People and profits

Strategic human resource management (SHRM) linking people to the firm to achieve best possible results

By

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Abstract

The central problem of strategic human resource management is the linking of people to the firm. Much work and understanding exists in the details and tactics of human resources and management, yet this central issue - how and by what process and manner are people linked to the firm - remains unresolved. The paper addresses this question.

The paper develops a framework for organization theory leading to clear, simple and unequivocal theory of strategic human resource management. The paper is primarily for the HR professional and academic, however the consequences apply to all managers striving for sense and order in the wrestle to gain improved results from their teams.

Definitions

The following are some definitions used in the paper. The exact development and need for these definitions will emerge as the discussion proceeds.

1. **Organization**: is a generic term that refers to any structure that coordinates the efforts of people to a common end. It is in fact the common end that gives rise to the need for organization, the term thus refers to the structure that coordinates, and not to the people within the structure, so the 'organization' can and will persist despite various people coming and going within it.
2. **Firm**: is the term that refers to a commercial organization. Again refers to the entity/body/structure whereby the efforts of two or more people are coordinated to a common end, it does not include the people who may be 'in' the firm. It is accepted that 'firm' is not a typical term, but it has been selected as the term to refer to a commercial organization, specifically excluding people.
3. **Business and/or company**: refers to both the firm and the people.

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The need for theory

It has been suggested that 'human resources probably the last great cost relatively unmanaged' (1). Progress has been made since the comment, but it likely remains valid today. There are several good reasons why this should be so, but perhaps foremost is that due the complexity of human resource management (HRM), the myriad of tactics and advice leaving circumstance less amenable to arbitrary integrated effort. To reverse the argument, order needs bought to a situation of significant complexity before systematic, regular results are likely to accrue.

There is today good evidence that HRM and practice does have an impact on business performance (2); these results generally dependent on 'bundles of HRM practices' (3), the problem being which bundle and when. It has also been stressed that 'high performance' HR policies and practices are not the latest 'flavor of the month, and that results mostly seem to involve careful and systematic application of tried and true techniques in a planned and integrated framework' (4). In yet other cases it has been noted that strategic HRM seems to impact bottom line, but that technical HRM has a lesser impact (5).

Emergence of statistical results relating HR effectiveness to business performance, issues of complexity and tactical variability all describe a situation requiring conceptual ordering. This need for a theory generally agreed and stressed through the literature (6). The clear emerging relationships between HRM, strategic HRM (SHRM) and business results generally bearing out what managers intuitively believe (7).

There is little or no dispute over what is needed, the evidence that HRM and SHRM can and does add value to business is clear to the point of being able to be assumed, fully in line with what most managers believe and intuitively understand. Get goals right, get the people right, get the behaviors needed, and the results come. There is much anecdotal evidence of this company doing this, and that company doing something else, each anecdote showing good results, but the advice seemingly ad hoc, no rationale. This is the problem directly addressed by this paper.

The theory created should clarify what tactics work and when, this clarification then being able to be used by managers, who can then plan and act knowing what the outputs. In addition, the theory should enable clear determining of what is tactical HRM and what SHRM, what to do when, how SHRM is applied and its effect and how tactical HRM relates to the SHRM issues. In short, the whole thing will be a great deal clearer, offering definitive guidelines to practicing managers.

Before being able to proceed, it is important to understand the problems and tools being used, and why it is that creating theory in this area of social science has been so difficult. This is not a section of immediate relevance to the practicing manager, but it is essential as the intellectual backdrop, this being so since it **is** social science (9), and there are important issues of theory creation that need to be resolved before progress can be made.

Issues in theory creation

There are many theories in the field of HRM and strategic HRM (8). The problem is not that these are wrong, quite the contrary, most of them contain a valid insight into the issue, therefore is based on a fundamental that is correct. The problem with existing theories is that none on its own is able to support the range of issues and circumstance involved in the system under study, being the firm and people associated with the firm in its environment.

The parallel (10) here with the situation relating to a general theory of psychology is to be expected, since the system being considered is merely, or properly a sub set of the more general problem of a person in its environment.

I do not want to dwell at length on these what I regard as 'technical' intellectual issues, so will merely summarize.

What does the arrow mean?

The practitioner more interested in the practical results can ignore this brief discussion of the background intellectual issues.

In mathematics, we know precisely what the equals sign means. In logic, symbols are defined quite carefully. Yet there is in social science (management science being no exception) the tendency to use arrows and circles and boxes, all interlinked, with words in and beside boxes, in the belief that somehow this says something meaningful (11).

Creation of theory is difficult and the tools used demand no lesser precision than that found in mathematics and logic. Every element of the diagram must be defined and made meaningful, if it is not then the effort is no more than conceptual clumping, a form of shorthand that will be most meaningful to the author (from the inside of the thinking) and tough to follow and make sense of for any other person (from the outside of the thinking).

The position I have developed (12) sees theory creation in social science as a conceptual activity; therefore the tools are those with which one can conceptualize with full understanding of the products of the conceptualization. Theory is created of boxes and arrows, with boxes representing variables and arrows being precisely defined as the immediate or ultimate effect of a perturbation to a variable (14). I have completed this analysis elsewhere, and will not repeat any of it here, please refer to the appropriate papers (12) to review the definitions of the tools used in this paper.

Cause of human behavior

There is no agreed general theory of psychology (note, in this instance the term psychology and person are interchangeable). Several problems arise immediately one tries to discuss a theory of the person, first is the question of causality: should or does a theory of the person necessarily describe the causality of human conduct and feeling? And how can this question be addressed without addressing the long standing question of the very nature of cause itself, what is it and how do we and can we understand it?

Any theory of the person must itself be knowledge therefore any theory of the causality of human behavior must be constructed with the understanding that the relationship of that theory to actual behavior can only be a specific example of the general issue of how all scientific knowledge relates to the universe.

These arguments can be continued to show that to resolve the problem of a general theory the person requires that simultaneously there is resolved the question of a general theory of knowledge and of cause. For example, statements such as 'the firm decided'… can a firm decide? (13) I suggest people decide, but if so, then causality of their behavior is implied.

What has this got to do with management and linking people to the firm? It seems like discussing quantum physics when we only want to build a bridge. Unfortunately we do not get out that easily, firms and people and management are aspects of social science, to build any thorough system of models or theories will inevitably bring to the fore the issues of causality, knowledge, the causes of human conduct. If the deeper issues do not come forth, then we are only being superficial, and as a result do not be surprised it if the theory does not work or is only ad hoc summaries of experience that do not guide us in new or increasing complex circumstances.

Elsewhere I have analyzed these issues of cause, knowledge and human conduct. Within the epistemology, the theory of knowledge developed the statement Ideas➔Behavior is both valid and highly meaningful. It means precisely that the variable Thought has an ultimate effect (14) on the variable Behavior (15). This statement is not valid or highly debatable under the typical epistemology of 'to know' and while this is the current popular view of epistemology, I argue it is at a dead end, and cannot and will not ever provide adequate understanding and it needs to be scrapped.

The ontological questions

It is generally accepted that strategic human resource management is in some large part the linking of people to the firm (22). Simple issues such as 'the firm decided'… also mask issues of causality and ontology. We all know firms do not decide, people decide. So when we talk of linking people to firm, or the firm 'deciding' when it does not and cannot, what are we in fact talking about?

