towards personnel policies analysed on a national basis. Provided the relevance of Human Resources (HR) practices in terms of the internal organisation of knowledge of the firm, we assess the main characteristic of personnel policies in 12 European countries both in terms of HR department position within the firm and in terms of human capital development practices. Not only is the issue significant in terms of Human Resource Management but also in terms of the debate on the role of the institutions in determining personnel policies, and notably in terms of the debate on the "varieties of capitalism". For this purpose the paper develops a cluster analysis among 16 European countries showing the possible influence of institutional models on personnel policies. The same analysis is also developed for intertemporal comparative purposes.

The second part of the paper analysis relates personnel policies to the phenomenon of Corporate Universities (CU), being they intended as a vehicle of firms' capability to react to organisational and technological change. Within the complex relationship between firm's organization and knowledge CU may in fact represent a consistent way to keep HR departments and firms' strategies tightly connected, possibly assuming a systemic vision of the firm open to employees and in some cases to other stakeholders. The main features of European Corporate Universities will thus be acknowledged by looking at their main characteristics, with particular reference to their relation with HR departments and to the external factors that have contributed to their development.

The paper uses theoretical tools provided by economic literature on training, human capital and knowledge management, combining them with a descriptive analysis of the empirical evidence coming from data on both Corporate Universities and firms' personnel policy at European level. In particular data on firms' personnel policy will come from the survey performed in 2005 by Cranet, the largest academic research network dedicated to a comparative analysis of developments in Human Resource Management in public and private organisations. Such data will be integrated by surveys on firms' training practices at European level and by the (limited) empirical literature dealing with European Corporate Universities.

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### 1. Introduction

The pivotal role of knowledge<sup>1</sup> as a competitive tool has nowadays become a widely accepted paradigm in economic literature. Indeed human capital is a key driver of economic development, together with physical capital and natural resources, both as an autonomous productive factor and as a prominent component of labour. The systematic production of knowledge enhances the ability to innovate: by successfully targeting investment, improving the relations between economic operators, creating new skills and assigning them the importance they deserve.

When we talk about knowledge, however, we are not simply referring to a form of abstract knowledge isolated from the working context. On the contrary, knowledge tends to evolve depending on its actual use within the organizations which, in their turn, foster the creation of new knowledge, although in different forms from the original one (Coriat and Dosi, 1998). Firms therefore need to support the creation of knowledge and its development in different dimensions, while emphasizing and exploiting the knowledge-based resources that already exist within the organisation, in order to eventually gain a sustainable competitive advantage. In particular firms are expected to foster "tacit knowledge"<sup>2</sup>, as in the "knowledge creation" model developed by Nonaka and Takeuchi (1995).

Moreover the increasing specificity of qualifications, the relevance of intangible networks, and the growing need to place jobs in a well-defined area, not only geographically, but also culturally and socially, make firms' demand for human capital more complex than it has ever been in the past<sup>3</sup>. Indeed such a need is critical and cannot be uniquely fulfilled outside the firm through referring to the educational system<sup>4</sup> and more generally to the external organisation of knowledge (Antonelli and Pegoretti, 2008).

Within this theoretical framework firms increasingly require valuable personnel policies in order to involve human resources in their "strategic decision making processes" (Jackson and Schuler, 2005) and to consistently align workers' skills and behaviours with an effective pursuit of strategic goals and performance improvements. HR department shall thus be able not only to translate business strategy into a workforce plan, through developing proper human capital development practices, but also to feedback the corporate on a continual basis as a strategic partner of the high management; provided that human capital development within the firm is usually considered as a part of that wider activity represented by Human Resource Management (HRM).

In addition human capital development practices are related one to each other, thus requiring an integrated and coordinated action through lifelong learning processes by firms willing to address changing conditions of the economic and institutional environment. We therefore assume the existence of complementary relationships among the learning mechanisms of the internal organisational of knowledge of the firm (Antonelli and Pegoretti, 2008), whose performances and endogenous innovation processes may indeed be affected by "systemicness" (Laursen and Foss, 2003).

According to these premises the main personnel policy variables aimed to the development of human capital are the drivers of our study. In particular we will examine personnel policies through the analysis of two variables: HR configuration and HR practices. The former deals with the firm's approach towards the organization of HR department, thus concerning the assignment of HR

<sup>&</sup>lt;sup>1</sup> We refer to a definition of knowledge that does not take into account the issues of uncertainty and information incompleteness, while focusing on the concepts of human capital, skills, competences (Foray, 2006).

<sup>&</sup>lt;sup>2</sup> Tacit knowledge is the result of experience and is applicable only in a specific and concrete context. Moreover it needs to be shared by those who hold it through a "simultaneous processing". Hence people accumulate tacit knowledge through direct experience. The quality of tacit knowledge is affected by two factors: the variety of experience and the "knowledge of experience", that is the personal commitment to understand the actual experience.

<sup>&</sup>lt;sup>3</sup> We remark in this respect that training investments are not constrained to specific skills any more as in the traditional human capital view (Becker, 1964).

<sup>&</sup>lt;sup>4</sup> In Italy, for instance, 73,6% of new hired workers need further training in order to achieve the required level of skills and competences (Unioncamere, 2009); even a higher percentage (81,8%) is referred to graduate workers.

responsibilities, the defining of HR mission, the involvement of HR in business strategies. The latter includes the main activities performed by the firms in order to achieve the core tasks of Human Resources Management, thus comprehending training and development, mentoring, recruitment, job rotation, performance assessment, incentives schemes, career paths, horizontal mobility, communication of corporate culture and values.

In our analysis one of the most relevant HR practices is training. Firms usually set up an internal training system that allows staff to cope with the mismatch between the output of knowledge and skills actually provided by the education system and the demand of competences expressed by firms, both in terms of current and future prospective (IBM, 2008). As European Union acknowledged training is a major tool in lifelong learning strategies aimed "to enable individuals to acquire the skills that are relevant not only to the labour market, but also for social inclusion and active citizenship" (European Council, 2010, p. 19), being a key element for the Lisbon agenda and for its follow-up as a driver of innovation and research processes. In addition positive effects of training on business performance, especially in terms of labour productivity, are actually confirmed by several empirical studies (to name just a few: Holzer et al., 1993, Barrett and O'Connell, 2001; Zwick, 2002)<sup>5</sup>.

