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How Will Competition Change Human Resource Management in Retail Banking? A Strategic Perspective

by
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How Will Competition Change Human Resource Management in Retail Banking? A Strategic Perspective[1]

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Abstract: Strategic human resource management suggests that human resource management practices are most effective when matched with strategic goals of organizations. This paper applies the strategic perspective to interviews and surveys of retail bankers, and considers the possibility that commitment-based practices characteristic of the "High-Performance Workplace" might be adopted in the industry. The data suggest that practices associated with High-Performance Workplaces have not generally found their way into retail banking. Such practices may become more common, however, if they can be shown to create capabilities that banks value.

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The mid-1990s find the retail banking divisions of U.S. commercial banks under substantial pressure to change the ways in which they do business. Banks face an increasingly competitive environment, replete with threats from non-bank institutions operating under different kinds of regulation. Changing regulations regarding interstate banking provide opportunities as well as challenges. Explosive growth in information technologies has changed the way many individuals interact with their banks. One aspect of the competitive challenges faced by retail banks lies in the management of human resources, particularly the work force at lower and middle levels of the organization. Dertouzos et. al. (1987) found that American manufacturers had difficulty changing from established methods of managing people when faced with increased competition in the 1970s and 1980s: specifically, they failed to adopt human resource strategies that would have produced higher quality products and left their organizations more nimble, flexible, and cost-effective. This paper draws on multiple interviews in sixteen American financial institutions to address similar challenges in retail banking.

The proposition that the way firms manage their labor forces should be consistent with their organizational strategy might seem both obvious and noncontroversial. What this means in practice in a turbulent industry such as consumer financial services, however, is by no means obvious. Human resource management practices in banks are changing under pressures from an increasingly intense competitive environment. The nature of these changes remains unclear, and questions center around what forms the changes will take and around the effects of those changes. Will retail banking organizations follow the lead of some manufacturing firms and turn to strategies that depend upon the commitment, loyalty, and skills of a previously under-utilized work force? More to the point for practitioners, should they?

The interviews drawn on in this paper do not provide sufficient data to answer the questions raised, but they do provide clear indications of directions we might take in conceptualizing and further investigating these issues. Thus this paper has three aims. First, it intends to be broadly descriptive, sketching the issues involved with strategy, human resources, and performance in retail banking. Second, it lays out the challenges associated with applying a model relating strategy to human resource decisions, and suggests some considerations for the emergent field of strategic human resource management drawing on a capabilities-based approach. Third, it suggests a further research agenda for the study of strategic human resources in financial services. This agenda centers on the study of the effects of systems of human resource practices. Only when we understand these effects will be begin to recognize the approaches to human resource management that will be characteristic of successful consumer financial service organizations over the next several years.

Strategic Human Resource Management

The framework of strategic human resource management (HRM) provides guidance into both descriptive and prescriptive lines of questioning. The literatures in strategic management and organization theory have long argued that the fit between business strategies and organizational characteristics is a key determinant of organizational performance (Chandler, 1962; Lorsch and Allen, 1973; Galbraith and Nathanson, 1978). While there have been problems in defining exactly what constitutes "fit" (Van de Ven and Drazin, 1985; Venkatraman, 1989), the general proposition that fit is important has some empirical support and has motivated the emergence of what has become known as strategic HRM. Strategic HRM holds that the sets of policies and practices used to manage a firm's labor force should be considered in the context of organizational strategy. Further, strategic HRM argues that a key criterion for evaluating the effectiveness of personnel practices should be the extent to which those practices help the organization meet its goals.

Most existing research in human resource management considers the effects of HRM practices on individuals and their performance; that is, it has taken a "micro" perspective on effectiveness. As Butler, Ferris and Napier (1991) observe, strategic HRM requires a shift toward a more "macro" perspective in which attention to effects of practices at the level of the organization is more salient. Strategic HRM begins with the notion that HRM practices are tools managers have at their disposal to achieve organizational goals. Such practices include compensation (rules governing pay and pay raises, pay levels, and wage and benefit structures), training, staffing (including workforce levels, the mix of full-time, part-time and contingent employees), hiring and selection, systems of workplace governance (including schemes for employee involvement and representation), and job design and work organization (see Table 1).