We know that firms have legal existence, they can be sued, they own property and bank accounts, but how does a firm exist? Is it independent of people? And if it does exist independent of people how does it? What can this mean? And most importantly, where does this line of thinking lead? For example, if a firm exists independent of people, then does it have any structure, again independent of people, and if it does have independent structure will this structure have any bearing on how people can be linked to the firm?

For any theory of strategic human resource management (SHRM) which of the following issues apply:

- ✓ Is a firm and people the same thing?
- ✓ If a firm is separate from people, then in what way does or can a firm exist? Existence is an aspect of ontology, and other in my own work, I have yet to find any approach to a theory of strategic human resource management that even conceptualizes the question of whether or not a firm is separate from people, and if separate then how can it be so, and in what form can it be so, and if any attempt is made, then that immediately raises the general question of what is it that exists, and the very nature of that existence, since I argue that no particular answer to the question of existence can be made in absence of the solution to the general question?
- ✓ If people and the firm is the same thing, one indistinguishable from the other, then how can we have a theory of strategic human resource management without simultaneously creating a theory of the firm/organization?
- ✓ If people and the firm are separate, and the theory of SHRM deals with any relationship between the two, then how can any such relationship are analyzed without understanding of the causality of human mood and conduct? That is, how can the firm affect people, and what are the understood potential pathways for it to do so?
- ✓ If part of a theory of SHRM is to deal with people and the causality of mood and conduct, then what of the body-mind problem?
- ✓ And if we are to talk of cause what of the issue of causality? How to they affect what we can and cannot of any theory of SHRM?
- ✓ Is the issue of the relation between variables and their values relevant? For example, if the founders opt to try and succeed in the business, will this make a theory normative? And how will the theory account of any other choice, such as the founders electing for the firm to fail?
- ✓ If a firm does exist separate from people, then it must have a structure, is it then the structure the impacts people or the firm, what are the key elements here, and how can we analyze them, what tools do we need and can use in this analysis?

- ✓ If we are to analyze the structure of the firm, then how can we do that without having some form of a general theory of organization, that is assuming we see a firm as an example of an organization, and if we do not, then how do we explain what it is?

I could go on, but I hope my point is made. My position is as follows:

Any theory of strategic human resource management that does not address fully and effectively the issues above must be prefaced … assuming/ignoring these issues … (specify)… we speculate that…

The real issue, particularly in social science, is that there is only one actor, people: and no matter the particular issue, the particular circumstances the scientist chooses, no matter how empirical or rigorous they try to be, and in particular no matter how hard they try to 'isolate' the factors and deal with the situation, all the causal and philosophical issues pertaining to people, all the underlying and unresolved issues (unresolved everywhere except at this site), will be 'present', and will force the qualification …assuming/ignoring…

My general point is as follows:

Any theory in social science that does not bring to account the underlying issues relating to the causality of human mood and conduct will always be limited to the extent that those issues impact the circumstances to which the theory applies.

Going further with the analysis, I also believe most strongly that modern philosophy, focused so often on analyzing what other, historical people said, misses the point of what philosophy is and what it needs to do to be meaningful. Philosophy is the (1) activity of uncovering the assumptions underlying current thought, and (2) tactically and strategically exposing where such key underlying issues have not been bought to account and as a result the thinking is flawed and/or limited to that extent. Finally and crucially, (3) philosophy is a practical exercise rooted in the circumstances and context of the situation under review, so hear, I have isolated strategic human resource management, bought forth various assumptions ignored or made (and it does not matter which) pointing out the limitation of current theory.

The ontological issue in a theory of SHRM

Returning to the specific of a theory of SHRM, I argue that the firm is separate from people, and that a firm exists as a legal entity (trivial in the circumstances), and as an idea that shapes behavior, further that no adequate theory of SHRM can or will be developed without addressing the issue of whether or not the firm is separate from people, and any work that does not address this issue is intellectually shallow to the point of being nonsense.

It is crucial to understand that the statement the firm is an idea is valid if and only if there are underlying theories of how ideas come to be, how ideas exist, and how ideas shape and impact human mood and conduct. The problems of existence, creation and impact of ideas on people have all been resolved and can be found at www.grlphilosophy.co.nz.

The process for theory creation

There is general acceptance that the start point for theory creation is the firm in its environment. What is typically less well discussed and analyzed is the process, the steps to be applied in the conceptualization of the system into component variables and relationships between those variables (12).

1. Define the start point: the system under study is the firm in its environment.
2. Define the variables, and/or system of variables. What are the main component variables of this system?

3. Establish the immediate and ultimate effect relations between the variables. This is using the system first developed by Ashby (14). I have added an analysis of variables, and located Ashby's immediate and ultimate effects in a general theory of knowledge and definitive framework for theory creation (12).
4. Establish the conceptual levels, so that the causality of the system is understood (12; 15). Within this epistemology cause lies embedded in our understanding and conceptualization of underlying mechanisms, backed by understanding of the environment able to impact those mechanisms. So to understand why the sun rises each day we need to understand the mechanisms of the solar system and the immediate environment of the system so that we know there is nothing going to happen overnight to interfere with the mechanisms so we can sleep secure knowing the sun will again rise on the morrow. The firm is a system no different and understanding of it will demand the exact same type of analysis.

This completes the background discussion and I now turn to the issues of the firm and better understanding of it.

The nature of the firm

It is resolving this issue, more than any other, which leads to greater understanding and greater practical clarity for managers.

I will state my position first, and then review it.

Definition: the firm exists as an idea that influences behavior. (16)

At first sight this hardly seems revolutionary, yet it does lead on to critically important understandings quite different from that currently accepted in the literature and in popular opinion.

Why this definition?

The firm is clearly not the people in it, the whole management of the firm could be replaced but the firm would continue. The firm is something, in the sense it can owe money, be sued and it can own things. To argue that the firm does not influence behavior is simply beyond reason. People turn up, do things, customers act and that can be measured and assessed, and so on. The firm does influence behavior, but how? The definition proposes the firm as an idea, but this statement can only be made if earlier, very important considerations of the nature of ideas and causality of behavior have already been addressed, which they have (16).

The primary result of the definition

The definition immediately separates the idea 'firm' from 'the people who belong to the firm'. So the firm can have a legal status independent of people, it orders and coordinates activities of the people, and has a brand, etc. The issue now is how do the firm and people interact, and what can this tell us of strategic human resource management?

The start point

We begin the analysis with the simple diagram below. This pictures the business as 'an entity', something able to be distinguished from its environment. It is important to understand that this diagram is precisely defined, that is the 'boxes' represent variables, or systems of variables, and the arrows mean there is a communication channel between the systems of variables (12).

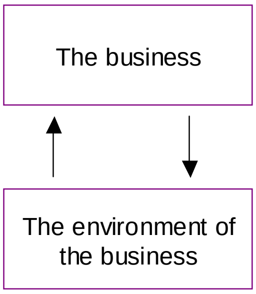

Diagram 1

The definition of the firm above immediately means we can divide the system of variables 'business' into two independent variables as below.

