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Human resource management in relation to generic strategies: a comparison of chemical and food & drink companies in the Netherlands and Great Britain

Mariëlle Heijltjes, Arjen van Witteloostuijn and Arndt Sorge

Abstract In this paper, specific personnel policies and their relationship to generic strategies are examined in the light of the concept of human resource management (HRM). Since data from twelve Dutch and eight British companies in the food & drink and chemical industries reveal that the implementation of HRM components is subject to a societal effect – and thus HRM has a different meaning in Dutch companies than in their British counterparts – a typology of HRM at a more strategic level is proposed to facilitate the analysis of the relationship between HRM and generic strategies. Although in the majority of cases the HRM policy supports the generic strategy pursued, many problems and paradoxes remain in the analysis of an HRM-strategy fit.

Keywords Human resource management, generic strategies, HRM strategies, industrial relations, business systems

Introduction

Human resource management (HRM) carries the promise that, if people are regarded and managed as strategic resources, it can help the firm to obtain a competitive advantage and superior performance (Porter, 1985). This implies that the management of personnel should be in line with the generic strategy pursued, since the objectives and requirements of each of the generic strategies differ (Arthur, 1994; Schuler, 1992). There is little empirical evidence, however, that HRM indeed fulfils its promise (Lengnick-Hall and Lengnick-Hall, 1988). Whether the companies in our sample of twenty Dutch and British companies integrated their personnel policies with their generic strategy is examined in this paper. Section 1 discusses the concept of HRM and provides a definition. Section 2 describes aspects of the business system – including national cultures and industrial relations – in the Netherlands and Great Britain, since personnel policies and practices are strongly rooted in the respective national contexts. In Section 3 the features of the national business systems are related to the components of HRM, while in Section 4 the proposed relationships are tested in our sample. Support is provided for the hypothesis that a societal effect on the implementation of HRM components does indeed prevail. Section 5 then examines the degree of strategic integration and decentralization of the personnel function in a qualitative manner, while in Section 6 the relationship between personnel policies and generic strategies pursued is discussed. A typology of HRM strategies is proposed based on the degree of strategic integration and

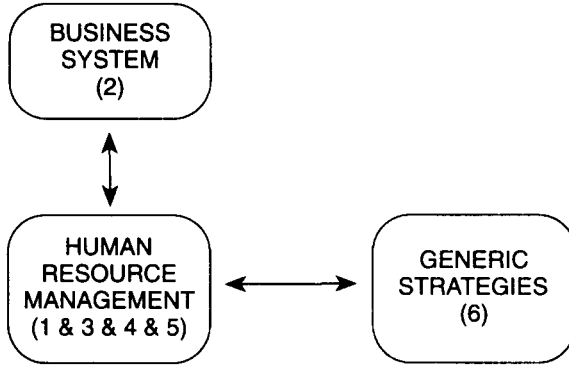


Figure 1 *The relationship between human resource management and generic strategies*

decentralization of personnel policies. Support is provided for the hypothesis that coherent HRM-strategy profiles exist: in effect, in the majority of these cases the HRM policy supports the generic strategy chosen. Figure 1 presents a summary of the relationships studied in this paper, with references to the relevant sections in parentheses.

Note that the argument goes from the Dutch to the British cases and from the food & drink to the chemical industry, since the data on the Netherlands and the food & drink branch are more extensive. Then, the discussion on the British context and chemical industry can easily refer to the material presented earlier.

1 Human resource management defined

Due to deregulation, decentralization and internationalization of labour relations as well as changes in the labour market, technological development and increasing competition, the function of personnel management in organizations is changing (Samson and Brongers, 1993; Kluytmans, 1989; Schuler 1987b). Decentralization and deregulation lead to increasing autonomy for the employers to set labour policies for their companies. Furthermore, technological development and increasing competition change the principles on which the work-force was previously controlled. To deal with the aforementioned changes, and inspired by distinguished management scholars, HRM is often thought of as part of the solution. However, to determine whether Dutch and British companies actually move from ‘traditional’ personnel to a ‘new’ HRM approach, an understanding is needed as to how HRM can be defined.

The HRM concept has met with considerable scepticism, and has aroused plenty of confusion as to what it actually embraces. One of the leading Dutch textbooks describes a trend of innovation and commercialization in which development of employees becomes more important than simple control of personnel (Kluytmans, 1990). Kluytmans adds: ‘When one desires to attach the term human resource management to this trend, one may. This however does not mean that thereby also the promising premises of this school are realized’ (1990: 38, our translation). Schuler (1987b) defines personnel and HRM as the manage-

ment of the work-force as vital human resources that are critical in the achievement of organizational goals. HRM policies therefore need to be directed at the effective and fair use of the human resources to the benefit of the individual, organization and society. Blackburn and Rosen (1993) provide examples of award-winning companies that achieve their high-quality goals by HRM policies that are internally consistent and completely geared towards supporting the total quality management perspective. Storey (1992) makes an attempt to position the different meanings associated with HRM in a matrix which distinguishes two dimensions: HRM as a distinctively new approach to labour management versus HRM as just another term for personnel management, on the one hand, and hard – with an emphasis on personnel as a resource – versus soft – with an emphasis on personnel as human beings – versions of HRM, on the other hand. So, a clear definition of HRM is not readily available.

HRM scholars agree, however, upon the observation that these trends – or set of changes – are based on the following four principles (Fisscher, Middel and Vinke, 1992; Sorge, 1992; Storey, 1992; Kluytmans, 1989):

- 1 People are an important resource in the achievement of the organization's goals. HRM should create the conditions which permit the fullest possible utilization of the human capital resources.
- 2 The management of human resources should be an integral part of the strategy process, such that the strategic goals of the organization and the human resource policies reciprocally reinforce one another and form a coherent whole. HRM can be a determining factor in the development of a competitive company, instead of just a passive absorber of the implications of the decisions made in other functional areas.
- 3 To facilitate this integration with strategy, the personnel function has to move away from central staff to decentralized units and line management positions.
- 4 The different aspects of HRM – such as recruitment and selection, performance appraisal and compensation, and training and development – should be integrated as efficiently as possible. Furthermore, the HRM elements should allow for flexibility and adaptability in line with the strategy pursued.

The concept of fit is clearly reflected in the aforementioned principles. The second two principles address the external fit of HRM, while the fourth principle indicates the importance of an internal fit between the diverse HRM functions (Milliman, Von Glinow and Nathan, 1991; Baird and Meshoulam, 1988). Fit in this case, however, should not be viewed as a completely static phenomenon precluding flexibility, as for example Lengnick-Hall and Lengnick-Hall (1988) would argue. The definition points more in the direction of a perspective where fit and flexibility are complementary, and the organization thus continually adapts to achieve an alignment of the internal and external environment (Miles and Snow, 1984).

The number of propositions on how external and/or internal fit could be achieved reaches infinity. Examples focus on the relationship between HRM and the stage within the organization's life cycle (Milliman, Von Glinow and Nathan, 1991; Baird and Meshoulam, 1988; Lengnick-Hall and Lengnick-Hall, 1988), on the person-organization fit (Schuler, 1992; Bowen, Ledford and Nathan, 1991), on the relationship between diversification and compensation strategy (Gomez-Meija, 1992), on the effect of human resource systems on manufacturing performance (Arthur, 1994) and on the relationship between generic strategies and

HRM (Schuler, 1987a; Miles and Snow, 1984). Typical of these studies, except the latter two, is that they either address one very specific aspect of HRM and relate this to environmental or organizational characteristics or treat HRM as a not further specified set of practices for which one strategy – an HRM strategy – is formulated. In this paper, an attempt is made to combine these two approaches. First, the different components of HRM – recruitment and selection, performance appraisal and compensation, and training and development – are related to features of the Dutch and British business system to gain an understanding of the impact of a societal effect (Sorge, 1991) on the adoption of HRM. Then, the relationship between the type of HRM strategy and the generic strategy pursued is examined.

2 The Dutch and British business systems

Introduction

The notion that the management of employees within organizations is constrained by the characteristics of the cultural and institutional context is widely recognized (Sorge, 1991, 1992; Begin, 1992; Guest, 1987, 1990). Since the concept of HRM originated in the United States, it is built on assumptions that are rooted in the US national culture and institutional context. The central assumption here is that of organizational independence and autonomy. Generally, in Europe this autonomy is constrained by culture and legislation, larger state involvement, trade unions, and so on (Brewster, 1993). A brief outline of the Dutch and British cultural and institutional context will therefore provide an overview of the opportunities and limits for both HRM professionals and researchers.