In this respect, within the complex relationship between strategies, organization and knowledge, Corporate University (CU) model may represent an interesting evolution of internal training systems in tight connection with other relevant HR practices. CU may indeed embody one of the possible developments of HR departments whose activity is characterized by growing "systemicness" and complementarities among different practices.

Consistently with these aims the paper is organized as follows. The next section of the paper deals with the analysis of complementarity in personnel policies and with the role of institutional factors in affecting the characteristics of these policies. In section three a descriptive analysis of the main characteristics of personnel policies at a European Union level is conducted using a survey based dataset (Cranet, 2005). Section four analyses data according to the institutional framework on the ground of the distinction between Coordinated Market Economies (CME) and liberal market economies (LME) proposed by Hall and Soskice (2001). Section five conducts an intertemporal comparison of the data through a hierarchical cluster analysis, concluding with an assessment of a possible convergence process. Section six analyses the relationship between CU model and personnel policies. Section seven reports some quantitative and qualitative data on European CU according to the available data. The last section concludes the paper by summarising results and offering insights for further research.

Regarding the geographical scope our analysis is conducted at European Union level focusing in particular on firms located in long-standing Members States of the EU in order to limit the pitfalls of the survey and to carry on suitable comparisons.

# 2. Theoretical framework: complementarities in personnel policies and relevance of institutional factors

Although the connection between firms' internal organisation of knowledge and their performance has been widely acknowledged by economic literature, the attention that scholars jointly devoted both to the configuration of HR department and to HR practices is relatively limited, most of their research having isolated the second aspect.

An attention to both issues can be found in the resource-based view (Wright et al., 2001), in the economics of innovation (Coriat and Dosi, 1998; Laursen and Foss, 2003), in the strategic human resource management literature (Lado and Wilson, 1994). Their common acknowledgement is that there are interaction effects among personnel policies in determining firm's productivity and organisation performance as it was firstly addressed by Milgrom and Roberts (1990, 1995) through

<sup>&</sup>lt;sup>5</sup> A notable exception are the studies performed by Lynch and Black (1995), according to which the numbers of employees involved in training activities has no significant impact on labour productivity.

the refinement of the notion of Edgeworth complementarities. Empirical research confirmed this hypothesis showing that different HR practices, such as recruitment, training and rewarding, are highly correlated one to each other in determining the overall effect of personnel policies (Ichniowski et al, 1997).

Once acknowledged the role of complementarities in working practices HR departments are intended to be a key driver in addressing technological and organizational "cumulative change" and in understanding firm's strategies (Laursen and Foss, 2003). Hence within this theoretical framework the centrality of personnel policies lies in their potential interaction with the organizational structure of the firm, which may lead to the creation of new firm's capabilities and eventually to the achievement of a higher level of performance. Moreover the contribution of personnel policies to the organisation shall be also viewed in term of long-term added value and sustainable competitive advantage (Montresor, 2004).

Another relevant relationship links human resource management to business strategies and innovation challenges. Indeed it has been argued that HR configuration affects HR practices through the involvement of HR managers in the strategy formulation process (IBM, 2008). In this respect the specific relationship between business strategy issues and HR practices has been emphasized through the acknowledgement of three possible types of personnel policies:

- 1. Firms that pursue efficiency are interested in aligning employees' skills with organisational priorities through training.
- 2. Firms that focus their strategy on technological change through the development of new products and services are more concerned on recruitment activities in order to attract talent and qualified candidates.
- 3. Firms that seek to expand their business in new markets need to quickly reshape human resources to new environmental conditions in order to take the relevant opportunities.

Finally the institutional framework is intended as another key driver of personnel policies (Croucher et al., 2006). According to this view an analysis of personnel policy in Europe can become a useful ground for pushing on the debate about the effects of varieties of capitalism on labour markets (Hall and Soskice, 2001). This approach also deals with the convergence/divergence debate, according to which two different perspectives have been elaborated with reference to the European context.

From the one side the trend towards political, economical and social integration pursued by the European Union (EU) has been assumed to create a strong impulse for regulations for its members, future member states and countries around them (Brewster et al., 1995). According to this perspective the factors that enhance convergence are represented by EU regulation, that deals with many aspects of employment contracts, from recruitment activities to the industrial relations, by European associations of employers and employees, that play a supporting role in the exchange of opinions and the development and dissemination of the ideas, by the issuance of specific EU Guidelines on exchange programs and training. Following this view a complementary institutional factor is represented by the possible development of a global model of HRM thanks to the role of multinational companies in disseminating "new routines or best practices". Eventually multinational companies may act as a benchmark for national firms (Cantwell, 2010) and optimize their HR practices on a worldwide level through the leveraging of their best practices. The joint action of these factors would explain the view that convergence across countries towards a specific European model of personnel policy may actually exist.

On the other side the opposite tendency assumes that HRM is still significantly affected by national and local environment (Rosenzweig and Nohria, 1994). In particular the greatest density of different institutional systems that characterizes Europe would represent a unique barrier to convergence: many of the major European countries have been existing for centuries, being often characterized by stable cultural and institutional differences that are reflected in a high heterogeneity across Europe on many aspects: language, cultures, social rules, regulations. Relevant fields of institutional influence include cooperation and networking between firms and the external organisation of

knowledge, which are actually defined through national institutional framework, and rewarding practices, which are related to the influence of culturally acceptable income distributions and legally applied minimum wages. Accordingly what North (1990) defines as the "rules of the game" appear to be a persistent source of national variety. Even the subsidiaries of multinational companies may be constrained to the host country institutional framework, thus adopting an adaptive behaviour (Farndale et al., 2008) instead of playing a standardizing role.