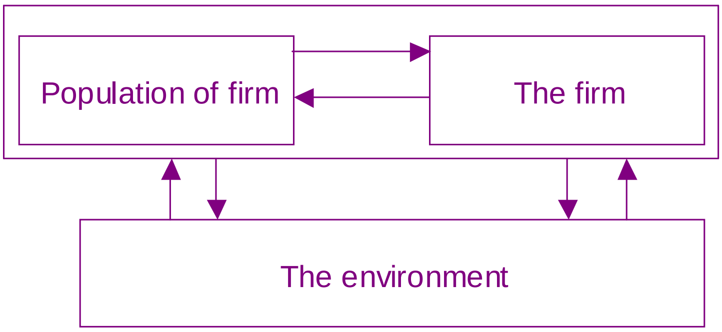

Diagram 2

The division of 'business' into 'firm' and 'population of the firm' follow from the definition of the firm.

Making precise the aim of this paper

The aim is to make clear and practical the link between the firm and the people who are involved with the firm (the population). With the simple start point conceptualized above, the definition of firm as an idea distinct and separate from people, the aim now reduces to the question: ***how can the mechanisms that link the 'firm' and 'population of firm' be conceptualized such that the best possible management actions can be taken that afford the best possible opportunity for achieving the best possible result?***

Part 1: The structure of the firm

In line with the process and understanding of theory creation, the next step is to analyze each of the variables into the underlying components and the relationships between those components. We start with the firm, from diagram 2, aiming to analysis the structure of this variable. The types of questions that arise are summarized below.

- ✓ What necessarily gives rise to a firm?
- ✓ When people 'populate' the firm, what exactly is it they 'populate'? Can we better understand the structure that is populated?
- ✓ Is the structure people 'populate' integral to the firm? And if so how and in what way does it arise?

- ✓ Are business processes integral to the firm?
- ✓ How can we determine precisely that which belongs to the firm? Then given the factors belonging to the firm, what does this tell us of that belonging to the population of the firm, and so assist us define that which is cultural and that which is not?
- ✓ From this analysis of the structure of the firm what SHRM factors emerge that enables the best possible link between the firm and its population?

The crucial role of strategy

There is no need for organization if there is no aim

Organization emerges if and only if there is a common goal (23).

In any form of cooperative effort there must be a common goal, for without the goal there would be no need and no cooperation. That does not mean the common goal is always apparent, or the obvious, it only means that the goal exists, and is the very basis of the cooperative effort. The converse is also implied, that is without common goals coordinated effort, particularly sustained coordinated effort will not occur.

Some crucial aspects of strategy

There is an extensive literature on strategy, and no attempt has been made to review it, these comments are notes from some twenty years of experience in dealing with strategic issues.

1. **Customer focus:** Strategy should define customers or markets and benefits to those customers.
    a. The benefits are essentially summarized in what the business will aim to deliver to its customers, and why they should buy those benefits from the business.
2. **Communication with customers:** The strategy must at least indicate how the customers are to be reached. So needs to look to distribution channels and broad marketing tactics.
3. **Broad/narrow conflict:**
    a. If the strategy statement is too broad, there is loss of focus and intensity; this very often leaves open opportunity for attacks in the market from more focused and intense competitors.
    b. If the strategy too narrow, then is likely loss of perspective on the market, with loss of opportunity and failure to see emergent opportunities and competitors, especially from non-traditional areas.
    c. Of the two, too narrow is better, provided there is understanding of the ‘broad/narrow’ conflict, supported by tactics to develop the strategy as the business matures in its markets. That is, winning in one market first then expanding from a solid base.
4. **Fundamental go/no go:** This is the start point of strategy. Strategies that do not answer the questions below to the satisfaction of stakeholders go no further. I have yet to be involved in any business where the dominant executives believed the strategy would not generate the numbers, I have been involved in businesses where they were wrong, but judgment in advance of events is always a risk. The ‘key’ go/no go questions are all financial.
    a. How long to achieve profits?

   b. How big will the profits be?
   c. How much must be spent to get there?

5. It is important to understand that the fundamental questions of strategy as above are not merely in the form of budgets or projections. At all times the budgets and projections must be derived from the commentary addressing the questions of what product/service is to be delivered to whom at what price, and by what means? Having been reassured of the validity of the business plan and model, then the stakeholders will focus on the numbers as the dominant determinant of go/no go.
6. The strategy is often not well formulated nor well constructed, and frequently – especially in small to medium businesses – existing only as a general idea in the mind of the senior manager who may or may not be the founder and owner.
   a. I have yet to be involved in a business where the dominant executives had no forward idea of what they were doing or where they wanted to be at some future time. There is always a strategy organizing and orientating the key people to the market, products, resources etc being aligned and applied within the firm.
   b. Where it has been claimed there had no strategy, I ask questions such as: what do you use when thinking about markets? How do decide where to invest effort and where not? How do you know whether or not you are making it?
   c. We use ideas and concepts to order and organize our efforts and to help us understand and make sense of complexities such as products, markets, inputs and outputs, by asking questions that gets people reflective insight is gained into the ideas and concepts being used: in business people the aim of the thinking I call the ***strategic intent,*** and the overall pattern within which the aim is located is the ***strategic commercial paradigm.***

Role of SHRM is essentially secondary

It has been suggested that HR issues should be fundamental in strategy development (24). Within the essential elements of strategy, the issues of people are covered by one of two assumptions.

1. People can be recruited.
2. People can be trained.

As a result of these two assumptions HR issues are only a cost, the cost is then assessed and placed in the profit estimates, and hence HR at the fundamental level is assumed in costs. Once past the fundamental go/no go decision, where the focus is on implementation, HR issues emerge as strategically important.

This analysis leads to the following proposition: ***Strategic human resource management (SHRM) involves considerations on the implementation of strategy and is not a significant factor nor should be a significant factor in fundamental strategic decision-making.***

Formation of the organization structure

Organizations were historically built by trial and error. The primary model for many decades was military, since they were the largest organizations, the most obvious. In recent decades, other models have arisen, so that today there is any number of different ways of building an organization. Yet there is still no theory of organization, no underlying rationale making sense of how organizations can or could come to be.

The theory offered here and developed and discussed in previous works (19) is based on the principle that for every goal there are behaviors that necessarily have to be acted out if that goal is to be achieved. I call this the GOAL←→ACTION principle (20).

The theory of organization

The theory of organization then consists of two propositions as follows.

1. That there must be an aim requiring the integration of the efforts of two or more people. In business this is the strategy, formulated as a plan, or informal, in either case giving rise to ideas in the minds of the key senior management/directors/founder, these ideas being the ***strategic intent*** forming part of the ***strategic commercial paradigm*** (21) of the business.
2. By applying the goal←→action principle to the strategy outputs within set times, certain sequences can be established as being required in order for the strategy to be achieved, that is A has to be done before B becomes possible.
    i. In order to achieve A in the first year, quite specific things need to be achieved, again typically in some sensible sequence, so A1, A2, A3, all need done, and each of them having subsets, so by end of first quarter A1.1, A2.1, A3.1 all to be achieved, … and so on.

The organization emerges from the strategy as a result of this analysis: for example, if A1, A2, A3, are all sufficiently large and broad set of goals as to require one person full time, then there immediately emerges the organization structure as follows.