A business system of a country can be defined as the institutionally embedded practices and value orientations which characterize the internal organization of firms and their relation with the external environment (Whitley, 1992). In other words, dominant social institutions in a country, such as the state, influence the functioning of firms and markets. Furthermore, the institutionally embedded value orientations are rooted in the national culture. In the context of HRM, moreover, the role of industrial relations is particularly relevant. By way of illustration, characteristics of the Dutch (Van Dijk and Punch, 1993; Van Iterson and Olie, 1992; Sorge, 1992; Visser, 1992; King, 1990) and British (Lane, 1992, 1994; Crouch, 1990, 1994; Tayeb, 1993; Tyson, 1993; Edwards *et al.*, 1992; Randlesome, 1991) national culture and industrial relations are discussed below.

Dutch and British national culture

Hofstede defines national culture as ‘the collective programming of the mind which distinguishes the members of one group or category of people from another’ (1991: 5). This definition implies that culture is learned and derived from the social environment. Since the social environment within a country is fairly homogeneous – due to, for example, a national education system, legislation and political system – it can be assumed that people in different countries are, by and large, programmed differently. To measure these differences Hofstede developed a questionnaire that captures four dimensions of national culture: the level of power distance, individualism versus collectivism, the level of uncertainty avoidance and masculinity versus femininity. The scores that the

Table 1 National cultures in the US, Great Britain and the Netherlands

Dimensions of culture	US		Great Britain		The Netherlands	
	Score	Rank	Score	Rank	Score	Rank
Power distance (rank 1=large; rank 53=small)	40	38	35	42/44	38	40
Individualism versus collectivism (rank 1=individualist; rank 53=collectivist)	91	1	89	3	80	4/5
Masculinity versus femininity (rank 1=male; rank 53=female)	62	15	66	9/10	14	51
Uncertainty avoidance (rank 1=high; rank 53=low)	46	43	35	47/48	53	35

Netherlands and Great Britain obtained on these four dimensions and their ranking within the fifty-three countries and regions investigated by Hofstede (1991) are presented in Table 1. Since the vast majority of the HRM literature originated in the US, the scores for this country are included as benchmarks.

As is seen in Table 1, the ranking of the Netherlands, the US and Great Britain is rather similar on three of the dimensions. All three countries are characterized by a relatively small power distance, are individualistic and possess a relatively low uncertainty avoidance. The only dimension on which the Netherlands scores substantially different from the US and Great Britain – the latter two scoring similarly on this dimension – is masculinity versus femininity. Whereas the US and Great Britain are fairly masculine societies, the Netherlands is one of the most feminine countries in Hofstede's sample. These characteristics of Dutch and British culture are reflected in how the respective industrial relations are organized.

Dutch and British industrial relations

Decision making within firms The high score of the Netherlands on femininity is reflected in the way decision power within Dutch companies is organized. There is a strong emphasis on consensus, negotiation and consultation between employees, top management and shareholders/owners, which is institutionalized by a number of laws. The first interest group, employees, is represented through the works council ('*Ondernemingsraad*'). Every organization in the Netherlands with more than 100 employees is by law obliged to install a works council. The members of the works council – all non-management employees – are elected by the entire work-force. Management needs to consult the works council on important policy matters that affect the entire company. There are however also issues on which top management needs the explicit consent of the works council. This is the case in all decisions concerning personnel policy and fringe benefits. The

precise competencies and duties of the works council are specified in the Works Councils Act (*Wet op de Ondernemingsraden*, 1979).

The second interest group, top management, is, in large companies, divided into two different bodies: the Supervisory Board (*Raad van Commissarissen*) and the Executive Board (*Raad van Bestuur*). Although both boards have to take care of the interest of the company as a whole and not of one group of stakeholders in particular, their function is different. The Executive Board is concerned with the actual management of the company, while the Supervisory Board – as a separate entity – advises and supervises the Executive Board. The Executive Board has to obtain consent from the Supervisory Board on matters affecting the long-term policy of the company. Furthermore, the Supervisory Board can hire and fire members of the Executive Board. A vacancy on the Supervisory Board is filled through cooption: i.e., the present members of the Board elect new members. Their choice, however, is subject to the consent of the works council and the General Assembly of Shareholders (*Algemene Vergadering van Aandeelhouders*).

The third interest group, the shareholders/owners of the organization, meet once a year in the General Assembly of Shareholders to evaluate the performance of the Executive Board. This assembly decides upon potential hiring and firing of members of the Supervisory and Executive Board. So, in managing a large corporation the Executive Board has to consult and co-operate with the employees organized in the works council and their 'superiors' organized in the Supervisory Board on all important decisions. The owners evaluate their overall performance once a year. But even in smaller organizations, with fewer than 100 employees, the consultation structure described above is effectuated. Although the authority of the works council is less extended and a Supervisory Board is absent, the influence of the shareholders/owners is generally somewhat larger.

As a logical consequence of the structure of decision power, Dutch management style reflects an emphasis on consensus. On the one hand, the manager has to be problem-solving and task-oriented (which tends to fit a masculine culture); on the other hand, his subordinates expect him/her to be considerate and to nurture group relations (which suits a feminine culture). Throughout the organization the emphasis on consensus is also manifest in the reward system. In a feminine culture, rewards are distributed mainly on the basis of equality according to need. Rewards are therefore mainly tied to positions rather than performance.

In Great Britain, state involvement has traditionally been low. This low state involvement has led to business philosophies in which independence, voluntarism and arm's length relationships are key ingredients. Therefore, there is no consultation and negotiation process within British companies that is institutionalized by law. The employers avoided legislation which constrained their freedom to manage and the employees, of whom the majority are union members, wanted no state intervention that curtailed their power. The strong unionization, however, has generated the underdevelopment of other bodies of worker representation (like Dutch works councils) in the companies. As far as representation of workers does exist, it takes place via the union personified by the shop stewards. The shop steward is a member of a work group who is elected to represent this group in dealings with management. They receive no support, however, from a legal framework. This system, with its strong emphasis on independence, is

reflected in a facilitative management style. Employees expect to be able to work independently in a work environment that is geared towards creating the conditions in which they can increase their performance. Result-based reward systems are therefore more common in Great Britain than in the Netherlands. This is also expected on the basis of Great Britain's fairly high score on the cultural dimension of masculinity. Fitting within the class consciousness of British society, managers mainly attribute their authority to position rather than expert knowledge. This is accepted by the employees as long as the power derived from the authority position is executed well.

Employers and employees The Dutch tendency towards consensus and stable relationships is also present in Dutch industrial relations. Labour unions in the Netherlands are organized according to branches of industry rather than individual crafts, so there are relatively few, fairly pluralist, unions. This pluralism is historically determined, since the unions were tied to confessional or ideological loyalties across social boundaries. In the 1970s, mergers between unions took place which diffused a number of the confessional or ideological boundaries. At this moment, the largest union is the FNV (*Federatie Nederlandse Vakverenigingen*), the second-largest union is the CNV (*Christelijk Nationaal Vakverbond*), and, finally, the third largest union is the MHP (*Vakcentrale voor Middelbaar en Hoger Personeel*). Overall, union membership in the Netherlands is fairly low with only 25 per cent of the dependent labour force being organized in unions (CBS, 1994). Employers in the Netherlands are represented in employers' associations. The largest associations are the VNO (*Verbond van Nederlandse Ondernemingen*) and the NCW (*Nederlands Christelijk Werkgeversverbond*). Small and medium-sized firms have their own employers' associations, the largest being the KNOV (*Koninklijk Nederlands Ondernemers Verbond*). These employers' associations can be viewed as umbrella organizations for a number of strong industry associations.