The HRM practices described in Table 1 shape the development of employee skills and competence, and they reinforce role behaviors (Wright and Snell, 1991; Huselid, 1994.). The strategic HRM perspective suggests that practices vary across firms because different strategies require different employee characteristics (Schuler, 1988) related to these behaviors and competencies in order to be successful. Empirical support for the relationship between strategies and practices is beginning to emerge in both cross-industry (Jackson, Schuler and Rivero, 1989; Osterman, 1994), and single-industry (Arthur, 1992; Delery, 1994; Hunter, 1994) studies.

Table 1
Human Resource Management:
A Menu of Practices

Area of Practice	Some Choices Available
Compensation	Lead, match, or lag the market? On what are raises based? Should long-term tenure be rewarded? Should there be large differentials between employees?
Training	Who should get trained? How much training should be done? What sorts of training should be done?
Staffing	How many employees should the firm have? Should there be a mix of full and part-timers? Should contingent employees be used? Should the firm offer employment security?
Hiring and Selection	What criteria should be used to choose new hires? Should the firm promote from within?
Workplace Governance	What kinds of decisions should employees be involved in? Should employees have a formal voice in decision-making?
Work Organization	Should jobs be broadly or narrowly defined? Should there be a flat or steep hierarchy? Should workers be organized into teams?

Strategic HRM also requires that personnel policies and practices be considered as systems. Individual practices have effects on organizational outcomes only in the context of their relationship to a broader set of practices. The systems or configurational approach has long been applied to industrial relations questions (see Dunlop, 1958; Kochan, Katz, and McKersie, 1986) and has gained currency among organization theorists (see Van de Ven and Drazin, 1985). Its application to strategic HRM has also begun to attract interest both conceptually (Dyer and Holder, 1988; Wright and McMahan, 1992) and empirically (MacDuffie, 1991; Arthur, 1992, 1994; Ichniowski and Shaw, 1994).

One systemic question of interest derives from the burgeoning literature on what has been termed variously the high-commitment (Walton, 1985), high-involvement (Lawler, 1986), or high-performance (Osterman, 1994) workplace. (In this paper I follow the most recent usage and refer to this system as the High-Performance Workplace (HPW).) Its proponents have argued that this system of human resource management holds the potential to bring competitive advantage to firms that are able to manage it properly. While there exist a number of different formulations of the components of the HPW, it is most easily understood when viewed in contrast with the high-control workplace (this distinction has at least some roots in MacGregor's (1960) distinction between Theory X and Theory Y for organizing work). Some differences between the two systems for managing people are summarized in Table 2.

While much rhetoric exists around the emergence of the HPW, and its supposed benefits are great, careful empirical studies of the effects of this approach to human resource management are just beginning to emerge and have been limited chiefly to manufacturing settings (see MacDuffie, 1991; Arthur, 1994; Ichniowski et.al., 1994). In this paper I consider under what conditions this approach to human resource management might also emerge as a response to competitive pressures in retail banking.

Table 2
Two Human Resource Systems

Practice	High-Control Workplace	High-Performance Workplace
Compensation	Low base pay Individual incentives Few rewards for tenure High differentials across families	High base pay Group incentives Back-loaded pay Lower differentials
Training	Low levels, as necessary	High levels, pro-active
Staffing	Extensive low-cost part-time work force Hire and fire at will Staff for immediate needs	Full-time workforce; part-timers included in benefits Commitment to employment security Looser staffing
Hiring and Selection	Based on the market	High investment in screening
Workplace Governance	Little employee involvement	Extensive employee involvement
Job Design	Relatively narrow jobs Emphasis on monitoring Steep hierarchy	Broader jobs Flat hierarchy Organization may include self-managing teams formal job rotation total quality management

Strategic HRM suggests that firms will begin to adopt practices characteristic of a high-commitment workplace if such practices help them achieve their strategic goals. Is the HPW likely to help retail banks achieve their strategic aims? Can an understanding of firm strategy help us to predict which firms (if any) are likely to benefit from introducing HPW practices? Unfortunately, neither the answer nor the question are straightforward. Researchers have operationalized strategy with a number of typologies; it is not clear a priori which typology or typologies make sense in a strategic HRM study, and there is no consensus on the appropriate dimensions or even the relevant level of analysis. (A non-exhaustive list includes Miles and Snow (1978), Lengnick-Hall and Lengnick-Hall (1982), Porter (1980), Schuler and Jackson (1987), and Schuler (1988).)