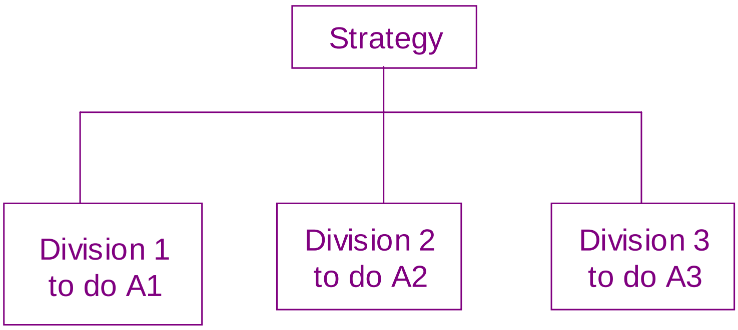

Diagram 3

The ‘strategy’ box at the top of the hierarchy describes the group or person determining/controlling the strategy; with the divisions then accountable for implementation. Several issues follow.

1. Each division describes a ***role*** within the organization structure, that role based on goals to be achieved within certain time frames in order for the strategy to be achieved.
2. This process can be applied successively to each level. So the goals for these divisions can be divided into yet smaller units and so on, the result is to generate the organization chart as commonly encountered, with each ‘box’ on the chart representing a set of goals to be achieved and contributing to the overall achievement of the strategic plan the founding base of the organization.
3. There is no limit to the variations whereby goals can be grouped into roles within the firm. Hence the proliferation over the last several decades of possible corporate structures.

   a. The typical organizational structure is to group like goals with like goals – so sales goals grouped together, administrative goals and operations goals also grouped together. It must be stressed that this manner of grouping, like with like, is not determined by the theory, but is a matter of judgment by stakeholders or those delegated this accountability (senior management for example).
   b. Business processes can also be used to forge the grouping of goals, this will sometimes operate counter to 'like with like', and is merely another way of ordering and grouping goals to create organization roles. It is the emergent understanding of this alternative manner of grouping goals that lead to business process re-engineering.
4. The founder/directors/senior managers decide the role structure of the firm. It depends on their knowledge and insight and understanding of organization design. People not necessarily directly linked to the firm or the strategy that brings forward the need for the firm can also create the role structure of the firm.
5. Every strategy has within it the seeds of the organization whereby the strategy is best realized. That is for any given strategy there are some structures that facilitate achieving the strategy and some that do not.
   a. This notion of a strategy implicitly containing preferred processes as the means of best realizing the strategy is the process of ***best practice*** – that is somewhere the best way is being implemented or with creative effort processes for implementing a strategy can be improved until no further improvement is possible, or where any further improvement costs more than the benefits it brings.
6. It is a key task of directors/founder/senior management to determine the best organization structure in relation to the adopted strategy. This may entail trial and error, then through use the people builds on this, learning and implementing yet smarter ways of organizing the goals and role structure. The structure, policy and procedure of the firm then represent the 'learning of the firm' independent of the people.
7. There is immediately two aspects to the role structure, that which is in place representing the best understanding of the application of the goal/action principle to the strategy, and second, the notional 'best possible' organization inherent in the strategy. The task of the directors/founder/senior management is to bring the actual as close as possible to 'best possible', then set up systems within the organization whereby learning within the firm is introduced into the structure so constantly improving the firm.

The role structure belongs to the firm

The role structure emerges from the strategy by the successive application of the goal🡸🡺action principle. The strategy, the goals derived from it, the roles formed from grouping of goals, and the role structure arising by building associations of goals all belong to the firm. This means that if the people who created this structure of the firm all had nothing more to do with the firm, the structure of the firm would continue and could be implemented independent of the founders.

Behaviors of success

The goal/action principle states that for any given goal there is a given set of actions that if implemented offer the best possible chance of achieving the goal. For any given goal there may be two or more ways of doing it, they will have common elements, and different people may implement them each differently. But for any particular goal, there is and can only be a few sets of actions that will enable best possible achievement of the goal. The actions that offer the best possible chance of success, I call ***behaviors of success***.

All behaviors of success exist in relation to some specified goal. In the firm, where there are more than one sets of behaviors of success, then the choice can be made by each person, one way preferred over another, or the firm's policy may dictate that one way is to be the 'way we will do it'. So one firm may do customer satisfaction surveys by phone, another by letter, yet another by focus groups.

Within each role of every firm there are two key elements.

1. The goals to be achieved, long term and short term. Strategic, and for this accounting period.
2. The behaviors of success relative to those goals.

Both of these key elements belong to the firm. They are fundamental to the structure of the firm, and once formed exist in the absence of people, and are implicit in the strategy that gave rise to the role.

Behaviors of success common in most roles

In the first instance the behaviors of success of the firm relate directly to the strategy, and so will be different in each role. In addition, there are generic behaviors, common to all firms, such as 'responding to changes in environment, creative development of business processes, clarity of goals in the team and congruence of goals with behaviors of success, team supervision, personal discipline, personal organization'.

It follows that behaviors of success are of two types.

1. **Strategic behaviors of success** relating to goals derived directly from the strategic aims of the business, and are the core factors in creating the roles in the firm.
2. **Generic behaviors of success** relating to the effective implementation of any business, these represent the human qualities needed for success. These include such items as follows.
    a. **Emotional intelligence**: Ability to manage and control emotions enabling focused effort.
    b. **Time management**: ability to order and organize personal efforts to achieve the necessary outputs in allotted time.
    c. **Interpersonal skills**: able to relate effectively with others in the firm's population so as to achieve the necessary outputs.
    d. **Motivation and intensity:** able to generate the necessary intensity of concentration and sustained effort to ensure deadlines are met.

Behaviors of success and job descriptions

Within the theory, job descriptions arise in the first instance as a combination of goals, accountabilities and statements of behaviors of success, this new 'job description' has two important aspects making it someone different from what currently is a 'job description'.

1. The job description changes if and when goals change; this is because the behaviors of success are goal dependent, which in turn is strategy dependent. So rather than goals being achieved within a job, the philosophy is that the goals are the job.

2. With the inclusion of goals immediately raises the issue of congruence with the strategy of the firm, and the behaviors of success congruence with the goals. It is the new job descriptions that are tools for reviewing and maintaining this crucial integrity of the firm. Inclusion of the behaviors of success, or at least a summary, means the new job descriptions can also be used as coaching tools, enabling team leaders to review with the team member what is intended in order to achieve goals. Finally, if regular reviews are held between team leader and team members, they can review what is and is not working with respect to the behaviors of success, these changes can be noted in the respective job descriptions and also shared with other teams doing similar work to assist them to refine what they are doing, in this way the new job descriptions are tools for managing crucial team learning about how to get the best possible result in the most cost effective manner, and also learning for the business as a whole by sharing of successes and failures between teams doing similar work.

Inherent competencies

The role structure of the firm is the essential reduction of the strategy into precise and specific goals best enabling the achievement of those goals. In can now be established that for the goals in a role to be achieved, then the person fulfilling the role has to be able to do certain things and have certain accuracy of judgment. These requirements that can be assessed from the role, this set of actions and skills and judgments I call the ***inherent competencies*** of the role.

The inherent competencies are derived from the strategy and from the assessment of the generic competencies common to all firms. For example, some role may require being able to use the lathe, and in addition require the person to be able to relate effectively to others in the team in a certain way such that the result is achieved. The first would depend on the strategy and derived from it, the second based on the fact the firm needs populated, and that as a result certain competencies become required in some roles.