A divergent approach was also outlined in the EU Report on Human Resource Management (2004) prepared by the UK Presidency which was, however, referred to public administrations. The report emphasised that "each Member State is unique with its own history, culture, legislative base and style of administration". Nevertheless the same document found evidence of some convergence trend related to the spread of New Public Management across the continent. Above all the report acknowledged that public administrations will need growing and different skills in the future and that consequently training will become one of the main areas of HR interventions by public administration in the future.

The configuration and the role of HR departments within European firms have thus been interested by two forces. European Union has promoted integration through common policies and procedures that have indirectly affected personnel policy. At the same time cultural and institutional factors in each country continue to influence HR configuration and practices through firms' adaptation processes. Empirical evidence of the last decade emphasized that convergence is taking place very slowly in Europe, while national differences persist.

Different models of personnel policies were thus reported; yet the detected models are not as many as national countries so that at the same time common institutional grounds (either European or not) are supposed to be in place. On both directions the specified tendencies are, however, affected by institutional framework which is, thus, crucial for understanding personnel policies at European level.

### 3. Data on personnel policies. A descriptive analysis

Data on firms' personnel policies come from the survey performed in 2005 by Cranet<sup>6</sup> according to their aggregation on a national basis. According to the paper's scheme we limited our first analysis at the European Union level. Moreover only data from long-standing members of the European Union (EU-15) have been included, also because of the lack of the two main Eastern Europe coutries (Poland and Romania) in the survey. The 12 European countries we selected are thus the following ones: Austria, Belgium, Denmark, Finland, France, Germany, Greece, Italy, the Netherlands, Spain, Sweden, and the UK. On this basis the survey involved 4.132 firms.

Consistently with the aim of the paper we then focused on two aggregate variables: HR configuration and HR practices.

HR configuration in its turn includes two variables: the degree of assignment of responsibilities concerning HR practices within the organization (Responsibility) and the involvement of HR department in business strategies definition and implementation (Participation). For instance the attribution of responsibility to line management is an indicator of a minor importance of HR department, as much as the exclusion of the HR department in the development of firms' strategies. In particular Responsibility is measured by a variable dealing with the role distribution between HR

department and line management in four different activity areas: recruitment and selection, training

<sup>&</sup>lt;sup>6</sup> Cranet is the largest academic research network dedicated to a comparative analysis of developments in Human Resource Management in public and private organisations with more than 200 employees where formal HR functions are more likely. The 2004-2005 survey involved approximately 40,000 organisations and received an answer from 7,952 (slightly less than 20%). Although the dimension of the sample is remarkable, its stratification is disproportionate as the numbers of respondents of the examined countries in the whole sample are not equal to the proportions of the relevant population of these countries (non-response bias). Notably the great majority of respondents comes from Anglo-Saxon countries, thus creating a substantial asymmetry in the sample division at national levels.

and development, compensation and benefits, industrial relations. This variable is measured by an index ranging from 0 (no responsibility) to 1 (full responsibility).

Participation is instead measured by two variables concerning the degree of involvement of HR department in the firm's decision making process. The first variable measures the rate of participation of the Head of the HR department to the board of directors. The second variable reports the degree of involvement of HR department in determining business strategies. HR participation level is thus determined by the average of these variables and measured by an index ranging from 0 (no participation) to 1 (full participation).

Moving to HR practices they are related to human capital development, employees reward and career path. More generally HR practices deal with those activities aimed to involve employees into business strategies and to promote the diffusion of corporate culture and values among them. In this respect training is the leading activity, its role being also acknowledged at institutional level: we found several calls for more investment in the development of employees' human capital at both national and EU level (i.e. the knowledge and development related initiatives of the European Union within the Seventh Framework Programme).

We measured Training practices through an index which in its turn is derived from three variables: the annual spending on training and development in terms of total payroll costs; the annual number of training days per capita provided for each category of employees (managers/executives, professionals/technicals, clerical, manual); the use of a formal appraisal system for managerial and/or non-managerial employees for defining training needs, future career decisions and pay determination. The index ranges from 0 (little emphasis on training and subsequent assessment) to 1 (strong emphasis on training and subsequent assessment).

Another relevant aspect of HR practices concerns the recruitment of the head of personnel. A HR manager may come in fact either be hired from outside the organization or come from inside the firm. The Recruitment variable thus suggests us the degree of consideration of HR department within the firm being also a possible proxy of internal labour market for managers and of the actual effectiveness of HR practices on the career of employees as it is perceived by the firm. Even in this case we assign an index ranging from 0 (all HR managers recruited outside the organisation) to 1 (all managers recruited within HR department).

The third category of practices we took into account deals with employees' rewards. It focuses on the extent of variable pay compensation schemes for managerial employees and for three non-managerial employee groups, i.e. professional/technical, clerical and manual. It is derived by two variables: the degree of development of some form of performance related pay and the existence of some form of performance related pay. The index ranges from 0 (no form of performance related pay is employed) to 1 (all forms of performance related pay are employed).

Table 1 describes each variable and associate it to the relevant respective questions of the survey.

Then we determined the selected variables in the 12 EU countries (see Table 2). In terms of configuration the survey report that the HR department is involved in determining business strategies from the outset for 55% of the firms, while 60% of the firms have their head of personnel participating in the Board of Directors. A relatively high level of participation of HR department thus comes out (0,575), partially in contrast with the result of another survey conducted by IBM in  $2008^{7}$ .

<sup>&</sup>lt;sup>7</sup> A survey performed by IBM (2008) on more than 750 CEO around the world reported that HR department of European firms have a less active role in workforce management than the ones belonging to firms located in the rest of the world: only 31% of them have an advisory role in defining business strategies instead of actively contributing to their setting, while the percentage referred to the global sample drops to 21%. However more than 50% of the sample reported that its HR department participates in some way to business transformation, while around 15% claims that HR drive business strategies and is accountable for their outcome. Over 50% of the interviewed firms has developed tools to support the analysis of human capital data and information.