The central problem is that there are a large number of strategic issues one might consider. One summary view illustrates the difficulty. A popular textbook in "Strategic Human Resource Management" (Anthony, Perrewe, and Kacmar, 1993) specifies three types of corporate level strategies. Corporations may pursue growth, they may seek stability, or they may defend a shrinking market. They may also engage in some combination of these. Each strategy has two to five possible sub-strategies, and some of the growth sub-strategies have further sub-sub-strategies.

Anthony et.al. develop their framework further following Porter (1980) and subsequent work in competitive business strategy and strategic HRM (Schuler and Jackson, 1987). Bringing the level of analysis down to the line of business, they describe four generic business level strategies. Businesses may seek strategic advantage through cost leadership, product or service differentiation, market segment focus, or preemptive strategies. And even this extensive framework is incomplete. Further complicating the mix of strategies is the observation that even with lines of businesses, firms may follow a variety of strategies. A portfolio model of business strategy suggests that firms may wish to differentiate strategies for individual products, and there exists evidence that at least some firms follow this approach (Nayyar, 1993).

Method

This broad framework served as a guide to issues rather than framing specific hypotheses. Beginning in summer 1993 a team of researchers conducted one- and two-day on-site interviews in ten consumer financial service organizations, speaking with executives, top, middle, and supervisory-level managers, and, in some organizations, non-managerial workers. Each interview featured a series of open-ended questions. No attempt at representativeness was made in this round of interviewing; rather the aim in this sample of convenience was to surface issues and to identify questions likely to be relevant for further study.

A second round of data collection, in spring 1994, involved the completion of detailed questionnaires on organizational practices. The surveys included questions regarding strategy, performance, human resource management, technology, and design of service processes in large retail banking divisions of seven U.S. banks (one of which was in the original round). Each questionnaire was introduced by a member of the research team, and directed toward a manager knowledgeable about the topic in question. For example, some questions about human resource management practices were answered by members of the human resource management staff for the retail bank with responsibility for that area of practice (such as compensation and training). Others (such as those dealing with work organization) were typically answered by line managers with direct experience in that area.

In the second round, again, the sample was not intended to be strictly representative, but in this round participant banks were widely distributed geographically (two were based in the South, two in the Midwest, two in the Northeast, and one in the West). The holding companies of participant banks also featured substantial variation in areas such as frequency of merger activity and retail banking strategy. This paper draws on both rounds of interviews. In each round, complete confidentiality was promised to banks as a condition for access.

Strategies in retail banking

The interviews suggest that in the American consumer financial services industry, issues that may affect human resource management decisions arise at nearly every level raised by the various strategic frameworks. At the corporate level, retail banks are typically owned by a holding company with its own strategic agenda. Mergers continue to characterize the industry (nearly every bank in our sample had been through at least one substantial merger in the last three years), and the likelihood of merger activity shapes much of the thinking of top management in most banks.

Both the strategy of that holding company -- its approach to growth, for example -- and the role of the retail bank in carrying out that strategy must be understood. Retail banks may be strong and independent lines of business, but this is not always the case. In some organizations the role of the retail bank is chiefly to generate low cost funds for larger holding companies, and in many holding companies the retail bank has had lower status than other somewhat more central and influential areas. For example, a merger might be driven by the desire to achieve presence in new wholesale markets, with the entire retail bank brought along in the merger almost as an afterthought. This may weaken or alter expected links between corporate strategy and the management of human resources in the retail bank.