Inherent competencies are derived from and related to the behaviors of success, with the inherent competencies having both strategic based and generic elements as for behavior of success.

Summary of key elements

Role: the summary of what is expected in relation to the strategy. Typically and historically created by grouping like types of goals with like.

Goals: the details of achievement expected from the role within a set time.

Behaviors of success: those actions that if enacted with due commitment by people offer the best possible chance of the best possible result.

Competencies: skills needed if the behaviors of success are to be enacted with the necessary accuracy.

Each of these can be derived for any strategy, and are implicit within the strategy (note: that the strategy necessarily contains its own environment, in that a strategy cannot be implemented in isolation.

Focus and accuracy

The notion of having the goals of a role clear I call ***focus:*** having the behaviors of success clear I call ***accuracy.*** The proposition now is as follows.

If the population of the firm is clear as to the focus and accuracy of the firm, then they have the best possible chance of realizing the firm’s goals for that role.

To take the extreme example, putting someone in a job and not telling them what they are to achieve. Sounds nonsense, but then I have often encountered situations where firms have done something close to this. Then wondered why they did not do a good job.

Integrity of the firm

To continue the argument, the firm is founded on its strategy: then for that to be fulfilled each goal in each role must be congruent with it. This congruence of goals at every level with the strategic intent I call the ***integrity of the focus of the firm*** (congruence of goals at every level through firm with the strategy of firm).

In addition, at each level the goals must be congruent with the selected actions, so accuracy must then be congruent with focus. I call this the ***integrity of the accuracy of the firm*** (congruence of the goals in each role with the behaviors needed to achieve the goals – congruence of goals with behaviors of success)

Overall, integrity of focus and accuracy represent the extent the firm has begun with its strategic intent, divided it into an effective role structure, and with good understanding of the behaviors needed in each role, so that every person is making a significant and needed contribution to the strategic intent. Everyone is in harness, pulling in the same direction.

Values and the firm

Values are taken to describe how people are or are to be treated. In this aspect there are three types of values implicated in the model being developed.

1. Values of success or failure and the firm. There is an important qualification at this point, and from here the adoption of an important assumption. Strictly, there must be the careful separation of the variables, ‘values’, and the value of that variable. The separation means that within the theory, the range of values the variable values can adopt is from ‘success’, to ‘failure’, and the theory should strictly not differentiate between these, offering all as equally valid.
    a. Practical considerations however lead to adoption in the paper of the value of the firm being inherent success, that is it is argued that firms are not started to fail, strategies are not adopted to fail, it is recognized this is possible, and the theory allows for this, but from here forward the case considered is the one where those implicated with the firm and its formation implicitly seek the success of the firm.
    b. Adopting the position of implicit success does not mean it will succeed, strategies and plans can fail, what is assumed is that implicit intent of the firm is not to fail.
2. How the firm explicitly seeks to treat people as evidenced in the HR policy of the firm.
3. How the population of the firm treats one another. This last aspect of values will be left to the later discussion on the population of the firm.

The firm’s inherent values are of success

If it is assumed that the object overall is for the firm’s goals and hence strategy to be achieved, then the firm is implicitly a ***success orientated idea***, with success being defined as the achievement of goals and strategy. This is the first way that values arise in the business, with these particular values belonging to and being derived from the firm independent of people.

Associated with the firm are values of success, it follows that this expectation is passed on to the population of the firm as those people being expected to live out the values of success and live out the behaviors needed to realize the success. This transfer is then the translation of the inherent values of the firm into a living reality.

Given the firm as a success orientated idea and given that this must result in the transfer of these values inherent in the firm to the population of the firm, it follows that key elements of these key values do not actually belong to the population which merely has the choice of how well it lives out these values of success. If culture is defined as those aspects of the business relating to the population of the firm then the key values of success are not themselves cultural, what is cultural is the extent the population succeeds in living out those values. The effect of this position is that all firms have the same core values (the implicit values of success, based on the expectation that the strategy will be realized), with the measurement of the implementation of these values in any particular firm being three fold:

1. Commercially: As measured in the commercial result.
2. Organizationally: As measured in the effectiveness of role structure and effectiveness of business processes.
3. Culturally: as measured in the commitment and drive of the population of the firm.

It follows that any one of these factors may be strong without the others being so, but overall success of the firm requires that all three be strong, then and only then is the firm optimizing the opportunity inherent in the market/product mix. Note that this analysis leads immediately to a form of balanced scorecard, not arising from pragmatism, but one derived from thorough theoretical analysis.

Performance is inherent in the very nature of the firm, and to that extent is not a cultural phenomenon, the implementation of the performance expectation within the population is cultural, and represents the manner that population as a group of people has translated the fundamental values of the firm into living reality.

HR policy guidelines are explicit values relating to how the firm aims to treat people

HR policy explicitly describes how people are to be treated and under what circumstances they are to receive this or that. The HR policy guidelines are independent of the manager implementing those guidelines, and should some manager not provide all as specified, the person is able to point to the policy and request that due. It is this way that the HR policy is independent of the implementation of that policy, and it is the policy itself, independent of implementation that represents the values of the firm and describes how the firm will treat its population.

As a practical consequence it is this analysis and the difference between intent and implementation that leads to the conclusion that a copy of HR policy should be available to all members of the population of the firm as a counter to unfair practices, and as a means of strengthening the relationship of firm itself with its population independent of any interpretation of that policy by those able to intervene, such as team leaders or management.

The following are factors that could be included in HR policy.

- ✓ Rewards associated with achievement.
- ✓ Salaries and wages.
- ✓ Superannuation.
- ✓ Health schemes.
- ✓ Leave and holiday provisions.

- ✓ Sickness leave and entitlements.
- ✓ Redundancy policy.
- ✓ Long service policy.
- ✓ Timekeeping and recording.
- ✓ Promotion policy.
- ✓ Training and development plans and policy.

This framework of policy does constitute a set of values, and does specify how people should be treated under certain circumstances. It does not mean that people feel and sense this framework, since implementation involves how the population interprets this policy framework, and how they act it out.

Any particular stakeholders can select some mix of these factors for their firm. There is ample evidence (3, 4) that there is no particular mix that necessarily leads to success, and different sets of policy have worked for different firms.

Business processes

The importance of business processes is as the platform enabling the firm's population to attend to the task, and not to have to worry about the 'organization'. To understand the role of business processes, think of changing a light bulb; imagine standing on a table and do, the table providing the platform enabling the effective execution of the task. If the table is solid the task can be completed easily and due attention; if the tabletop is rotten and the person worried of putting a foot through it, this will detract from the effectiveness of changing a bulb. Business processes are to performance in the business as the table is to enabling effective performance of changing the light bulb.

Intrinsic to the strategy

Imagine, for example, trying to implement a retail strategy by applying financial services business processes. There are likely some overlaps, and in concept some of the processes may be comparable, but for greatest effectiveness, lowest cost and likely highest revenues and EBIT, then a retail strategy requires retail type business processes. As the role structure of the firm is unraveled, simultaneously is unraveled aspects of the business processes, the two being intertwined to the degree that it is possible to group goals on the basis of common business process or linked business processes. The idea of business process engineering arose because of these links, and is further evidence of the previous lack of organization theory, and the effectiveness of this theory in offering insight into why business process engineering occurred and how it is now accounted for (as an alternative way goals can be grouped into a role structure and as a way of conceptualizing how work, goods, people and information moved between role structures in the firm).