The negotiations between this limited number of employers' associations and trade unions are rather centralized with active participation of the government. Since Dutch labour organizations have a tradition of 'broad unionism', the unions focus on broader social and economic issues than implied by the interests of workers alone. These issues are often part of the consultation process in which labour unions and employers' associations meet in two public institutions: the Labor Council (*Stichting van de Arbeid*) and the Social and Economic Council (*Sociaal-Economische Raad* [SER]). These public bodies consist of employers, employees and government representatives who regularly meet to confer and to settle a large range of issues. Generally, these meetings are considered as producers of pre-prepared new bargaining positions. Since the employers' associations and the labour unions operate in a broader context than just on behalf of the 'capitalists' and the 'workers', management and union are not necessarily adversaries in these negotiations but often co-operating partners. The legally prescribed collective bargaining process between labour unions and employers' associations usually results in collective labour agreements (*Collectieve Arbeids Overeenkomst* [CAO]). These collective labour agreements do not deal only with wages, as a large number of other issues are subject to the negotiations as well (such as vocational training and early retirement procedures). These agreements function as minimum standards that apply to entire

industries, and they are formally sanctioned by the Dutch Secretary of Social Affairs for all workers in the industry. So, they pose the lower boundary upon which companies base part of their HRM policies.

Whereas Dutch industrial relations tend towards consensus and negotiation, which fits with the high score on the femininity dimension of national culture, British industrial relations exhibit many of the characteristics expected in a more masculine society. In addition, British industrial relations are strongly rooted in a history of low state involvement and high voluntarism. This implies that negotiations between employers and trade unions are not conducted within a legally defined framework, but are based on procedural rules that are made up by the parties themselves. This resulted in a skewed power balance between employers and trade unions in favour of the trade unions. Due to legislation in the 1980s (under 'Thatcherism'), such as the 1980, 1982, 1988, 1989 and 1990 Employment Acts and the 1984 Trade Union Act, the power of the unions was somewhat more controlled. Still, however, multiple unions that are organized by craft or industry exist. In 1990, twenty-three unions with over 100,000 members operated in Britain, the three largest being the Transport and General Workers Union (T&GWU) with 1,223,891 members, the General Municipal Boilermaking and Allied Trades Union (GMB) with 865,360 members and the National and Local Government Officers association (NALGO) with 744,453 members. As a result, it is not uncommon for multiple unions to operate within one factory, bargaining not only with the employers but also with each other. The employers, on the other hand, are not very well-organized and the government is not, as in the Netherlands, an active partner in the negotiation process. Due to the *laissez-faire* attitude of the state, bargaining between management and unions is decentralized to the plant level. Negotiated agreements therefore rarely apply to industries at a national level. National collective bargaining is even viewed by the government as a restriction to labour mobility and in conflict with the needs of individual companies. So, when agreements at a national level are reached, they posit no legally enforceable contracts. Furthermore, there are no consultative bodies at the national level in which the unions are invited to participate in discussing general social and economic issues that affect their members. As a consequence, unions adopt a fairly pragmatic attitude towards their role, fight for better pay and working conditions and are unlikely to engage in more ideological battles. This situation results in negotiations where management and unions are adversaries. This is perhaps why union membership has traditionally been high in Great Britain: about 50 per cent during the 1980s.

Dutch and British economic demography

Labour market The Dutch labour market has a number of paradoxical features. The Dutch population of 15.3 million includes a work-force of 7.2 million persons. The unemployment rate in 1993 amounted to 7.7 per cent of the Dutch work-force, which is, as elsewhere in Western Europe, being considered as the most important economic issue. After the recession in the early 1980s (with an unemployment rate of 10.4 per cent at the low point of 1984) and the recovery in the beginning of the 1990s (with 6.6 per cent unemployment in the boom of 1991), the unemployment rate is rising again. Even worse, the structural unem-

ployment rate and the percentage of long-term unemployed in the work-force are both increasing as well (Kerckhoffs, De Neubourg and Palm, 1994). Also, Dutch labour costs are above the European average. Of the total labour cost per company, 74 per cent is spent on gross wages, 14 per cent on social security and the remainder, 12 per cent, on fringe benefits and externally hired personnel (Coopers & Lybrand and Berenschot, 1994). The net income of the workers, however, is relatively low. This is partly due to the relatively extensive Dutch collective sector (including social security benefits). Another important characteristic of the Dutch labour market is that employee mobility is rather low. Average company tenure of 72 per cent of the work-force exceeds ten years (Wolfs, 1992). This low mobility can be attributed to a number of factors (King, 1990). For one, it is considered not done to move frequently to other companies since this would imply disloyalty to the firm. In addition, companies will think twice before tempting others' employees with powerful employers' associations nearby that disapprove of such tactics. Finally, pension rights, being highly valued, are not easily transferred from one company to another. According to a Dutch study into personnel management practices, external mobility (which is the sum of the percentage of people entering and leaving the organization) amounted to 14.3 per cent in 1993 (Coopers & Lybrand and Berenschot, 1994).

The British population of approximately 58 million includes a work-force of 27 million people. The average unemployment rate in Great Britain amounted to 9.7 per cent in 1992, with large discrepancies between the different regions. The highest unemployment rate, 11.3 per cent, can be found in the north and the lowest, 7.8 per cent in East Anglia. The largest employer in Great Britain, as in the Netherlands, is the service sector, providing jobs for 73 per cent of the working population. Manufacturing industries employ 20 per cent of the working population. Only 1.2 per cent of the working population works in agriculture and fisheries (CSO, 1994). In 1981, when the last census in Great Britain was held, 17 per cent of the people in employment worked part-time. Due to cuts in labour costs and a more flexible approach to employment, the percentage of people working temporarily, part-time or through sub-contracting has probably increased. Another characteristic of the British labour market that illustrates the government's free market philosophy is that workers under 21 enjoy no legal protection in the sense of, for example, minimum wages.

Industrial structure The structure of Dutch business is characterized by the shape of an hour-glass (Van Iterson and Olie, 1992: 98) with a large number of small and medium-sized firms on the one hand and a limited number of very big multinationals on the other hand. The largest employer in the Netherlands is the service sector (including the government), employing 72 per cent of the working population. Manufacturing industries provide jobs to 26 per cent of the working population and only 1.6 per cent of the working population works in agriculture and fisheries (CBS, 1994). In all the economic sectors, only 0.8 per cent of the companies employ more than 100 employees (CBS, 1994) and are thus considered large. How large the few multinationals actually are, is illustrated by the fact that the three largest companies according to number of employees – of which two are jointly Dutch and British-owned – employed 301,000 (Unilever), 287,555 (Philips) and 137,000 (Shell) people in 1990, respectively (*Financieele Dagblad*, 1990). Furthermore, there is a skewed sectoral distribution with a

strong focus on agro-related, trade, service and chemical industries. The service sector has the highest ratio of employees to sales.

British industry is, much more than the Dutch, characterized by a dominance of large firms. The large firms have grown very much by American example, often resulting in diversification into unrelated business areas and markets. A take-over can be effected relatively easy, due to the financial structure. Large shareholder positions in companies are often held by institutional investors whose focus is on short-term financial results. This emphasis on short-term performance has created a relatively 'open' market for trade in shares with an implicit threat of take-over by a conglomerate. Conglomerates are therefore more common in Great Britain than in the Netherlands. Large companies in Great Britain, being defined as companies with more than 100 employees, represent 6 per cent of all manufacturing firms. In the Netherlands, only 0.8 per cent of all the companies are in this size category. The three largest companies according to number of employees – of which one is jointly Dutch and British-owned – employed 304,000 (Unilever), 217,373 (BAT Industries) and 138,149 (Grand Metropolitan) people in 1990, respectively (*Financieele Dagblad*, 1990).

Education system The Dutch education system from which companies recruit new employees is very stratified, though not élitist or marked by large social differences. Virtually every different level of education guarantees sound standards of knowledge and skills of employees, independent of the institution the student graduated from. Although an apprentice system exists and expediting initiatives have been taken in recent years, both play only a minor role. However, since companies in the Netherlands feel that the Dutch vocational education system is inadequately matched to the demand side of the labour market, they frequently design their own in-house programmes directed towards company-specific knowledge and skills. The in-house programmes have a share of 26 per cent of the total of participants in vocational education and training activities. The regular education system covers 43 per cent of this market, while private institutions take the remaining 31 per cent with seminars and training that seek to bridge the aforementioned gap with company demands (Thijssen, 1988).

The British education system is not as stratified as the Dutch, but more élitist. An apprentice system plays a larger role in Great Britain than in the Netherlands, although problems with this system diminish its importance somewhat. The most important problems are the external monitoring of standards, the union-determined rigidity of acquired skills and the declining investments in training and development due to past recessions. The odd situation has emerged in which high levels of unemployment and skill shortages co-exist. The investment in training and development in British companies has lagged behind most of their European counterparts due to the short-term orientation of managers. Since, therefore, the attention of companies to the development of an internal labour market has been limited, it is very common that management promotion is gained through movement between firms. Private companies and governmental bodies are taking modest initiatives, however, to encourage training.