Variable	Description	Relevant questions
Responsibility	Distribution of responsibility on HR practices among line management and HR department	<ol> <li>Who has primary responsibility for major policy decisions on the following issues:         <ul> <li>Pay and benefit</li> <li>Recruitment and selection</li> <li>Training and development</li> <li>Industrial relations</li> </ul> </li> </ol>
Participation	Participation of HR department to business strategy development.	<ol> <li>If you do have a personnel/HR department, does the head of the personnel/HR department have a place on the main Board of Directors or the equivalent?</li> <li>If your organisation has a business strategy at what stage is the person responsible for personnel/HR involved in its development?</li> </ol>
Recruitment practices	Role of internal labour markets in the recruitment of the HR high management	1. From where was the most senior personnel or HR Director recruited?
Training practices	Training activities and appraisal system	<ol> <li>What proportion of workforce is assessed via a regular formal appraisal system?</li> <li>Approximately what proportion of the annual payroll costs is currently spent on training?</li> <li>How many days training per year does each employee in each staff of category receive on average?</li> </ol>
Rewarding practices	Degree of development of performance related pay	<ol> <li>Do you offer any of the following benefit?         <ul> <li>a. Employee share scheme</li> <li>b. Profit sharing</li> <li>c. Stock options</li> </ul> </li> <li>Do you offer variable pay based on the following?         <ul> <li>a. Team/department performance</li> <li>b. Individual performance</li> <li>c. Company-wide performance</li> </ul> </li> </ol>

Table 1- Variables descriptions

On the other side the degree of responsibilities attributed to HR departments is lower (0,368): only for industrial relations the department hold the full responsibility in a high percentage of the sample (35%), while for recruitment and selection, training, pay and benefits the full responsibility occur in a percentage that varies from 11% (recruitment) to 16% (pay and benefits). Yet if we sum the percentage of firms in which HR departments join the responsibility with line management the personnel office is the main responsible unit for training activities (53%), pay and benefits (55%), industrial relations (70%), while line management is the main responsible unit for recruitment and selection activities (52%).

Concerning Training practices, the survey reported that 26% of organisations of the private sector spend more than 4% of their payroll costs on training; however training and development figures still show a very heterogeneous picture. The use of appraisal methods is widespread: around 72% of the firms have developed them in order to provide the management with the necessary tools for evaluating human capital and for assessing employee performance. Thanks to this percentage the value of the index is relatively high on average (0,636). With reference to Recruitment practices the top management of HR department more frequently comes from outside the organization (between 52% and 56% of the sample), thus the relevant index is considerably low.

	Responsibility	Participation	Recruitment	Training	Rewarding
			practices	practices	practices
UK	0,441	0,480	0,305	0,685	0,203
France	0,465	0,820	0,310	0,643	0,550
Germany	0,374	0,530	0,385	0,493	0,223
Sweden	0,271	0,775	0,310	0,614	0,162
Spain	0,511	0,670	0,355	0,569	0,683
Denmark	0,265	0,520	0,305	0,679	0,105
Netherlands	0,283	0,550	0,305	0,643	0,328
Italy	0,618	0,720	0,365	0,706	0,147
Finland	0,264	0,720	0,305	0,567	0,338
Greece	0,475	0,375	0,445	0,848	0,185
Austria	0,324	0,545	0,415	0,510	0,178
Belgium	0,361	0,650	0,390	0,612	0,143
EU (15)*	0,368	0,575	0,334	0,636	0,233

### Table 2– Measures of HRM variables in 12 European countries (EU-15)

\*Weighted average according to the sample

Finally we estimated the relevant correlation coefficients looking at the relationship between HR configuration and HR practices variables (see Table 3). Correlation is never significant and generally lower than expected. The strongest relationship concerns Participation and Recruitment practices and is negative, meaning that the participation of HR department to business strategies definition is higher where the head of the personnel is recruited from outside the firm. Participation is also negatively related with Training practices, while it is instead positively related to HR rewarding practices. The first relationship is actually quite surprising in its negative sign. Finally a moderate positive relationship exists between Responsibility and Training practices, as expected.

Table 3 – Correlation among HRM variables on a national basis	Table 3 –	Correlation	among HRI	M variables on	a national basis
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	Mean	St.	Responsibility	Participation	Recruitment	Training	Rewardin
		dev.			practices	practices	g
							practices
Responsibility	0,388	0,115	-	0,0604	0,3426	0,3753	0,2736
Participation	0,613	0,133		-	-0,4514	-0,3407	0,3999
Recruitment	0,350	0,051			-	0,1124	-0,2307
Training	0,631	0,096				-	-0,2307
practices							
Rewarding	0,271	0,178					-
practices							

### 4. Personnel policies and varieties of capitalism

Provided the high heterogeneity of data at EU level and assuming that HRM is also affected by institutional factors (see Section 2), a closer examination of the institutional issue has then been conducted.

In particular the comparison among personnel policies may be significant in terms of the debate on the "varieties of capitalism" as highlighted by Hall and Soskice (2001). Indeed, according to their model, HRM would take different forms depending on the relevant variety of capitalism. Notably "*in coordinated market economies, firms depend more heavily on non market relationships to coordinate their endeavors with other actors and to construct their core competences*" (Hall and Soskice, 2001, p. 9).

Actually the types of firm relationships associated to each variety of capitalism potentially affect HR practices in several ways. If firms rely on formal contracts and highly competitive markets to organize their relationships with employees, as in liberal market economies (LME according to the

taxonomy proposed by Hall and Soskice), they will have a higher propensity in poaching. At the same time the education and training system will not only provide formal education and general skills, but also vocational training, while the low level of employment protection will limit the firms' propensity to invest in general training in accordance with the human capital model (Becker, 1964), nor they will provide a substantial level of industry-specific training.