In addition to its contribution to broader corporate aims, a retail bank may also have a competitive strategy of its own. An increasingly dynamic, competitive environment characterizes consumer financial services. Changes in regulation have given rise to an extensive increase in interstate banking. New technologies for delivering financial services continue to be developed rapidly. Banks face a variety of non-bank competitors; increasingly these other institutions are attracting investment funds (e.g. the dramatic increase in mutual fund holdings) and other products (e.g. alternatives for automobile and home equity financing). This new environment is forcing retail banks to move to more entrepreneurial, sales-oriented practices if they are to continue to thrive.

While nearly every bank claims to be cutting costs, some are doing so more aggressively than others. None that we interviewed, however, are doing so with the explicit goal of being the lowest cost provider. Further, there exists a consensus that true differentiation is nearly impossible to achieve in consumer-oriented financial services. Nearly all of these services are much like commodities. Their features are easily imitated by competitors, and there are very low barriers to the introduction of new products. The interviews thus suggested a number of initiatives that indicated different "focus" and "niche" strategies. Some typical initiatives:

(1) Being a "one-stop" financial service provider
(2) Aggressive selling to new customers
(3) Aggressive cross-selling of new products to existing customers
(4) Establishing a ubiquitous presence (both time and place) in chosen geographic markets
(5) Establishment of alternative channels of delivery of financial services
(6) Development of a reputation for the highest-quality service

These sorts of initiatives are not, at least in principle, exclusive. While one organization might pursue none or one of these kinds of aims, another may be pursuing many or all of them.

Linking Strategy and Human Resources: A First Step

Each strategy may in turn imply its own necessary imperatives for human resources. The strategy-classifying exercise can be useful both to researchers and from a normative perspective, for some hypotheses and prescriptions regarding fit are straightforward. Focusing on individual aspects of firm strategy, one might ask whether particular sets of HRM practices serve to develop competencies and reinforce behaviors that move the organization toward those strategic goals.

At this level, one need not even go through the exercise in contrasts suggested by the comparison of the control and high-performance workplaces in order to pose interesting, focused questions. For example, several of the retail banks we interviewed have developed strategies aimed at gaining market share by selling a broader range of financial services to young professionals. Here the strategic HRM perspective suggests that retail banks will be more successful in achieving their goals in this area if their HRM practices are more consistent with this goal. Organizations with incentive pay and performance appraisal systems designed to reward these kinds of sales, with specific training programs aimed at these goals, with staff hired and promoted based on their ability to do this, with sufficient staffing to create time for selling, and job designs which allow for customer contact ought to be more effective than others with the same goals that do not have the same policies. What is more, organizations with a number of practices that work together to reinforce one another also ought to be more effective. Conversely, this approach also helps to pick out approaches likely to be unsuccessful. Those that generate behaviors that would tend to frustrate strategic goals, or those that fail to develop the competencies necessary to achieve strategic aims, will have negative effects on performance.

The difficulty with this approach lies in movement away from these very specifically articulated strategic goals to broader initiatives. As combinations of strategies begin to accumulate, prescriptions about what sorts of HRM practices ought to work best, and therefore predictions about what sorts of practices ought to emerge, become increasingly confused. Desired behaviors and competencies began to accumulate and in some cases to conflict, resulting in a complicated jumble of predicted compensation imperatives, training programs, staffing models, hiring and selection criteria, and approaches to work organization. Indeed, our synopsis of the industry suggests that applying a general model of strategic human resource management to the understanding of this industry is likely to be problematic. Suppose we simplify greatly by assuming three general corporate strategies, and two possible roles in each of those strategies for the retail bank, and four possible business strategies for the retail bank (Table 3).

Table 3
Some Strategic Issues in Banking

Corporate Strategy	Role of retail bank	Retail strategic initiatives
Growth through acquisition	Independent profit center	High-quality reputation
Growth through diversification or vertical integration	Generator of funds for other corporate activities	Alternative channels of delivery
Stability or growth in existing markets		Emphasis on sales activity
		One-stop provider, ubiquitous market presence

Here we have 24 (3 x 2 x 4) possible combinations that might suggest somewhat different required competencies and behaviors for different organizations. For example, one such combination would be a corporate entity active in acquisitions, where the retail bank is a key contributor to profits, realized through its high quality delivery. And this table scarcely touches on the specifics of many niche strategies (such as aiming for particular segments of the retail market) nor the use of different strategies for different types of retail financial services such as credit cards, home equity loans, mutual funds, and checking accounts. Unless there exist a few easily identifiable clusters of strategy (something that is clear neither a priori nor from our interviews), there may be such a large number of feasible matches between HRM and strategy as to leave comparisons quite difficult.