Future developments

Changes in national culture and institutional context occur only gradually in the Netherlands. The Dutch labour market is generally viewed as extremely inert,

which is not surprising considering that changes in one part of the system immediately affect all the other parts (Lane, 1994). However, now it is widely understood that the trend towards further decentralization of collective agreements to the company level is structural, although, according to Visser (1989), the extent and effect of this decentralization movement differs over economic sectors. In sectors that are subject to intensifying international competition – such as chemicals or consumer electronics, where the total quality concept is crucial – decentralization of labour relations will be most prominent. Professional personnel managers and the works council will play a dominant role in determining social working conditions and personnel policy. So, in these sectors this development clearly enlarges the flexibility of companies and employees to compose company-specific arrangements. In sectors that operate within more stable markets and/or are more geared towards the domestic market, like metal and retailing, it is unlikely that traditional labour relations with collective bargaining between trade unions, employers and the government will change drastically in the short run. Finally, in the collective and subsidized sector, where union membership is highest and no decentralization trend is present as yet, labour relations will remain fairly unaffected in the near future.

Due to the legislation concerning trade unions in the 1980s and the impact of foreign – Japanese – direct investment, some changes in industrial relations are taking place in Great Britain. Single-union deals with companies are beginning to emerge in which the possibility of a strike to solve disputes is significantly diminished. Furthermore, the trend towards even further decentralization of labour relations to the company level seems to continue in response to demands for greater flexibility in local decision making. The question is whether the unions can internally reorganize so as to follow this trend effectively, so that representation and participation of the employees in the bargaining process are ensured. No changes, as yet, have occurred in the bargaining priorities of the union: increases in pay are still more important than other qualitative issues such as training and technology development. This and the presumed short-term orientation of management make it difficult to implement working methods that meet the demands of the changing environment.

3 The business system and HRM

Although the national cultures of the Netherlands and Great Britain differ significantly only on the masculinity–femininity dimension, their business systems show considerable variety. And although in both countries a trend towards further decentralization of labour relations is present, the impact this will have on the managers' degrees of freedom to implement HRM will vary due to differences in present business systems. Crouch (1994) provides a framework in which he distinguishes six different types of branch or national-level collective bargaining. The position of a country in the framework depends on the strength of organized labour and, related to this, the extent to which employers as well as employees are co-ordinated in employers' association and trade unions.

Great Britain is, in this framework, characterized by unstable collective bargaining, while the Netherlands operates in a system of stable neo-corporatism through social promotion. The trend of decentralization of collective agreements to the company level will differ in impact and extent over these two types of

systems (Crouch, 1994). In Great Britain, companies will embrace the decentralization trend as this is likely to diminish the strength of the unions. In company-level bargaining, the employers have greater control over the level at which the interaction takes place. Furthermore, the decentralization trend may be associated with a collapse of the higher-level bargaining structure, since no legal framework hinders these changes. This however also implies that national coordination of labour issues disappears as companies are given complete discretion on matters of pay and working conditions. Combined with the presumed short-term orientation in British business, this results in an emphasis by companies on control (over costs) rather than development (Crouch, 1994).

In the Netherlands, being characterized by stable neo-corporatism through social promotion, it would theoretically be easiest for employers to develop non-union personnel or HRM strategies, since the unions are relatively weak. However, due to the embeddedness of industrial relation institutions in national life, the legal framework and the consensus orientation, the need to challenge the existing structure is less apparent. So, although the trend towards company autonomy will increase, it will do so within existing branch or national level structures (Crouch, 1994).

Although, at first sight, it seems that HRM is easier to implement in Great Britain than in the Netherlands due to the larger autonomy of the British firm, this is not necessarily true in practice. On the basis of the above-described characteristics of the Dutch and British business system, the feasibility of the implementation of HRM elements – (i) recruitment and selection, (ii) performance appraisal and compensation and (iii) training and development – can be discussed. The discussion below provides only a very generalized illustration of the context in which personnel or HRM policies are formulated, as differentiation by size and sector within the countries are not taken into account.

The first HRM component – recruitment and selection – consists of all the methods involved in obtaining and retaining human resources (Schuler, 1987b). The two primary recruitment methods are internal versus external search. In the Netherlands, where mobility between companies is fairly low, internal search is likely to be more prominent than recruitment from external sources. This also implies that the recruitment function is less important than the other two HRM components. Compared to the Netherlands, recruitment in Great Britain will be more externally focused, mainly due to the more flexible approach to employment and the large percentage of people working part-time. This does not automatically imply that internal recruiting is less important, however (Gasperz, 1993). Selection methods are therefore likely to be less extensive in the Netherlands than in Great Britain. When a large internal labour market operates in the Netherlands, recruitment will take mainly place at entry-level positions (Schuler, 1987b), rendering extensive selection methods less essential.

Performance appraisal and compensation, the second HRM component, comprises all activities related to estimating the performance of employees and implementing the associated compensation. This is an important activity in assessing the extent to which the employee contributes to the achievement of the organization's goals (Schuler, 1987b). Although, based on the business system features of the Netherlands and Great Britain, no conclusions can be drawn on a potential difference in the intensity with which this activity is conducted in both countries, the content of performance appraisal and compensation is likely to be different.

Due to the far-reaching decentralization of labour relations to the company level in Great Britain, companies have considerable autonomy in determining how the performance of an employee is evaluated and to which compensation package this will be linked. The profitability of the company is likely to be a determining factor. Although unions may not agree with the size of the compensation, the masculine culture indicates that the profit link is not necessarily rejected. Performance-related pay structures are therefore expected to be more common in Great Britain. Because performance-related pay implies a stimulus to competition between employees to achieve the best performance – which is further enhanced by the knowledge that if the performance criteria are not met, the employee can be fired – this reward system is much harder to implement in the Netherlands. That is, the underlying assumptions are in conflict with Dutch business culture, where a consensus orientation prevails. Furthermore, although in the Netherlands decentralization of industrial relations takes place, the government, employers and employees also consider their societal responsibility for decreasing unemployment and industrial disability. This too leads to a greater protection in terms of employment security of the less-performing employees. Compensation is therefore more often tied to tenure than to performance.

The activities concerning the third HRM component, training and development, are also expected to differ between the Netherlands and Great Britain. Training and development activities are defined as those activities that are geared towards improving employee performance by increasing the employee's skills and knowledge (Schuler, 1987b). Employee development – by means of either vocational training or company training programmes – plays a leading role in Dutch companies, because the latter feel that the Dutch vocational education system is inadequately matched to their demands. In Great Britain, the need for training and development is also recognized and considered important, but investments in training and development have been lagging behind as a result of the British focus on the short term.

The relationships discussed above are summarized in Table 2. This table intentionally portrays a black-and-white picture of the differences between the Netherlands and Great Britain, while studies conducted in the Netherlands on the existence or absence of internal labour markets and their relation to the HRM components indicate a complicated grey picture (Gasperz, 1993; Ten Have, 1993; Schwan, 1993; Wolfs, 1992). It is beyond the scope of this paper, however, to analyse this in detail.

4 Can a societal effect on the implementation of HRM be observed?

Data to test the differences discussed above have been collected in twelve Dutch and eight British business units or divisions of the larger Dutch and British food & drink and chemical companies on the basis of a structured questionnaire. This questionnaire was developed by the International Organizational Observatory (IOO).¹ The questionnaire was administered in structured interviews with the managers responsible for the diverse functional areas within the companies. So, in this case, the manager responsible for human resources and the manager responsible for strategy development – in most cases the general manager – being interviewed. The data collection in the Netherlands and Great Britain took place in 1991 and 1992.

To examine whether a societal effect can indeed be observed in the

Table 2 *Emphasis on HRM components in the Netherlands and Great Britain based on business system features*

<i>HRM components</i>	<i>The Netherlands</i>	<i>Great Britain</i>
1 Recruitment and selection	Emphasis on internal search. External search receives less emphasis.	Emphasis on external search, but also use of internal search.
2 Performance appraisal and compensation	Performance-related rewards are uncommon. Compensation most often based on tenure. Extensive package of benefits.	Performance-related rewards fit in business culture. Package of benefits is likely to be less extensive.
3 Training and development	Crucial activity in which much is invested.	Less attention has been devoted to this activity, although need to increase investments is recognized.