Conversely in coordinated market economies (CME), "institutions will provide reliable flows of information about appropriate skill levels, the incidence of training, and the employment prospect of apprenticeship" (Hall and Soskice, 2001, p. 10), while firms are supposed to "employ production strategies that rely on a highly skilled labor force given substantial work autonomy and encouraged to share the information it acquires in order to generate continuous improvements in product lines and production processes" (Hall and Soskice, 2001, p. 24). Accordingly in CME firms will tend to pursue business strategies that depend on corporate committed workers with high-level of both firm-specific and industry-specific skills, being supported by an industrial relation system that discourages poaching. The higher level of employment protection also incentives workers to invest in specific skills.

In Table 4 countries are divided according to Hall and Soskice's work. As expected HR participation is higher in CME (a higher percentage of Human Resources departments is involved in the definition and implementation of business strategies) than in LME. Likewise HR recruitment is higher in CME countries than in LME ones. HR training practices are instead more intensive in LME than in CME. Heterogeneity is however lower within these two groups than in the selected group of European countries previously analysed. Hence further to this descriptive analysis Cranet findings seem to confirm the taxonomy proposed by Hall and Soskice, at least in comparison with the 12 EU selected countries.

	Responsibility	Participation	Recruitment	Training	Rewarding
		-	practices	practices	practices
UK	0,441	0,480	0,305	0,685	0,203
USA	0,471	0,470	0,285	0,785	0,597
Canada	0,451	0,520	0,330	0,701	0,168
Australia	0,435	0,510	0,225	-	0,138
LME*	0,448	0,491	0,298	0,703	0,237
Germany	0,374	0,530	0,385	0,493	0,223
Sweden	0,271	0,775	0,310	0,614	0,162
Denmark	0,265	0,520	0,305	0,679	0,105
Netherlands	0,283	0,550	0,305	0,643	0,328
Finland	0,264	0,720	0,305	0,567	0,338
Austria	0,324	0,545	0,415	0,510	0,178
Belgium	0,361	0,650	0,390	0,613	0,143
Norway	0,243	0,625	0,380	0,590	0,577
Switzerland	0,296	0,625	0,260	0,691	0,277
CME*	0,294	0,609	0,333	0,607	0,251

*Table 4 – HR configuration and HR practices in LME and CME* 

\*Weighted average according to the sample

Then we calculated correlation indexes with reference to CME countries (see Table 5). The main result is the negative relationship between HR recruitment practices and HR training practices, which is substantial and significant. This result suggests that in CME countries firms that recruit HR managers from outside the company are more involved in training activities and tend to use appraisal systems more frequently. This result could be expected as, in theory, managers coming from outside the firm should rely more on formal appraisal systems than internally recruited ones. A strong but not significant relationship links HR responsibility with the all three variables that deal with HR practices. Like in EU countries this relationship is positive with respect to recruitment

practices. Conversely it is again unexpectedly negative with respect to training and rewarding practices.

	Mean	St. dev.	Responsibility	Participation	Recruitment practices	Training practices	Rewarding practices
Responsibility	0,298	0,046	-	-0,3208	0,5223	-0,4748	-0,4875
Participation	0,616	0,089		-	-0,2792	0,1047	0,1064
Recruitment	0,339	0,0353			-	-0,7504*	-0.0147
practices							
Training	0,600	0,170				-	-0.0641
practices							
Rewarding	0,259	0,144					-
practices							

*Table 5 – Correlation among the studied variables on a national basis (CME)* 

\*significant at the 0,05 level

### 5. Comparison between 1999 and 2005 through cluster analysis.

The following step of our analysis has been a comparative analysis with the previous Cranet survey (1999) in order to point out the changes in HR configuration and HR practices in European countries during this six-year period. In performing such analysis we wondered about the possible convergence process due to European integration in alternative to the possible persistence of national institutional factors in explaining the characteristics of firms' personnel policies in Europe. Firstly following the Ward's hierarchical cluster analysis (with the squared Euclidean distance as dissimilarity measure) carried on by Nikandrou et al. (2005), which concerned various aspects of HRM issues with reference to 1999 Cranet survey, we developed a comparison with 2005 survey taking into account 12 of Nikandrou's selected variables in order to investigate the trend of HR practices in the 1999 clusters with regard to the common variables (see Table 6).

HR area	Description
Responsibility	1. Cumulative average on primary responsibility for major policy decisions on five issues per organization (1-line management, 5-HR department)
	2. Cumulative average of organizations having written mission statement, corporate strategy and personnel/HR management strategy
	3. Cumulative average of organizations having unwritten mission statement, corporate strategy and personnel/HR management strategy
Participation	4. Percentage of organizations in which the head of the personnel/HR department have a place on the main Board of Directors or the equivalent
	5. Percentage of organizations in which the person responsible for personnel/HR is involved in the development of business strategy from the outset
	6. Percentage of organizations in which the person responsible for personnel/HR is involved in the development of business strategy through consultation
Recruitment practices	7. Cumulative average of organizations recruiting senior personnel or HR Director from inside the organization
	8. Cumulative average of organizations recruiting senior personnel or HR Director from outside the organization
Training practices	9. Average proportion of the annual salary payroll costs spent on training
	10. Average days of training/year for management per organization
	11. Average days of training/year for other employees per organization
	12. Frequency of usage of formal evaluation

The analysis by Nikandrou et al. involved 17 countries (UK, France, Norway, Switzerland, Germany (divided between western and eastern area), Sweden, Spain, Denmark, Netherlands, Italy, Finland, Greece, Austria, Belgium, Turkey, Ireland and Czech Republic) and identified two major clusters. The first one included six north-western European countries (UK, Switzerland, The Netherlands, Sweden, Belgium, France), the second one included central and southern Europe countries (Germany, Spain, Denmark, Italy, Finland, Greece, Austria, Belgium, Turkey, Ireland and Czech Republic). The two clusters were significantly different in several aspects. Notably the first cluster was characterized by higher participation of HR department to the definition of business strategies and to their consequent development, by a higher responsibility assigned to HR department, by a more frequent recourse to external labour markets.