Linking Strategy and Human Resources: Capabilities

The multiplicity of possible strategic combinations that HRM practices might fit suggests that a broader approach to matching HRM to strategic goals might be more enlightening. One might ask the question in reverse. Rather than describing strategy and attempting to deduce fit, one might focus on capabilities the banks are attempting to develop in their retail organizations (Cappelli and Singh, 1992). Specifically, in what ways are human resource management choices likely to affect performance? In Frei, Harker, and Hunter (1994) we suggest five categories of outcome that are both susceptible to direct influence through management practice and of importance in creating value for retail banking organizations and their customers. Banks seek to provide customers with **convenience,** delivering services quickly and in a variety of times and places. Second, banks seek **precision,** delivering services and responding to inquiries as accurately as possible. Third, **cost efficiency** is necessary if banks are to be competitive. Fourth, retail banks need to be **adaptable** to demands of the market and environment. Fifth, because every service interaction may provide an opportunity to sell still more service, banks seek **market penetration,** especially through cross-selling to existing customers. Different combinations of strategies assign different weights to these goals, or target different potential customer segments for the same sorts of performance. In general, retail banks are charged with organizing their human resources to achieve goals in these areas.

Which retail banks will opt for the control model, and which (if any) for the high-performance workplace? The control model promises immediate cost containment. Its hierarchy and sharp job definitions provide accountability. Despite its narrower job definitions, it is flexible in some ways, particularly with respect to labor costs, as the size of the workforce can easily be varied up or down to meet both cost considerations and customer expectations.

Can an alternative system based on greater mutual commitment between employer and employee create any useful capabilities in retail banking? Generally, we might expect that employees with more latitude and training will be able to serve customers more effectively, and will adapt more quickly to changing products and technologies. This human resource system matches well with a "Total Quality Management" approach, and may foster organizational citizenship.

Table 4
Which HRM model is best?

Assumption 1: Control Model is Best Practice	Costs contained No costly decline in quality or lost sales Performance can be monitored or controlled
Assumption 2: High-Performance Workplace is Best Practice	Investment in human resources yields benefits Any extra outlays recouped through gains including higher quality, productivity
Assumption 3: Either Approach Will Work	Success depends on implementation Consistency across practices may be crucial
Assumption 4: Best Practice Depends on Strategy and Environment	Different systems yield different outcomes Choice of system depends on weights assigned to outcomes

Which model is better suited to the retail banking environment? At this point, we do not know the answer. However, it is helpful to specify the range of possible answers to this question. There are four possible approaches to take in distinguishing the two models (Table 4). First, the control model may be "best practice" for retail banking. The basic premise here is that an HPW strategy is too costly; the investment in human resources it requires in order to produce performance benefits cannot be sustained in the current environment. Further, this best practice approach assumes that it will not yield costly losses due to poor quality, missed sales opportunities, or inability to adapt. Necessary levels of quality and performance can be achieved through a combination of incentives, careful supervision, and the use of technology.

On the other hand, the HPW may be "best practice." It might yield higher precision and more effective, speedy customer service. Its trained and committed workforce can seize opportunities to cross-sell services to customers, and these workers may adapt quickly to the introduction of new technology and other organizational changes. It could be no more costly, perhaps less costly, than a control model, if savings are realized through fewer mistakes and rework, better teamwork and cooperation, higher productivity per employee, and lower employee turnover.

A third possible answer would be that either model could work; that there is truly no best practice. Here performance would depend on the ability of the management to carry out the chosen approach effectively and consistently. While either a control model or a high-performance approach might work, combinations of practice that mixed the two models might be disastrous. For example, defining jobs broadly and allowing employees latitude to meet customer needs, but failing to select employees carefully or to train them to work in this system, might result in very costly mistakes and poor decisions in customer service.