Netherlands and Great Britain in our sample, the data for the Netherlands and Great Britain were combined. Although the variables measured in Great Britain and the Netherlands resemble one another rather closely, the specific items underlying the variables and the employee level at which a number of the variables were measured vary somewhat. So, differences were examined using only those items that were similar for both countries. The original questionnaire items used in both countries are available from the authors upon request.

Fisher Exact tests for 2×2 tables indicate that significant differences between Great Britain and the Netherlands exist on four items. The variables on which the countries differ all belong to the HRM components recruitment and selection, on the one hand, and performance appraisal and compensation, on the other. The first item relates to recruiting new personnel. Dutch companies use the services of consultants or headhunters and personal recommendation significantly ($p = 0.071$ and $p = 0.022$, respectively) more than their British counterparts. This is opposed to the above reasoning, where external search for potential job candidates was expected to be more frequently employed in Great Britain. This leads to the conclusion that in our sample lower mobility between companies does not necessarily result in a decrease of the use of external search methods. Sorge (1992) provides an explanation of the frequent hiring of consultants in the Netherlands by linking this to two features of the Dutch business system: a preference for social equality and peer control. Since these two features were violated by the requirements of the post-war emphasis on economies of scale, division of labour and automation, a possibility is now created of eliminating the mismatch between existing social values in Dutch society and the control of personnel in organizations: as a result of the changing environment, the need to be flexible and to increase the emphasis on value added (rather than low cost) has increased. Organization and human resource consultancy firms have sprung

up like mushrooms to fill the perceived gap, to turn these features of Dutch social organization into a competitive advantage for Dutch firms.

The second item, relating to selection, on which a difference between the Netherlands and Great Britain is detected is the existence of a career plan. A career plan for every different level of employees is more predominant in Great Britain than in the Netherlands ($p = 0.085$ for the management level, $p = 0.040$ for middle managers, $p = 0.0022$ for other employees and $p = 0.002$ for production workers). This result is not surprising when the characteristics of the British business system are taken into account. Societal values captured in the masculinity dimension result in a large emphasis on career advancement (Tayeb, 1993). Furthermore, the autonomy that British companies possess and the emphasis on independence are associated with a facilitative management style. Superiors are not expected to look after their employees, but should rather present the employee with such a work environment that they can better perform their tasks. A career plan is a tool with which this can be achieved.

The next two items relate to the HRM component of performance appraisal and compensation. For one, salary related to results is used significantly more in Great Britain on the level of middle management ($p = 0.040$), other employees ($p = 0.040$) and production workers ($p = 0.006$). Again, this result confirms the conjecture discussed above. In Great Britain, performance-related reward systems are more common (Guest, 1992) and their introduction is stimulated by the decentralized nature of industrial relations, the short-term orientation of British business and the need to realize a significant return on investment quickly (Tayeb, 1993). Finally, differences in fringe benefits emerge on three items. Insurance facilities are offered significantly more in the Netherlands ($p = 0.006$), which seems to be in line with the more 'care for' culture. Finance facilities and company shares are provided more in Great Britain ($p = 0.079$ and $p = 0.006$, respectively). The increasing emphasis of British business on employee-sharing schemes is facilitated by recent legislation (Guest, 1992) and, again, is in line with the dominance of performance-related incentives.

The lack of significant differences between the Netherlands and Great Britain in the third HRM component, training and development, seems to be surprising. It should be noted, however, that the question regarding training and development was limited to whether or not the need for training was systematically examined. That this is done to an equal extent in both countries does not guarantee, of course, that training and development activities are also implemented to an equal extent.

As the discussion in this section indicates, the question whether business system features enhance or prohibit the adoption of HRM in the Netherlands and Great Britain cannot be answered by a simple yes or no. In both countries distinct societal effects (Sorge, 1991) are present that influence the way in which personnel is managed. But although the actual HRM practices differ over both countries, all firms may share the goal of creating a competitive advantage through people. When the approaches taken in the Netherlands and Great Britain are categorized according to Storey (1992), Dutch companies are more likely to adopt a soft approach to HRM with an emphasis on personnel as human beings, while British companies are more likely to select a hard approach with an emphasis on personnel as a resource. This also implies that by looking at HRM practices at the country level alone it remains difficult to judge whether

HRM rather than traditional personnel management is practised. Therefore, an analysis of the features of HRM in both industries is the topic of Section 5.

5 Typology of personnel or HRM strategies: do strategic integration and decentralization occur?

Qualitative approach

In the first section four principles were presented that together form the basis of HRM. In subsequent sections the business systems of the Netherlands and Great Britain were briefly described, and the consequences for the implementation of HRM components were examined. Whether the companies in our Dutch and British sample have actually moved from 'traditional' personnel management to HRM is discussed in this section. There are many different ways in which researchers have attempted to capture a potential movement from 'traditional' personnel management to HRM (Guest, 1990). To explore the situation in the Netherlands and Great Britain a qualitative approach is taken. The purpose of the qualitative analysis is to reveal how the organizations label their personnel function (Guest, 1987, 1990), where the personnel department is positioned in the structure of the organization (Brewster and Larsen, 1992; Storey, 1992) and whether personnel is specifically considered when the general strategic objectives of the organization are discussed (Schuler, 1990, 1992). The Netherlands and Great Britain are examined separately because the data obtained on personnel policies – as was already mentioned above – are not comparable on all issues. Furthermore, the difference in the respective contexts within which personnel policies are formulated merits a separate discussion. Although the outcome of this qualitative research provides merely anecdotal evidence on the potential existence of HRM, it does clarify how the companies interviewed regard their personnel function.

The Dutch data used in this analysis were collected through interviews with personnel directors and inspection of annual reports, recruitment brochures and internal company documents in 1991 and 1992. To explore a potential move from traditional personnel management to HRM in Great Britain, the level of strategic integration is estimated by determining whether the personnel department is involved from the outset in the development of an HRM or personnel strategy and whether this strategy is formally written down. The extent to which the personnel function is decentralized is derived from data indicating where decision-making responsibility in each of the categories of choices in HRM is situated. Personnel policy in Great Britain is considered decentralized when the personnel function delegates responsibility to line managers. The qualitative description for Great Britain is less extensive than for the Netherlands, since only anonymous questionnaire data and no secondary sources were available for the British companies.

Personnel or HRM strategies in the Netherlands

Dutch food & drink industry In the Dutch food & drink industry, seven companies were examined of which four were divisions or business units of a larger corporation. The average number of employees in the four parent corporations was 4,575 employees at the beginning of 1992 (with a standard deviation of

2,732, and a range from 825 to 7,077 employees). The five lower unit companies (two missing observations) employ on average 465 people (with a standard deviation of 470, and a range from 100 to 1,270 employees).

Of the seven companies only one – with a Harvard alumnus as CEO, by the way – attaches the name Human Resource Management Department to its personnel function. Furthermore, this company explicitly mentions the importance of its employees in its mission statement. Although this expression of an HRM philosophy indicates how the company treats and values people, it does not automatically imply that HRM policies, programmes and practices are indeed implemented (Schuler, 1992). No additional information was available, however, on whether an HRM strategy was actually implemented. The other six companies all have a Personnel and Organization Department. Although the term HRM was nowhere explicitly mentioned, in half of these companies features of HRM could be detected. One very important indicator of a strategy–personnel link is that in two of these three organizations the personnel manager is actually a formal member of the management team. This indicates that at least formally there is a relatively high level of strategic integration within these companies (Brewster and Larsen, 1992). Furthermore, in all three companies management development, training and development, individualizing of working conditions and selection based on a ‘company culture–personality’ fit were stressed. Still another feature is that personnel policy was decentralized to the unit where production and marketing decisions were by and large made autonomously, which also indicates a relatively high level of devolvement (Brewster and Larsen, 1992) in the sense that the personnel function delegates responsibility to line managers. This is illustrated by the remark in one of the companies’ annual reports that, concerning training and development, the personnel specialists should merely act as brokers between the employee(s) and management.