Our analysis involved 16 European countries. The sample included the 12 European Union countries already mentioned plus Norway, Switzerland, Turkey and Czech Republic, which were part of the 1999 sample. Compared to 1999 sample one country (Ireland) is missing as it was not included in 2005 survey, while another one (Eastern Germany) is not represented as a separate country anymore.

The comparison shows that differences between 1999 and 2005 remain substantial for three indexes (see Table 7): Participation (variable 4), Recruitment practices (variable 8), Training practices (variable 12). Nevertheless the relevant trend is not the same for the all three variables. Indeed, with reference to Participation and Training practices we observe a considerable shift towards convergence. The gap between the two clusters in terms of the involvement of HR department in business strategies development from the outset considerably reduced. The same process occurred for Training practices: the differences between the two clusters were substantially reduced in terms of the average number of days in training each employee receives each year, while the south-eastern cluster partially filled the gap for what concerns the frequency of usage of formal appraisal systems, in a context of general increase of the average data. Yet in this last respect differences still hold as formal appraisal systems are still more frequent in north-western countries than in south-eastern ones by 7,5% on average. On the contrary the gap in Recruitment practices increased, in particular in the light of the growing gap in terms of variable 7 (share of recruitment of senior personnel manager or HR Director from inside the organization).

HR area	Variables	Average cluster 1 (1999)	Average cluster 2 (1999)	Differences 1999	Average cluster 1 (2005)	Average cluster 2 (2005)	Differences 2005
Responsibility	1.	2,5	2,3	0,2	3,3	2,9	0,4
	2.	2,0	1,6	0,4	1,9	1,9	0,0
	3.	0,6	0,8	-0,2	0,4	0,6	-0,2
Participation	4.	57,7	39,5	18,2	68,0	55,4	12,6
	5.	48,4	37,7	10,7	57,8	55,9	1,9
	6.	19,8	15,3	4,5	25,3	19,6	5,7
Role of internal	7.	46,6	46,9	-0,3	40,7	52,2	-11,5
labour markets	8.	44,1	32,0	12,1	56,5	43,2	13,3
Training	9.	2,9	3,0	-0,1	3,3	3,0	0,3
practices	10.	5,8	7,4	-1,6	5,5	6,3	-0,8
	11.	4,4	5,6	-1,2	4,3	5,0	-0,7
	12.	68,4	58,3	10,1	77,0	69,5	7,5

Table 7 Differences	between	1999	and 2005	
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Finally we repeated the same cluster analysis with reference to 2005. Preliminary we excluded variables 3 and 8 as they are intrinsically correlated to other relevant variables (2 and 7 respectively). Then we carried on the analysis following the same method (Ward's method) and using the same measure of dissimilarity (the squared Euclidean distance) of Nikandrou's work.

The new picture is quite different in terms of major clusters (see Figure 1). Indeed the first major cluster includes Czech Republic, Finland, Norway, Denmark, Sweden, Germany, The Netherlands, Austria and Switzerland, being actually composed by CME countries, with the exclusion of Belgium, plus Czech Republic. The second major cluster instead comprehends all the other countries (Greece Turkey, Spain, UK, France, Belgium, Italy). Almost the same result occur if we add a variable dealing with HR rewarding practices defined as the cumulative average of companies involved in some kind of performance related compensation schemes.

Thus comparing 1999 with 2005 7 countries out of 16 moved from a cluster to another one. The north-western countries lost in fact three countries, Switzerland, The Netherlands and Sweden, while it acquired all the south Europe countries (Italy, Spain, Turkey, Greece). Conversely the other major cluster is now composed by Scandinavian and central Europe countries with well defined boundaries.

The second cluster is however characterized by high dissimilarity and thus can be reasonably divided into two subgroups, through omitting the last agglomerative step of the clustering process. Following this procedure a further division within the second major cluster is maintained. Two new clusters thus may be identified: south Europe countries (Greece Turkey and Spain) and north western European countries (UK, France, Belgium) plus Italy. We therefore identified three relevant clusters: North-western cluster (NW), South cluster (S), and CME cluster (CME).

The clusters' composition is thus quite interesting. It provides us with a further signal of the similarities among CME countries (particularly among Scandinavian ones), while differences among EU countries remain substantial where they are overall considered. Such differences however can be partially addressed through adopting a geographical separating criterion within non-CME countries. Indeed, except for Italy, which presents a similar pattern to NW countries both in terms of Participation and in terms of Training, dissimilarity measure substantially decreases when we separate north western European countries and South Europe ones in two different clusters.

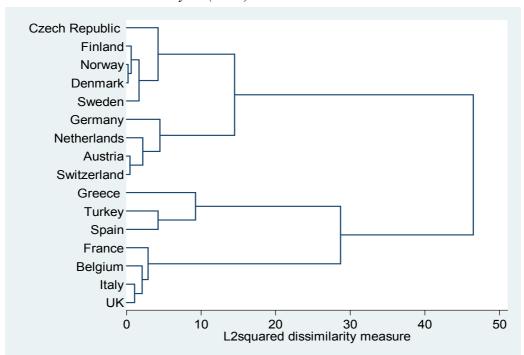


Figure 1 – Hierarchical cluster analysis (2005) – Ward's method

### 6. Corporate Universities and personnel policies.

The close relationship between training, personnel policies and business strategies lead us then to focus on Corporate University (CU) as a potential catalyzing entity of both endogenous and exogenous change by supporting firms in the pursuit of sustainable competitive advantages. CU indeed origins from HR departments and can be seen as an advanced HR practices, although in most of the cases it does not depend from HR department, being usually a separated body autonomous directly referable to the firm's top management.

Despite the heterogeneity of the definitions given by the literature<sup>8</sup> the CU is generally characterized by its functional link with business strategy<sup>9</sup> as it is conceived as a "*strategically useful tool to ensure that an organisation achieves its mission* .." (Moore, 2002), summarized by the figure of the "*strategic umbrella*"<sup>10</sup> (Meister, 1998). This basic characteristic is often supported by a concept of the CU as an answer to organisational changes, considering that such changes are no longer temporary or occasional. On the contrast they have become increasingly frequent and are now able to determine a continuous mismatch between firms' learning ability and the pursuit of business goals. In such a conceptual framework the CU can address the evolution of "core competences" pipelines determined by organisational change. The CU therefore becomes a mean for acknowledging the central role of certain competences in sustaining the long-term growth of the firm. This is particularly true with reference to the development of specific relational competences and of a shared corporate culture (Blass, 2005).