The fourth possible approach has been hinted at earlier; it derives from strategic HRM. Here the “best practice” depends on the value of the capabilities; that is, the outcomes generated by the practices. Suppose, for example, customers are highly sensitive to inconvenience or imprecision, but are not bothered by slightly higher costs (or, put another way, they are willing to pay a premium for convenience or precision). Then best practices are those that generate high levels of convenience and precision, not those that minimize costs. On the other hand, if consumers are exceedingly sensitive to small variations in price, but indifferent to or unable to identify differences in precision or convenience, then cost minimization assumes much greater importance.

This last approach has an important implication. If different systems indeed produce different outcomes, then a claim that one HRM system or another is better may often be understood more accurately as a claim about the nature of the current environment. A particular system may be perceived as better because it is believed to produce outcomes that best suit the organization’s interpretation of the demands it faces in the immediate environment -- for example, maintaining tight control over costs while seeking opportunities to cross-sell services.

In retail banking, developing an understanding of this aspect of fit is important for two reasons. First, the extent to which different HRM systems affect different outcome measures is not clear. Second, there is a lack of consensus on what customers value, how much they are willing to pay for it, and the value additional customers add to the organization. Different organizations, in fact, are in the middle of developing different retail strategies based on their beliefs about the answers to these questions.

Take one particular group of employees: bank tellers. Table 5 displays some of the HRM practices that govern tellers across our sample of seven banks. Two points are notable. First, no banks have moved strongly toward the implementation of HPWs for their tellers. A high proportion of tellers are part-time employees; teller pay has a variable component other than potential merit raises in only three of the banks. Only one bank uses an extra selection technique (personality testing). Employee involvement covers at most a minority of teller employees. Further questions, not shown in the table, confirmed that tellers typically have little influence over most decision areas in the workplace. Nor have any banks implemented formal team structures or pay-for-skills systems.

The second point worth noting in Table 5 is that there exists substantial variation in the practices that have been implemented, so that some banks have apparently moved further toward the HPW than others. Bank B is clearly the furthest in this direction, with its use of some employee involvement, its variable pay component (which is team-based), its innovative selection technique, and its relatively high level of cross-training. Other banks use fewer components that might be considered characteristic of HPWs. Bank D, for example, reports a very large share of part-time tellers. None are fully cross-trained and a fifth perform only a subset of the full range of teller tasks. These tellers have no variable pay component beyond an annual merit raise. The other banks fall somewhere between these two extremes.

Do these different ways of managing tellers make any difference? While our sample is too small to draw any definitive conclusions, it should be noted that many managers in Bank B believe that their preferred strategy emphasizes cross-selling multiple services to existing customers. Preliminary analysis of some very rough measures suggests that Bank B out-performs other banks on this dimension, but serves customers neither more nor less quickly than other banks in the sample, and may be slightly less cost-efficient than best-performing banks. Bank D, on the other hand, emphasizes cost cutting. It also appears to have somewhat lower labor costs and serves customers fairly quickly; it did not report its record in cross-selling.

Table 5
Practices for Tellers in Seven Banks

	Share of part-timers	Specialty Tellers	Typical New Hire	Extra Selection Test	% Fully cross-trained to platform	% Partly cross-trained to platform	Incentive-based pay	Hours for Orientation period	% in Employee Involvement
Bank A	NA	0	Some College	No	1-20%	1-20%	No	40	21-40%
Bank B	40%	small	Some College	Yes	1-20	21-40	Yes	88	21-40
Bank C	50%	NA	Some College	No	NA	NA	Yes	96	0
Bank D	80%	20%	Some College	No	0	1-20	No	40	0
Bank E	NA	0	High School	No	0	1-20	NA	120	0
Bank F	NA	20%	High School	No	1-20	21-40	No	40	0
Bank G	37%	0	Some College	No	1-20	1-20	Yes	0	0

* Bank identities are confidential.
* Share part-time refers to the percentage of tellers that work fewer than 35 hours a week.
* "Specialty tellers" refers to the percentage of tellers that perform only a subset of teller tasks during a typical shift.
* Typical new hire gives the highest education level of the typical new teller in 1993.
* Extra selection test refers to the use of additional selection procedures beyond background reviews, skills tests and personal interviews.
* % Fully (Partly) Cross-Trained refers to the percentage of tellers that are able to perform all or some of the tasks of platform employees.
* Incentive-based variable pay refers to the presence of any incentive pay program other than standard merit pay(e.g. profit sharing, commission, group incentive).
* Orientation period refers to the hours a new teller spends in training before beginning work.
* % in Employee Involvement refers to the percentage of tellers involved in group problem-solving, quality circles, or other similar activity.