Determine expenses

How things are done, the nature and structure of the business processes determines the expenses that result. The imagery is business processes as pipes through which flows information, materials, products and people, how those pipes are constructed determines what expenses result, so if there are more 'bends' then the expenses go up, and straightening out the bends can reduce expenses. So the functioning of the business is via the system of 'pipes' (business processes) with the expenses imagined as 'floating above the pipes' but a consequence of the nature and shape of the pipes.

Crucial strategic human resource factor

The model and imagery of business processes as described above leads to them as crucial elements in enabling the best possible performance of the people in the firm. With business processes at least in part integral to the strategy, it follows that to that extent the business processes are aspects of the structure of the firm and not aspects of the population of the firm. That part of the business processes not integral to the strategy, is best regarded as a creative demand on the population to unravel the best possible form of business processes so that the strategy is achieved as fully and effectively as possible. If the business processes are fully effective, then this enables the best possible result from the population with the converse also true that is if the business processes are weak then the performance of the population will be reduced to the extent of that weakness. Finally, if business processes are weak, and if the population is performing well, then this is only by the population compensating for the poor processes. It is my consistent experience that people can and will compensate for ineffective business processes for a time, but that they know it is the reasonability of management to create and provide effective processes, and that in due course having to compensate for ineffective management eventually erodes any good will and performance falls.

Variables selected are necessary and sufficient to account for the impact of the firm on its population

The key emergent aspects of the firm are summarized in the diagram below.

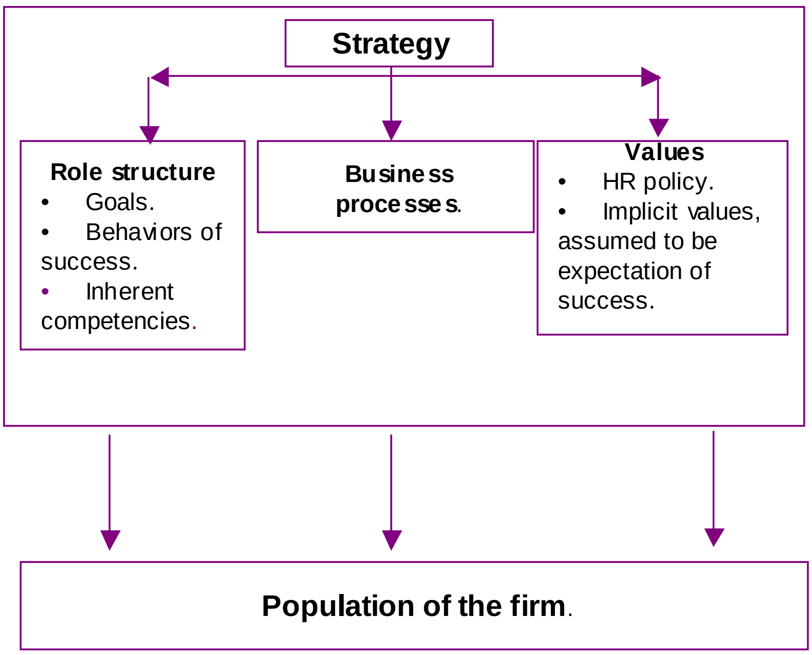

Diagram 4: structure of the firm identifying those elements most affecting the population

- ✓ This is a diagram of ultimate effects as per Ashby (14), the arrow indicating communication channels and direction of a perturbation; the boxes represent variables, these variables able to have a range of values represented by the 'contents' of the box.
- ✓ The arrows are in the direction shown, and do not indicate or in any other way infer any reverse influence, this must be independently assessed and proved.
- ✓ The three variables do meet the necessary criteria as variables: they each can be independently established, and can assume definite values. These three are not coherent concepts (12, they are variables not Variables), each system of Variables,

and so by definition can be reduced to yet more fundamental Variables. The conceptual level (12) developed here is however sufficient for purposes of this theory, in that the elements of values, role structure and business processes are readily understood and relate to that commonly discussed in the performance of the firm. The paragraphs above provide suitable definitions of these three variables.

- ✓ The analysis leads to the following proposition: That the variables ***strategy, role structure***, ***business processes*** and ***values of the firm*** are the aspects of the firm causal in the behavior of the population of the firm.
- ✓ From the general theory of the person (15) both ideas and physical objects shape the behavior of people, and the variables specified are first ideas, and then when put into action contribute to shaping behaviors as ideas and as objects. The fact of the involvement of these variables in the causality of the behavior of the population of the firm is not then in dispute, the issue raised by the hypothesis above reducing to the question of the completeness of this set of variables and can be summarized: *is the set of variables proposed a necessary and sufficient set to describe the causal elements within the structure of the firm shaping the behavior of the population of the firm?*
- ✓ It is crucial to be conceptually very precise: the question of the sufficiency of the proposed set of variables is in relation to the inherent structure of the firm only. There are many other factors that can and will impact the behavior of people in the firm, such as the public perception of conduct of the firm, reputation of the industry, how people are treated by their team leader etc, but these factors are not part of the firm per se.
- ✓ One factor not immediately apparent in the variables is the product or service of the firm. However, product or service is inherent to the strategy of the firm, second it is inherent in the behaviors of success that need to be enacted for the strategy to be successfully implemented, hence product or service is embraced by the variables and is fully accounted for within the selected set of variables. In a conceptual/technical sense, the product or service is not immediately apparent because it is a value of the variable strategy and so cannot itself be a variable.
- ✓ A second factor not immediately apparent is the level of result being achieved, this for the same reason as with product, namely that the results are values of variable and not themselves variables. Within the variable values are expectations of success, this necessarily implies comparison of is happening with what was or is expected. These are values of variables within the overall variable values. So whether or not the firm is making it is a result not itself a variable, and the level of achievement in relation to the strategy will necessarily affect the population.
- ✓ I can think of no other factor arising from within the firm itself not accounted for by the selected variables which leads to the hypothesis of this section: the variables ***strategy, role structure***, ***business processes*** and ***values of the firm*** are the necessary and sufficient set of variables to account for the impact of the firm on the behavior of the population of the firm.
- ✓ Note finally that the firm is a static entity, once created it has within it no processes whereby it can change. All change in the firm comes from populating the role structure, and the interaction between the firm and its population is far and away the greatest source of change in the firm.

Normative nature of any theory of SHRM

In another paper at www.grlphilosophy.co.nz, ***The difference between physical science and social science*** I discuss the issue of selection of variables and the importance of this, particularly in social science, where the selection of one set of variables describes a one set of human values and norms others equally possible.

In **Diagram 4** there is an error of understatement, in that I did not make it as clear as I could have the influence of this issue on the nature of the theory presented.

In the variables 'values' above, there is an item "Implicit values of success", that item should read "implicit values derived from the founders and subsequent controllers of the firm". This second and more general phrasing allows for the reality that failure, as a value must be as likely and as probable within the theory as success.

I stand by the initial presentation on the basis that having now made the normative issues clear, and indicated exactly how they come to account most firms are seeking to succeed, and that the practical analysis of the theory is of much more interest to managers than the technical analysis that shows how failure is equally likely as a value and consequence (in fact of course, most managers know that failure is a strong possibility even when everyone is trying hard to succeed never mind them trying to fail!).