The link with business strategies must be emphasized for acknowledging the topical interest of the phenomenon. Indeed the missed alignment of employees' skills with organisational priorities is seen as one of the main workforce-related issues by firms (IBM, 2008).

However there are also other relevant aspects that help us in a more comprehensive characterization of  $CU^{11}$ . For what concerns the scope of CU, it is typically broad and includes "*all activities that cultivate learning, knowledge and communication of those who, whether or not inside the company, can contribute directly to business success*" (Moore, 2002). Assuming that there are several ways of developing skills and more generally human capital within the firm, the CU can actually act as an effective catalyst for activities that would otherwise dislocated to different departments with the subsequent risk of poor coordination. Due to the heterogeneity of the phenomenon it is not possible to make a complete list of these activities. However, they usually include:

- i. training
- ii. staff selection (recruitment);
- iii. change management;
- iv. talent recruitment and development;
- v. definition of career paths in internal labour markets;
- vi. geographic mobility;

<sup>&</sup>lt;sup>8</sup>Among the various definition of CU we have singled out the following ones. "A CU is an educational institution supplying training courses, whose founding organisation has not an educational mission" (Eurich, 1985); "A CU is an educational entity that is a strategic tool designed to assist its parent organisation in achieving its mission by conducting activities that cultivate individual and organisational learning, knowledge and wisdom "(Allen, 2002). "A CU is formed when a corporation seeks to relate its training and development strategies to its business strategy by coordination and integration and by the development of intellectual capital within the organisation in pursuit of its corporate aims and objectives. The corporate university may be physically located or operate virtually" (Henley Management College, 2001).

<sup>&</sup>lt;sup>9</sup>Actually a CU may also be instituted without a close link with the business strategy. Indeed one of the first definitions of CU, by Eurich, does not mention it. However the prolongation of this situation is not sustainable in the long run for its survival.

<sup>&</sup>lt;sup>10</sup>Notably the CU is defined by Meister as "the strategic umbrella for developing and educating employees, customers and suppliers in order to meet an organisation's business strategies. In a corporate university employees build individual and organisational competences, thereby improving the company's overall performance."

<sup>&</sup>lt;sup>11</sup> Indeed the definition of CU suffers from a certain vagueness if not properly addressed since it is not defined at any institutional level.

vii. relationships and partnerships with entities belonging to the external organisation of knowledge.

If a CU complies with this basic model it is likely to assumes a role of "engine of knowledge" within the firm. We highlight in particular the relationship between training, career paths and wage dynamics: actually for an efficient allocation of labour within the firm and for the internal mobility to operate consistently in the pursuit of such allocation, even through a "tournament" form of compensation (Lazear and Rosen, 1981), internal training activity must be closely linked to decision-making process in order to ensure that proper rewards are received and workers' skills enhanced. Within this framework the introduction of incentive schemes linked to the growth of human capital can be a useful tool. So the CU should incorporate training outcomes in the decision-making process governing internal labour markets, thus limiting the cost of turnover and providing incentives for the skill enhancement within the company.

The relationship with HR departments is thus a common feature of CU at least in their initial stages. Indeed, given the leading position of training activity in CU configuration, HR is the main function involved in building a CU. In this respect our analysis confirms the close relationship from both perspectives. As we noted before HR departments remain the first responsible unit for training activities in 53% of the sample in the 12 EU countries we have taken into account. Moreover the majority of HR department are involved in the development of business strategies. From another perspective data on Italian and German CU confirm that the governance of these entities can be referred to HR department in the majority of the cases (ASFOR, 2004; Hilse and Nicolai, 2003).

It is also true however that in a subsequent step the presence of the CU may also imply a separation of training and development activities from the HR department. In fact the close relationship with business strategy that distinguishes these structures may lead to the creation of an autonomous entity directly run by the high management of the firm, potentially supported by an external scientific committee. This evolution obviously implies a progressively limitation of the role of HR department in the control of training and development activities. A configuration that is actually more frequent in the USA (the country-of-origin of the CU phenomenon with more than 1800 CU reported in 2006), where CU are usually structured as autonomous entities directly run by the top management of the firm.

### 7. European Corporate Universities

Due to the plurality of CU definition and to the relatively recent diffusion of CU in Europe, the relevant research referred to the European countries is still fragmented. Moreover the weight of the institutional framework is again important: in each country the CU definition has been constrained by institutional considerations (Dealtry and Howard, 2008). As a consequence some countries tends to "customize" the term, trying to make it consistent with its values, while in others the term CU is not even accepted, being it associated to a specific USA experience. Indeed many European specialists and academics still look at the CU as an "American phenomenon".

Concerning empirical evidence there is only one survey carried on at European level on this issue (the ECUANET project), whose purpose was to determine the CU state-of-the-art in Europe and make comparisons with the current developments taking place in other world regions. Although the sample is limited to 20 cases, the picture provided by the survey is nevertheless twofold: on the one side the majority of European CU is currently driven by multinational companies; on the other side it comes out that some of the most interesting experiences of CU come from network cooperation among innovative SMEs.

Moving to contry-level data on Corporate Universities, they are substantially different according to the relevant surveys. Concerning France we rely on the survey Renaud-Coulon (2008) according to which more than 30 CU have been established in this country, some of them being among the most important in Europe (ACCOR, AXA, EDF). This remarkable development of CU in France can be again explained through the institutional framework: French Law of 16th July 1971 introduced a

minimum training expenditure (currently 1,6% of total payroll for enterprises with a minimum of 20 employees) through requiring firms to pay a levy equal to the difference between the minimum threshold and the actual investment. Such provision is intended to have fostered the development of a training culture in the country. An alternative/supplementary explanation is the loose relationship between firms and traditional universities that exacerbates the skill mismatches in the graduate labour markets (the same factor may count for Italy).