Linking Strategy and Human Resources: Subsystems

Our interviews indicated a range of experimentation with HRM practices, and this variation in practices itself raises a further consideration. Practices may differ in more than just details such as pay level; indeed, broadly different systems may be implemented for different groups of employees in the same organization. Sometimes these result as the residual of a merger or from a decentralized approach to a geographically diffuse organization. But even when the organization determines a consistent approach, practices may vary across groups.

First, different job families may be embedded in different systems. Branch managers and local customer service or "platform" personnel, for example, may work under a system with many aspects of an HPW, while tellers and telephone representatives work under a much more controlled model, with considerably higher turnover. Second, even within job families there may be a split between different types of workers. A core of full-time tellers, for example, might be carefully selected, heavily trained, paid according to the performance of their group, and have long-term incentives tied to the well-being of the organization. The same organization may have a group of part-time tellers who are much more likely to turnover, who are less skilled, and who do not participate in the full range of incentive and benefits programs.

With respect to "platform" employees in branches (that is, the customer service representatives who typically open new accounts and respond to customer inquiries about specific financial services), for example, the issues are somewhat but not entirely different from those for tellers. Table 6 illustrates some variation in practices for these employees. Compared with tellers, there are more aspects of the HPW for these employees, though again, their involvement in workplace governance is not extensive. Again, there exists variation in the sorts of practices banks

Table 6
Practices for Platform Employees in Seven Banks

	% Specialty Platform	Typical New Hire	% Fully Cross-Trained to Teller	% Partly Cross-Trained to Teller	Incent-ive-based Variable Pay	Breadth of Product Involve-ment	% Em-ployee Involve-ment	Orienta-tion Hours
Bank A	0	Some College	41-60%	41-60	Yes	Medium	41-60	75
Bank B	small	College Degree	61-80	81-99	Yes	High	21-40	40
Bank C	NA	College Degree	NA	NA	Yes	NA	0-20	64
Bank D	0	Some College	1-20	21-40	No	Low	0-20	75
Bank E	small	College Degree	1-20	41-60	NA	High	0-20	40
Bank F	20%	High School	41-60	41-60	Yes	Medium	0-20	4
Bank G	20%	Some College	81-99	81-99	Yes	Medium	0-20	0

* Bank identities are confidential.
* "Specialty platform" refers to the percentage of platform employees that are able to perform only a subset of teller tasks during a typical shift.
* Typical new hire gives the highest education level of the typical new platform employee in 1993.
* % Fully (Partly) Cross-Trained refers to the percentage of platform employees that are able to perform all or some of the tasks of tellers.
* Incentive-based variable pay refers to the presence of any incentive pay program other than standard merit pay(e.g. profit sharing, commission, group incentive).
* Breadth of product involvement is a composite measure that refers to the extent to which platform employees recommend, sell, and respond to concerns regarding checking accounts, certificated of deposits, home equity loans, mutual funds, and small business loans.
* % in Employee Involvement refers to the percentage of tellers involved in group problem-solving, quality circles, or other similar activity.
* Orientation period refers to the hours a new platform employee spends in training before beginning work.

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use to manage these employees. It is possible for banks to incorporate more or fewer aspects of the HPW for their platform employees. Compare Banks B and E, for example. Both look for college graduates, assign to them a high level of involvement with a wide variety of products, and create a few specialized platform positions. Bank B, however, has significantly more platform employees cross-trained to work as tellers, and somewhat more platform employees participating in employee involvement programs.