Yet a second way of bringing failure to account, if at the founder level, is that the strategy would embrace failure, then the implicit assumption of success would remain, that meaning that everyone seeking and aiming for the strategy to succeed, but that the strategy is one of failure in a business sense.

I am not sure practical managers are all that interested in these technical niceties of social science, and I tend to think they would prefer some direct advice on how to make their firms go better. But, it is not unreasonable of them to demand some validation of the advice, particularly given the vast array of sometime conflicting views and fashions foisted upon them.

I would like to think that one sound set of views that will help, and is soundly rooted in all the core and essential underlying issues, is found in ***People and profits.***

Populating the firm and the issues arising, including definition of culture is the focus of part 2.

Part 2: Populating the firm

The firm is a static entity, its strategy unable to be achieved until the role structure is populated. The introduction of people raises several questions addressed in this section, these include the following.

- ✓ What is and what is not culture?
- ✓ How does change occur?
- ✓ What is the role of training?
- ✓ What are the consequences for recruiting?
- ✓ Where and how does commitment and motivation fit within the model?
- ✓ Do other values arise, and if so how?
- ✓ How do the causal aspects of human conduct affect the firm?
- ✓ Can a firm, as modeled here, have human capital?

Theory of performance

A theory of performance for both the firm and its population arises from the model in the following propositions.

1. "Performance" for the firm in the successful achievement of the strategy. A person or people create the strategy, but once created and shared with others the strategy has a 'life' and existence of its own independent of any particular person (this position follows Popper and his analysis of ideas, 25).
2. "Performance" for each person is the successful enacting of the behaviors of success for the role into which they were contracted.
3. If every person successfully enacts the behaviors of success then the firm's strategy will be realized if and only if:
    a. The economy enables the result (this includes technology).
    b. The competition does not hamper the result.
    c. The entrepreneurial judgment, which resulted in the strategy in the particular market at that time, was apt and accurate.

If all the above propositions are fulfilled, then the firm's strategy will be achieved, should any not be fulfilled, then the firm's strategy will not be fulfilled (market/customer changes that disable strategy are included in either (a) or (b) above).

The people populate the role structure of the firm

People are not arbitrarily involved with the firm, they are recruited to fulfill roles within the firm and expected to deliver outcomes as defined in those roles. Populating a role in a firm is precisely the basis of all employment contracts. In the first instance people are expected to act out the behaviors of success as defined by the goals and outcomes expected in the role.

The crucial aspect is that in the theory the people come in to act out behaviors already specified or implicit in the role within the firm. So to that extent people do not have a choice, and the behaviors expected do not 'belong to them', rather the behaviors expected belong to the firm and people are contracted to enact those behaviors. In a firm where the behaviors of success are not well conceptualized then a person may be contracted to bring their judgment and expertise in that type of role in order to improve the extent the firm has that role fulfilled. In yet other situations where the behaviors of success are poorly conceptualized, then it is most likely that the performance of the firm will be less that it could be. It is inept conceptualization that is the primary cause of low productivity (26), and it is the function of management to provide the conceptualization of roles, business processes and behaviors of success in sufficient detail as to drive productivity and enable performance for both firm and its population.

Best practice and commercial creativity

The concept of best practice is implicit in elements of the model.

- ✓ That there are implicit in the strategy of the firm role structures and business processes that will best enable the achievement of strategy. So for example, if a firm suddenly 'sees' that instead of doing AB it could do AC, and AC would reduce costs and increase productivity then provided AC did not include application of some new technology, it could be argued that AC was implicit in the strategy and was 'discovered' not 'created'. Where AC involved new technology then it is the interaction of the new technology with the strategy of the firm that offers the potential for AC even though the population of some particular firm did not 'see' it, it remains an implicit potential.

The interaction of the population of the firm with the implicit potential of the strategy and the translation of that which is implicit into reality represents a significant opportunity for competitive advantage. Precisely, it is competitive advantage based on the conceptualization skills of management and the intensity with which those skills are bought to bear on the operational issues of achieving the firm's strategy with best possible efficiency (36).

Introduction of competitive advantage

Much work has been done on competitive advantage (34), and it is a crucial idea. No attempt is made here to either review the literature or provide comprehensive discussion; I merely wish to outline how competitive advantage arises. Within this theory competitive advantage is divided into two distinct components, external and internal to the firm each type having several sub-components.

1. **External competitive advantage.**
    a. **Commercial**: relating to normal commercial issues of product features, pricing, distribution, and service support and so on.
    b. **Social:** the reputation of the firm in its market, the extent it has influence on political or financial issues, or the extent the reputation affords quality applicants.
    c. Political: has two aspects, first the influence of the firm with politicians; second the influence of the firm in industry associations.
2. **Internal competitive advantage.**
    a. **Top management skill and judgment** in selection of strategy and tactics.
    b. **The integrity of the firm** that is the conceptualization of goals and behaviors of success in relation to the strategy.
    c. **Best practice processes** refining both role structure and business processes of the firm.
    d. **Effective cultural management** to achieve a positive cultural environment including ongoing effort by the population to improve its delivery of the behaviors of success sharpened and refined under 2c above.

Elsewhere I have illustrated the range of competitive advantage opportunities (27) and will not elaborate here, the crucial issue is to understand any template of competitive advantages as a way of looking at the business in its commercial environment, and to work hard at looking at the business from as many competitive advantage ‘angles’ as possible, then from the range of opportunities that should emerge from such focused and intense conceptual effort to judge those most likely to offer the greatest success in relation to any costs and to the strategy implementation.

Implementation potential of the business

Imagine a firm with a developed role structure, but not yet populated. Inherent in the role structure are expectations of performance, necessary actions and necessary judgments surrounding those actions. In short, each role has an inherent system of competencies that must be met by the person populating the role if the goals are to be achieved. The competencies needed by the firm are those implicit in the roles structure and those represented and embodied in the behaviors of success. I call these the ***inherent competencies*** of the firm; they are the competencies that must be matched in the population of the firm if the strategy is to be achieved.

There are fundamental competencies implicit in **all** strategies, with one such being the ability to conceptualize the role structure, business processes and the behaviors of success/competencies needed. This is a generic ***inherent competency*** in that it is required by all strategies and hence by all firms, in no small part it is why ‘effective management resource’ is a commodity in short supply commanding a significant premium over many other skills, because it is this skill that lies at the root of the ability to improve things and make things happen better, faster, with less cost.

Now consider a potential population, each person mapped into a role. The people have a set of existing competencies, so for the firm’s needs to be met, the existing competencies must match the inherent competencies of the role. I call the congruence of the actual competencies of the population with the inherent competencies of the firm as the ‘***implementation potential of the business’***, this congruence can be assessed on a numerical scale. The implementation potential precisely measures the capacity of the population of the firm to deliver the behaviors of success of the firm. It does not measure the population’s will to deliver the behaviors of success, nor the flexibility in the face of obstacles, merely the capacity to deliver at some given moment.

It follows that there can exist a firm with high implementation potential, but then circumstances change, resulting in new goals and strategy and the firm with the same people could have a low implementation potential. But if adaptable and committed the firm’s population will quickly find a way.

Training and human development

The key question is what is the role of training as it emerges in the model?