Corporate Universities are also well developed in Germany. Indeed Starting from the 1990s a striking spread of new CU occurred in this country as the most important firms located in this country have developed one (Lufthansa, Siemens, E-on, Deutsche Bank, Volkswagen). An extensive survey has detected 80 Corporate Universities in Germany in 2002 (Hilse and Nicolai, 2004), although only 20 structures fit to a more restricted definition of the phenomenon. In addition Germany is the only country where a tentative model of CU has been developed: German CU are relatively small in size, targeted on management-level employees (other employees represents only 37% of the total participants to CU activity) with a close relationship to strategic change (41% of the sample). In addition they show a strong concern in building partnerships with traditional Universities and other educational agencies.

However the country where Corporate Universities are currently more developed is currently the UK. A survey conducted in 2000 suggested that approximately 200 organisations have established their own corporate universities, although most of them would not fit into a restricted definition of these entities (Arkin, 2000). CU in the UK have been established by several types of firms: financial organizations, public utilities and industrial multinational companies, but also by some SME. The emerging CU in the UK seem highly related to training and to the knowledge organization of the firm. However they do not follow any ideal model nor stick to a common set of functions.

Moving to the Netherlands a survey reported the existence of 33 CU in this country, 12 of which have overcome the first stage of development (Jansink et al., 2005). Among these 12 CU, 8 were connected to for-profit organizations, while 9 of them have a defined mission, typically related to organisational goals and to the ownership of learning goals. All 12 CU lead the internal organization of knowledge of the firm, 4 of which are also involved in knowledge production processes through research activity, while the other ones promote knowledge diffusion and knowledge sharing. Finally all 12 CU play a relevant role within internal labour markets, providing employees with personal development plans.

Concerning Italy, the evidence is partially contradictory. A survey conducted in 2002 reported the existence of approximately 30 proper CU (ASFOR, 2004), but in the following years the main ones have been dismantled (ISVOR-FIAT, Telecom Italia Learning Services, ANCIFAP-IRI Management), except for ENI Corporate University. At the same time the productive structure of the country, characterized by a high percentage of medium-sized, small and very small firms hindered a quick replacement of these structures. The only source of new CU is currently represented by multinational companies (Kedrion, Chloride), by financial organizations, with the possible oncoming addition of public utilities, and by medium-size exporting firms (Ferrero).

Country	Number of CU	Year	
UK	200	2000	
France	35	2002	
Germany	81	2002	
Netherlands	12	2002	
Italy	30	2002	
USA	1.800	2006	

Table 8 Number of Corporate Universities in the main European countries and in the USA

Hence, although several European firms have built their own CU in the last two decades we cannot talk of a CU European model yet. Very often CU are highly different one from each other: not only because there are various industrial contexts, political and economic, but also because of the macrobehaviours and attitudes of the various European Union countries.

Nevertheless a European model will possibly develop in the future<sup>12</sup>. In such a case two alternative evolutions may occur, either with the creation of a specific model or with a homogenization to the USA one. In the latter hypothesis European CU will possibly becoming a "first follower" of the US benchmark, while in the former one they may assume specific features according to the relevant institutional framework. In CME for instance the stakeholder view reinforced by labour legislation and industrial relations that characterizes HR departments (German ones in particular) may lead to the specification of CU as a valuable accomplishing vehicle of this model of personnel policy, possibly within a CSR framework. Indeed, since the CU can be configured as an entity open to a wide audience of stakeholders, then it can play an active role in fulfilling fiduciary duties imposed by the CSR, supporting its evolution as a form of self-explicit and efficient social norm, both as regards the relationship with employees and as regards relations with the local community.

### 8. Conclusion

Concerning personnel policies in Europe the results of our analysis are twofold. There is some indication that varieties of capitalism may still affect firms' behaviour in a more substantial way than the EU membership of the country where firms are based. Much of the research based on Cranet data in fact indicates substantial differences at the national level across Europe that can be partially explained in terms of an institutional theoretical framework founded on the taxonomy proposed by Hall and Soskice. Nevertheless the comparison with 1999 data show that a partial convergence process actually occurred both in terms of HR configuration and in terms of HR practices. A methodological limitation of our study however is the level of analysis, which is national and thus based on average values.

Our analysis also stresses the link between personnel policies and CU phenomenon as it is based on complementarities among HR practices, being also affected by the institutional framework. Indeed since CU usually origins from HR department they can be viewed as a specific evolution of HR practices. CU however may also mean a loss of internal role of HR department within the firm: actually HR departments are often reticent to accept their transformation into a CU and to shift to a holistic approach of their activity.

In terms of convergence/divergence debate CU can also play a role, being a potential device of convergence of HR practices across national boundaries due to their common reference to the USA model firstly developed by multinational companies. Nevertheless European CU may also assume specific features according to the national framework as well: surveys on this topic have actually shown a high heterogeneity of the phenomenon, although all of them try to fit within the theoretical model developed in the literature and in the USA experience in order to justify the CU "label".

Finally it may be appropriate to introduce the notion of "European models" in order to highlight the existence of a common ground of analysis, while acknowledging the heterogeneity of firms' behaviours that prevent the existence of a unique model in terms of personnel policies. In this respect the possible further development of CU in Europe will possibly contribute to the convergence of HR practices if a common model arises. In this respect, however, our analysis cannot provide any result due to the lack of extensive European surveys on CU. This is one of the main limitations of the research that at the same time orientates the direction of further studies on this topic.

<sup>&</sup>lt;sup>12</sup> Actually a common feature of European CU already exists even if it has a minor role: the attraction for physical infrastructures. Many European CU indeed have built a "campus" in a peaceful environment. Some of them are located in proper castles, while other ones have hotels as temporary residence for their students on campuses where classes are provided.

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