In the remaining three companies, features of HRM are less evident. Two of these companies, however, were interviewed less than a year after a merger took place, implying the organization was still in a state of flux. The personnel function was not very decentralized (yet). In one of these two companies, the personnel department was shared by two divisions; in the other company, a personnel department was present in the division but could operate only within the context of a centrally established personnel policy. Investments in management development and training and development were considered necessary in both companies, but were not yet implemented. The third company in which HRM does not seem to be present is a relatively small independent company with 160 employees. It is an example of the many small firms that flourish in the Netherlands in which personnel management is less professionalized, and occurs in a more cooperative and corporatist context in line with Dutch values (Sorge, 1992). For example, one way employers and employees communicate is through the ‘Personnel Council’, where all matters concerning employees are discussed. Because of the relatively small size, interaction and co-operation between line management and the personnel function can prevail side by side with a rather centralized personnel function.

From this, one could conclude that the companies in the Dutch food & drink industry differ remarkably in the degree of strategic integration and decentralization. A higher degree of strategic integration at the business unit or division level seems to correlate with decentralization in three cases (and vice versa: a low

degree of strategic integration correlates with centralization). As for the existence of HRM in the seven companies, a partial shift from 'traditional' personnel management to HRM could be observed in four companies – although only one introduced the HRM label – while this is not the case in three firms. These results are summarized in Table 3.

Dutch chemical industry In the Dutch chemical industry, five companies were examined of which four were a division or business unit within a larger group. They are embedded in organizations with an average number of employees of 29,350 at the beginning of 1992 (with a standard deviation of 26,045, and a range from 2,400 to 65,000 employees). The four lower unit companies have an average number of 672 employees (with a standard deviation of 854, and a range from 161 to 1,950 employees).

None of these five chemical companies referred to the personnel function as their Human Resource Department. In all of the cases, the traditional Personnel and Organization label was sustained. In one of the companies' recruitment brochures, however, HRM is mentioned as a vital strategic function. Surprisingly, this was not directly reflected in the organization of personnel at the business unit level. Although job rotation programmes, career development, training and the creation of an internal labour market were considered to be important, personnel decisions were made at a division level – leaving little discretion for the business unit managers. So, despite the HRM elements at the division level, the level of strategic integration and decentralization was only intermediate within the business unit (where production and marketing decisions were made fairly autonomously). There was only one other company in which the personnel function was relatively centralized. In the remaining three companies, the personnel function was decentralized to the division or business unit level. The level of strategic integration appeared to be low in all five companies. In none of the companies is the personnel manager a formal member of the management team. Personnel and Organization served in every company as a staff department, focusing on career planning, management development and job rotation programmes. These activities all contributed to the desire of the companies to create their own internal labour market for employees at the management level.

From the above, it can tentatively be concluded that, although the level of strategic integration appears to be fairly low, programmes fitting within the HRM philosophy are indeed implemented in each company interviewed. The level of decentralization appears to be relatively high in all but two cases, since most HRM-related programmes are initiated and implemented at a fairly decentralized level. So, although none of the chemical companies indicates the use of HRM explicitly, programmes fitting within the HRM philosophy were present or were being developed. One has to be careful, though, that no gap arises between these programmes and the strategic needs of the organizations as a result of the low level of strategic integration (Brewster and Larsen, 1992). These results are also summarized in Table 3.

Personnel or HRM strategies in Great Britain

British food & drink industry In the British food & drink industry, five companies have participated, all five being a division or business units of a larger cor-

Table 3 *The level of strategic integration and decentralization in Dutch firms*

	<i>Higher level of strategic integration</i>	<i>Lower level of strategic integration</i>
<i>Higher level of decentralization</i>	3 (4) food & drink companies*	3 chemical companies*
<i>Lower level of decentralization</i>		3 food & drink companies 2 chemical companies*

* In all of these organizations, however, evidence is found that programmes fitting within the HRM philosophy are implemented.

poration. The average number of employees in the parent corporations was 90,013 employees at the beginning of 1992 (with a standard deviation of 118,612 employees, and a range from 18,873 to 301,000 employees). The five lower unit companies employ on average 4,598 people (with a standard deviation of 4,587, and a range from 744 to 12,000 employees).

Three of the five food & drink companies in the British sample indicated they were involved in the formulation of an HRM strategy from the outset, but only in two of the companies is this strategy also officially written down. Who is primarily responsible for specific key HRM decisions is presented in Table 4. From the data it can be concluded that the personnel department and line management have joint responsibility for career development, training and development plus recruitment of clerical and production personnel in the vast majority of companies. Even first-line supervisors have a vote in one company. Only recruitment of senior management and middle management is principally within the domain of the personnel department and senior management. Overall, one could conclude for the five food & drink companies interviewed in Great Britain that, based on the available data, intermediate strategic integration and a relatively high level of decentralization appear to be present in the majority of companies (see Table 5).

British chemical industry In the British chemical industry, three companies are in our sample, all three being a division or business unit within a larger group. They are embedded in organizations with an average number of employees of 46,113 at the beginning of 1992 (with a standard deviation of 63,295, and a range from 5,002 to 119,000 employees). The three lower unit companies have an average number of 9,987 employees (with a standard deviation of 13,730 and a range from 1,100 to 25,800 employees).

In the chemical industry sample, two of the three companies interviewed state their involvement in HRM strategy making from an early stage. In these two cases, this is also officially written down. To determine the level of decentralization, data on the distribution of responsibility for HRM decisions are summarized in Table 4. Senior management plays a large role in almost all of the HRM decisions in the three chemical companies in Great Britain. They are responsible for recruiting senior and middle management in all of the companies. The personnel department plays only a minor role in these decisions. The personnel

Table 4 *Level of decentralization in HRM decision making in British firms*

<i>HRM decisions</i>	<i>Chemicals</i> %	<i>Food & drinks</i> %
<i>1. Recruitment</i>		
* Senior management primarily responsible for:		
recruiting senior management	100	80
recruiting middle management	100	60
recruiting clerical personnel	33	0
recruiting production workers	33	0
* Personnel department primarily responsible for:		
recruiting senior management	33	80
recruiting middle management	33	80
recruiting clerical personnel	100	80
recruiting production workers	100	80
* Line management primarily responsible for:		
recruiting senior management	0	20
recruiting middle management	0	40
recruiting clerical personnel	67	60
recruiting production workers	67	80
* First-line supervisors primarily responsible for:		
recruiting senior management	0	0
recruiting middle management	0	0
recruiting clerical personnel	0	60
recruiting production workers	67	80
<i>2. Career development is responsibility of:</i>		
senior management	0	40
personnel department	0	60
line management	33	80
first-line supervisors	0	20
<i>3. Training and development is responsibility of:</i>		
senior management	67	20
personnel department	67	80
line management	67	100
first line supervisors	33	20

department and line management are jointly involved in recruiting clerical and production personnel plus training and development, although senior management also considers training and development as part of their domain in two of the companies. Career development is either not present at all or no one accepts responsibility for these decisions, since line management is solely accountable in only one of the three companies interviewed. For the chemical companies one could conclude that there is a fair amount of strategic integration. The level of decentralization in two companies appears to be low, however, due to the large involvement of senior management in almost all of the decisions and the selective delegation of authority to line management (see Table 5).

Table 5 *The level of strategic integration and decentralization in British firms*

	<i>Higher level of strategic integration</i>	<i>Lower level of strategic integration</i>
<i>Higher level of decentralization</i>	3 food & drink companies 1 chemical company	2 food & drink companies
<i>Lower level of decentralization</i>	1 chemical company	1 chemical company

A comparison and typology

When the level of strategic integration and decentralization of personnel or HRM strategies within the Dutch and British companies is compared, the following picture emerges (see Table 6). Four types of personnel strategies are present in our sample. Strategies exhibiting a higher level of strategic integration and a higher level of decentralization are considered ‘true’ HRM strategies. ‘Imposed’ HRM strategies are characterized by strategic integration and centralization, while ‘evolving’ HRM strategies are defined by higher levels of decentralization and lower levels of strategic integration. Although the ‘imposed’ and ‘evolving’ HRM strategies are not real HRM strategies according to the definition in Section 1, one has to keep in mind that aspects of HRM are indeed present in the form of strategic integration (‘imposed’ HRM strategies) or decentralization (‘evolving’ HRM strategies). A risk of the ‘imposed’ HRM strategy however is that the implemented policies are well-integrated with corporate strategy but not particularly suited to satisfy the needs of the lower unit in the organization. A risk of the ‘evolving’ HRM strategy is that this policy diverges from the company’s generic strategy. The last type of HRM strategy is the traditional personnel policy with no strategic integration and no decentralization.