Variation in HRM approaches also exists with respect to branch managers, telephone customer help representatives, and officers in the retail system, though the issues for each employee group are somewhat different. For branch managers, for example, variation centers around training programs, incentive pay, and the set of tasks that make up the job (in some banks, for example, branch managers have extensive lending authority while in others, they have very little or none). For telephone representatives, issues include training and specialization by product. For officers, there are a cluster of issues relating to the extent to which their jobs entail product specialty or broader responsibility for customer relationships.

With respect to variation across all of these groups, the important questions remain similar. Which, if any, capabilities do different combinations of HRM practices support? Which, if any, do they weaken? And why does there appear to be only limited experimentation with commitment-based practices that have been shown to be effective in other industries? Answers to these questions await broader empirical testing. Which kinds of practices for which employees foster accurate service or adaptability to customer and market conditions? Are they the same kinds of practices that reinforce effective selling and timely delivery of products? How do they measure up in terms of costs? And does a strategy of commitment to employees likely to be effective for banks interested in any of these outcomes? Which outcomes, and which employees?

Conclusions

Generally, the key questions at this point are empirical and revolve around the relationship of HRM to performance outcomes. These need to be investigated both with respect to detailed strategic goals and more general kinds of capabilities that appear to be important. In retail banking, uncertainty lies both in understanding the potential value of particular business strategies, and in seeing what sorts of outcomes different HRM systems will produce. The first goal of strategic HRM research must be to understand the different kinds capabilities and outcomes that are associated with different clusters of HRM practices, particularly which (if any) outcomes and capabilities are associated with HPWs for groups of employees. Currently we observe that few of the aspects of the HPW have been embraced by retail banks. What we do not know is whether HPW practices cannot deliver on valuable outcomes, or whether banks have simply failed to realize their potential.

Further study can help us begin to develop an understanding of the linkages between strategy, human resource management, and performance. Such investigation would also permit exploration of the importance of consistency in practices. It remains important to consider practices in the context of the system rather than individually. For example, selection of college graduates rather than those with only a high school diploma for a particular position by itself may say little about the overall capabilities of the organization, unless we also understand how their jobs are designed, their pay systems are structured, and the like. Can a hybrid of high-performance and control-based practices contribute to performance? And can successful organizations maintain multiple systems governing different employees within job families, or across them?

Corporate strategic issues may influence the ability of the retail bank to meet its strategic goals. We might expect, for example, that holding companies in which retail banks make up independent lines of businesses will force those banks to sharpen their strategy and therefore to tighten the linkages between strategy, HRM, and capabilities. Corporate strategic issues may also influence the time horizon available to retail banks. If high-performance workplaces require investment in human resources, but do not immediately generate corresponding valuable capabilities, the immediate pressures of takeovers, mergers, and acquisitions may impede the investment further. It seems possible that in a less turbulent climate we might see more investment in human resources. Current pressure to contain costs in the immediate short run, however, leaves retail banks in a difficult position. Even if organizations would find their strategic needs best served by the capabilities generated through investment in their workforces, they may not be able to make such investment.

HRM must also be considered in relationship not only to corporate and business strategy but to technology and the design of processes. Information technology and intelligently designed (or "re-engineered") processes have potentially enormous effects on the ability of retail banks to meet consumer needs. Do certain kinds of HRM suit different technologies? Put another way, do the effectiveness of technologies and processes in driving performance depend at all on HRM?

Finally, it is worth remembering that HRM practices do not function solely to serve strategic goals. Choices of particular HRM practices may reflect organizational power and politics (Pfeffer, 1994) and institutionalized norms of best practice (DiMaggio and Powell, 1983) as much as they reflect strategic goals or performance imperatives. Further, while workers have not organized themselves into unions in the U.S. retail banking sector, this does not mean that equity interests and workforce goals for outcomes are unimportant in shaping practices. Indeed, workers ought to be as interested as managers in the sources of impediments to the adoption of high-performance workplaces. Such workplaces promise higher levels of involvement, pay, training, and job security. We may see more workers beginning to push for at least some of these practices regardless of strategic concerns of banks, should the current period of relative labor surplus prove to be transient.

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