Of the twenty firms in both countries on which data on personnel policies could be obtained, 40 per cent pursue a ‘true’ HRM strategy. An ‘evolving’ HRM strategy is followed by 25 per cent and in only 5 per cent of the

Table 6 *The level of strategic integration and decentralization in Dutch and British firms*

	<i>Higher level of strategic integration</i>	<i>Lower level of strategic integration</i>
<i>Higher level of decentralization</i>	<i>‘True’ HRM strategy</i> 3 (4) Dutch food & drink companies 3 British food & drink companies 1 British chemical company	<i>‘Evolving’ HRM strategy</i> 3 Dutch chemical companies 2 British food & drink companies
<i>Lower level of decentralization</i>	<i>‘Imposed’ HRM strategy</i> 1 British chemical company	<i>Traditional personnel strategy</i> 3 Dutch food & drink companies 2 Dutch chemical companies 1 British chemical company

companies is an 'imposed' HRM strategy present. The remaining 30 per cent of the companies did not adopt an HRM approach, but practised traditional personnel management.

6 Personnel and HRM policies and generic strategies: how do they relate?

A natural conjecture following from the discussion on the level of strategic integration and decentralization of personnel policies would be that *different* external competitive strategy profiles are associated with *different* internal personnel (or HRM) policies. This is to be expected, based on the premises of HRM, since the chosen strategies have implications for HRM within organizations through the different employee characteristics that each strategy requires (Schuler, 1987a). Three problems emerge however in attempting to test such a hypothesis. The first problem is that insufficient data are available on the actual content and implementation of the HRM components. In other words, in discussing differences over strategies, a distinction has to be made between the actual use of HRM instruments and the different objectives aimed at with these instruments. For example, the extent to which certain recruitment and selection methods are used, can be the same for two strategies. However, the employee searched for in a cost leadership strategy will be different from the one sought in a differentiation strategy: hence, the text or style of the advertisement in a newspaper or the way in which the interview is conducted may vary. Another example could be that it is not the fact that a career plan exists that discriminates over strategies, but rather whether the former is, for example, narrow or broad (Schuler, 1987a). So, with the available data it does not make much sense to test for differences between generic strategies on the HRM item level, since the items contain information only on the frequency with which the HRM instruments are used. The second problem is the mitigating effect of business system features on the different HRM requirements of the strategies, as mentioned in Sections 3 and 4.

In the Netherlands, the companies are classified according to Porter's (1980) generic strategies of cost leadership, differentiation, cost focus and differentiation focus. A fifth category emerged from the data, namely companies pursuing a combination of cost leadership, differentiation and focus. Porter (1980) refers to such companies as being stuck in the middle. In general, a cost leadership (focus) strategy requires intense supervision of labour, tight cost control, frequent and detailed control reports, highly structured organizations and incentives based on quantitative targets. Training and development in a cost leadership strategy will be moderate and specifically geared towards improving productivity (Schuler, 1987a). Especially the aspect of performance-based incentives as a method of personnel control will be moderated in the Netherlands (see Sections 2, 3 and 4). Also, the limited attention to training and development is atypical in the Netherlands. When these features of the Dutch business system are taken into account, it would almost seem as if most organizations adopt the characteristics of the personnel policies that are required in a differentiation (focus) strategy, because in a differentiation (focus) strategy selection and training are much more important to attract and retain high-quality skilled personnel. Furthermore, reward systems are not based on quantitative targets only (McKinlay and Starkey, 1992). A possible conflict emerges for the companies pursuing a combination strategy of cost leadership, differentiation and focus. However, since the

companies pursuing a combination strategy are all in the food & drink industry, their main area of differentiation is presumably in marketing, where they create a favourable brand image that generalizes to a number of different product lines. The production technology does not have to be altered substantially for every different product line. Therefore, this allows for economies of scale in marketing and production (Miller and Friesen, 1986). The human resource implications of this strategy are that the requirements of a cost leadership strategy apply to employees working in or associated with production. The human resource strategy for other employees, including the managerial levels, should be in line with the requirements of a differentiation strategy.

The British companies are classified using Miles and Snow's (1978) strategy typology of defender, analyser, prospector and reactor. Characteristics of a defender strategy include a limited product line, single capital-intensive technology, a functional structure, skills in production efficiency, process engineering and cost control. These characteristics lead, among others, to the following consequences for the design of the HRM system (Miles and Snow, 1984): little recruiting above the entry level, extensive training programmes aimed at skill building and compensation based upon position in the hierarchy rather than individual and/or group performance. This description would almost imply that the requirements of a defender strategy cannot be met in Great Britain when the features of the business system are considered, since – due to relatively high mobility – recruitment is likely to take place at all levels. Furthermore, training and development are not prominent HRM activities in Great Britain, and rewards are more often based on performance (see also Sections 2, 3 and 4). Prospectors have diverse product lines, multiple technologies, a divisionalized structure and skills in product research and development as well as in market research and development engineering. Their HRM system is therefore oriented towards sophisticated recruiting at all levels, limited training programmes and compensation based on performance (Miles and Snow, 1984). So, these characteristics seem to be more in line with the features of the British business system. The analysers try to combine aspects of the HRM system of the defenders and the prospectors because they operate in separate markets that exhibit features of either the defender or the prospector (Miles and Snow, 1984). Finally, the reactors fail to pursue any consistent strategy. Therefore, no consistency is expected in their HRM system.

The third problem is the vagueness and even inconsistency that can be detected in the literature when the requirements for the different generic strategies of Porter (1980) and Miles and Snow (1978) are compared. Although a defender strategy resembles a cost focus profile, a prospector strategy a differentiation profile and an analyser strategy a combination of the former, different HRM requirements emerge. When they are positioned on the dimension of proactiveness (Segev, 1989), the most proactive strategy is the prospector followed by differentiation (focus). Least proactive is the defender strategy followed by cost leadership. So, a defender is more conservative in, for example, product innovation, number of technologies and resource level than a cost leader. Although this is generally confirmed in the previous discussion, the different emphasis on training programmes is surprising. But, again, due to the vagueness of description it is almost impossible to make a sound comparison, as it may well be that the extensive training programmes of the defender are specifically

geared towards improving productivity. Almost the same reasoning applies to the differences between a differentiation and a prospector strategy. Since a differentiator is less proactive than a prospector, issues such as operational efficiency, control system level and quality are emphasized more. Prospectors pay more attention to, for example, the number of technologies employed and rate of growth. The HRM requirements described above confirm this reasoning, although again some confusion arises concerning training and development. Whereas in a prospector strategy limited training occurs because skilled personnel is acquired, in a differentiation strategy training and development are seen as important to retain high-quality skilled personnel. It seems that research on the content of HRM policies and their relationship to the specific strategies beyond the conceptual framework level is fruitful to enhance our ability to make sound comparisons.

So, whether a relationship between the generic strategies and the *content* of the personnel policies pursued exists, cannot be determined with the available item-level data. What can be examined, however, is how the extent of strategic integration and decentralization of the personnel function is associated with any of the generic strategies that the companies pursue. The question then becomes: is the management of personnel or human resources compatible with the strategy pursued? So, for companies where 'true' or 'evolving' HRM strategies are pursued, it is assumed that these companies are better able to monitor developments in the competitive environment of the decentralized unit and thus can tailor their HRM to these needs. In the case of a 'true' HRM strategy, these actions are also in line with the strategy pursued. What strategies are related to which types of HRM strategies is presented in Table 7. Inspection of the table leads to the conclusion that 'true' or 'evolving' HRM strategies are mainly associated with combination strategies of differentiation, cost leadership and focus, strategies of differentiation (focus) and analysers. That a decentralized approach towards personnel is taken in these companies seems to be consistent with part of the control process associated with these strategies.

Although the firm pursuing a combination or analyser strategy is mostly controlled in a centralized manner, marketing and brand management are decentralized (Miles and Snow, 1984). It would therefore depend on the nature of the competitive environment whether the process or the marketing features are more important. In these cases, HRM would support the strategies pursued when the environmental forces make marketing and brand image more important than the production process itself, rendering decentralization the dominant control process. This reasoning however also implies that the 'imposed' HRM strategy, situated in the lower left quadrant of Table 7, is not necessarily damaging to or inconsistent with the strategy pursued when the environment asks for a centralized approach. So, the British chemical company pursuing a defender strategy does not have to suffer from the centralized nature in which personnel management is conducted, since the dominant control processes in a defender organization are centralized. Furthermore, the management of personnel is integrated with the strategy pursued. The odd one out is the Dutch food & drink company with a cost leadership strategy and a 'true' HRM strategy. This however immediately points to an interesting paradox in the definition of a HRM strategy (as opposed to a traditional personnel strategy). Since one of the basic distinguishing principles of an HRM approach is that the personnel policy is in line with the

Table 7 *Generic strategies associated with the levels of strategic integration and decentralization*

	<i>Higher level of strategic integration</i>	<i>Lower level of strategic integration</i>
<i>Higher level of decentralization</i>	<p><i>'True' HRM strategy</i></p> <p>3 Dutch food & drink companies with a combination strategy of differentiation, cost leadership and focus</p> <p>1 Dutch food & drink company with a cost leadership strategy</p> <p>3 British food & drink companies with an analyser strategy</p> <p>1 British chemical company with an analyser strategy</p>	<p><i>'Evolving' HRM strategy</i></p> <p>2 Dutch chemical companies with a differentiation focus strategy</p> <p>1 Dutch chemical company with a differentiation strategy</p> <p>2 British food & drink companies with an analyser strategy</p>
<i>Lower level of decentralization</i>	<p><i>'Imposed' HRM strategy</i></p> <p>1 British chemical company with a defender strategy</p>	<p><i>Traditional personnel strategy</i></p> <p>2 Dutch food & drink companies with a differentiation focus strategy</p> <p>1 Dutch food & drink company with a combination strategy of differentiation, cost leadership and focus</p> <p>1 Dutch chemical company with a cost focus strategy</p> <p>1 Dutch chemical company with a cost leadership strategy</p>

strategy pursued, on the one hand, and decentralized to line management or personnel departments lower in the organization, on the other hand, this immediately limits the use of HRM approaches in organizations. The companies pursuing a cost leadership or defender strategy – and even the combination strategies where cost leadership is emphasized over differentiation – would be precluded and sentenced to adopting traditional personnel policies as the HRM strategy is inconsistent with their dominant control process. It would be rather odd if these companies could not manage their employees as human resources to obtain a competitive advantage. Therefore, it seems sensible to relax the decentralization condition depending on the generic strategy pursued. Since hardly any literature is available that discusses the content of certain HRM profiles and since the data in our sample do not allow the establishment of such profiles, a solution here is sought by defining three different HRM strategies: a 'true' HRM strategy, an 'imposed' HRM strategy and an 'evolving' HRM strategy. Further research into the content of these three types is of course necessary to define what on a *content* level distinguishes HRM from a traditional personnel management approach.

7 Conclusion

The question that is the running thread in this paper is: is HRM used as a management tool to support the different strategies pursued? To be able to answer this question, two types of relationships were discussed above. First, the relationship between different components of HRM and features of the Dutch and British business systems was analysed so as to gain an understanding of whether business system features stimulate or dampen the adoption of HRM policies in both countries. It was argued that a societal effect on the implementation of HRM components is substantial, mainly in the categories of recruitment and selection, on the one hand, and performance appraisal and compensation, on the other hand. Since this societal effect diversifies the meaning of what HRM comprises in both countries, comparisons on whether a shift from traditional personnel management to HRM has occurred in the Netherlands and Great Britain become difficult. Therefore, a level of analysis that is less affected by a societal effect is needed. So, to examine whether HRM is used as a management tool to support the generic strategy pursued, not the individual components of HRM are analysed but the overall personnel or HRM profile. Based on the level of strategic integration and decentralization of personnel policies, four types of HRM strategies emerge: a 'true' HRM strategy that is integrated with the generic strategy pursued and decentralized to a lower level in the organization; an 'imposed' HRM strategy that is also integrated with the generic strategy pursued but implemented in a centralized manner; an 'evolving' HRM strategy, where personnel policies are developed at a decentralized level without being integrated with the generic strategy pursued; and, finally, a traditional personnel strategy without strategic integration and decentralization.

This brings us to the second type of relationship studied: the linkage between HRM profiles and generic strategies. In the majority of cases, the HRM strategy supports the generic strategy chosen, so that the question at the beginning of this section can be answered positively. The firms in the sample that employ any of the three HRM strategies are also expected to outperform the companies employing a traditional personnel strategy, even when a fit exists. However, incoherent types can also be distinguished, of which three operate in the food & drink industry and one in the chemical industry. Their performance is therefore expected to be below the performance level of the firms where a fit is indeed present.

The analysis in this paper, however, also leaves important aspects of HRM strategies uncovered. Although these, unfortunately, cannot be addressed due to lack of (comparable) data, two constraints are summarized below to illustrate interesting avenues for future research.

- 1 One of the most serious limitations of the analysis in this paper is that, in discussing the relationship between HRM and generic strategies, no information is available on the actual implementation of HRM components. It is *assumed* that when, for example, strategic integration and decentralization exist, this is reflected in how the HRM components are employed. This, of course, does not necessarily have to be the case. Figure 2 presents a summary of the relationship between HRM profiles and generic strategies proposed in this paper. The likelihood of the combinations (indicated by X in the figure) is based on

rather general assumptions of which dominant form of control associated with each of the generic strategies corresponds with the HRM profiles. So, the question whether the implementation of the HRM components regarding recruitment and selection (R&S), performance appraisal and compensation (P&C) and training and development (T&D) differs over the different HRM profiles on the one hand and the generic strategies on the other hand (so whether the content of the boxes marked with X differs), still needs to be addressed in both countries. It would be interesting to see how much the content of HRM strategies actually differs over generic strategies when a societal effect is taken into account.

- The second limitation is that the third feature that defines HRM – the integration of the different components – is not studied. Because even when the overall HRM strategy is integrated with the generic strategy pursued and decentralized to lower levels within the organization, this does not automatically imply that the HRM components are employed in an integrated way too.

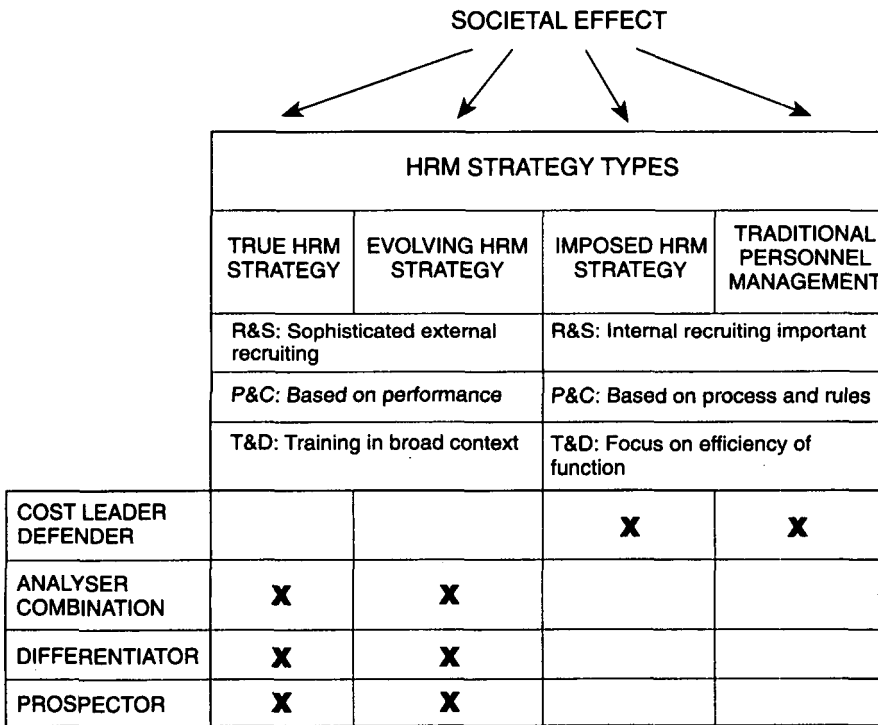


Figure 2 The relationship between generic strategies and HRM strategy types

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Note

1 The data in this paper have been collected by means of a structured questionnaire which was developed by the International Organizational Observatory (IOO). The IOO is a group of organizational researchers based in six European business schools. The group was inaugurated by CRORA, Bocconi University, Milan, Italy. Apart from HRM items, the IOO questionnaire covers issues of the environment, strategy, structure, production, R&D, control, information systems and performance (Heijltjes, 1995; Heijltjes, Sorge and Van Witteloostuijn, 1993). Data collection in the British companies was performed by the British team based at the Open University.

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