It is again important to ensure clear concepts; the question on the role of training is with regard to realizing the success of the firm. So the purpose of training as being argued here is with regard to the firm and nothing else. In this instance ‘success’ is defined in relation to the criteria set by the stakeholders of the firm, that is those who established the strategy or who own the resources used to implement the strategy.

It can be argued that business has a social responsibility to develop people, that may or may not be so, but where implementation of such a policy is at the expense of the firm then the firm would be better off without the policy and as a consequence the activity cannot be said to be relevant to the successful implementation of the strategy. If the stakeholders do not include ‘social obligations to develop the people’ as part of the firm’s strategy, or do not see it as part of the essential tasks to ensure that strategy, then it has no part in the discussion.

Consider the following argument.

- ✓ The strategy is the key to the firm, with success being the achievement of the strategy.
- ✓ That the key to the firm's success is the enacting of the behaviors of success, involving the inherent competencies of the firm.
- ✓ It is the population who must enact the behaviors of success.
- ✓ It follows that the purpose of business training and development is to achieve the best possible match between what the firm needs and what the firm's population are able to do.

The purpose of business training and development

The purpose of all business training and development is to improve delivery of the behaviors of success of the firm; that is to increase the implementation potential of the business.

Behaviors of success are goal dependent. So any input to improve those behaviors must improve the goal results. It follows that all training events in the firm should have a specified impact on goal achievement; this enabling measurement of the training input in relation to the improvement in goal achievement that is a result.

All training events in the business should have a specified payback in relation to the expenditure, this relating to the refining of the delivery of the behaviors of success the target of the training.

The theory is unequivocal and there needs to be a concerted effort to implement the theory so that the measuring of the effectiveness of training is improved and that the attitude that it is measurable is followed through.

The theory leads to a commercial view of the role of training in the firm, that the firm's first duty is to take care of itself: it then rents talent from society to achieve its goals, and as a part of the implementation must reinforce effectiveness of that talent and even develop new competencies in the talent (28).

The term 'development' has a somewhat broader connotation, for example developing the flexibility of people, or the skills at creatively reviewing business processes, or the conceptual skills at assessing the congruence of goals and actions, etc, are all clearly useful within the firm, but often not so easily assessed in terms of payback. This, because they are not immediately rooted in the goals derived from the strategic intent, second they also require development of consistent attitudes and emotional set to improve flexibility, and creativity for example, in order to be effectively applied.

Training and development are then seen as at ends of a continuum, but with the same performance purpose. It follows that there needs to be the same efforts to account and measure the outputs development as for training. In some cases it is worth reviewing the budget to which the expenditure is allocated. If training and development have a clear performance focus, that of developing the effective behaviors of success of the firm (which assumes they are clear in the first place) then events such as 'team building', at an outdoor center becomes hard to classify, it is primarily a motivational and emotional bonding event, and while this is often useful, it has no clear focus on behaviors of success as relating to the firm, it is people who need to 'get on', and any such exercise has to do with cultural issues of motivation and commitment not issues of strategy implementation. Such events are best seen not as 'training' but as 'internal PR', and could best be put under such a budget, a detail technicality, but one important in order to stress and drive home the point of 'training and development', what it is for and how it is to be measured.

The training needs analysis

The point of the training needs analysis (TNA) is to sharpen the delivery of the behaviors of success needed to enable the best possible achievement of the firm's strategy and tactics, in short to improve the implementation potential of the firm. There are two primary aspects to the training needs analysis as it emerges from this model.

1. **Review of the firm's behaviors of success.** The training needs analysis includes a careful assessment and review of the inherent competencies and behaviors of success within the role structure of the firm. This is needed since the core behaviors of success are driven by the goals, which in turn are driven by the strategy and tactics being adopted. In a rapidly changing environment, strategy and tactics need to change to ensure the business stays competitive, which in turn means the goals within roles need changed if the new tactics are to be lived out, this in turn means that the behaviors of success need changed. One real danger for the business is what I call creeping failure, that is there is ongoing change, the population of business does not quite realize that the change is occurring, as a consequence results just seem harder and harder to achieve, excused under 'economic downturn' or similar, when in fact the business is simply becoming increasingly out of touch and out of step as represented by the fact that more and more the people are trying to enact historical behaviors of success that lead them more and more to do too many things the wrong way at the wrong time.
2. **Review of the skills and competencies of the firm's population:** under the model this should never be done in isolation. That is, in every case the assessment of the individual is in relation to the behaviors of success within the role or proposed role and the inherent competencies of the roles. To assume the roles to be as they were last year, is to assume the same strategy and tactics as last year or five years ago, and in changing markets, technology and social opinions and fashions this assumption is exactly that which leads businesses into circumstance of creeping failure.

Conceptually there is little more to be said of training needs analysis, the rest is technology of how to do it as effectively as possible.

Change and the learning firm

The firm is static, it is as a snapshot, at some given moment it is described by some set of parameters, but some time later the parameters may have changed. There are now several crucial questions: What are the mechanisms of change in the firm? What are the mechanisms of change in the population? How does the firm learn? How does the population learn?

Change and the firm

The firm itself contains no mechanism whereby it can change. All change in the firm can only occur via people, typically via the population of the firm. Changes in the firm can only be in the written and otherwise formally constructed policy, procedures and understanding. At any point in time, this body of knowledge represents what the firm has learned of its circumstance and how to best realize the strategy. Should all the population of the firm be changed, this body of knowledge would form the foundation of the renewal of the firm with a new population, in this way the situation is analogous to a library and subject to the same Popperian argument.

The learning firm

A firm cannot learn, people learn. At any point in time, the compilation of policy, procedures, plans and notes of understanding represent the learning of the firm in as much that this body of knowledge belongs to the firm, and should all the population leave, this would still be owned by the firm and be available to others then populating the firm. The notion of the learning firm is then a convenient notation that refers to the changes made by people to this body of knowledge, so the firm comes to own that which people first learned.

Mechanisms of change and learning with the population of the firm are the same as for humans generally (15), subject to the causation and understanding arising from a general theory of psychology, but with the specific focus of commerce, and I am not going to recount them here.

One specific issue has been previously raised, and relates to the definition of a firm: that behavior is shaped by the ideas of the person and that the firm is one such idea. One aspect of this has already been stressed, that is the interpretation of the strategy of the firm in the minds of the directors and senior management, this is the strategic intent and how this relates to broader issues of commerce and so forms the commercial paradigm of the firm. Achieving coherence, consistency, and fluency with the commercial paradigm is important for the directors and top management, since it is via the commercial paradigm that they can create the firm in the minds of the firm's remaining population. By so doing, the directors and senior management then establish the circumstance whereby the firm has the best possible chance of influencing the behaviors of the population and creating the shared view of the world which best leads to coordinated action.

The population of the firm has a view of the firm, whether or not the directors and top management deliberately manage that view. In fact any management of it must take account of the other sources of the view of the firm held by the population and on many occasions counter those influences – such as how some media groups or lobby groups may choose to present aspects of what the firm has or has not done. In a world where secrecy cannot be maintained for long, issues of reasonable levels of truth and exposure, personal integrity in relation to doing what is said, are all pertinent to the commercial paradigm as developed and articulated by the top management.

Change can and does occur in the firm by way of changes in goals and strategy. Changes in tactics needs to be transmitted through the firm in the first instance by realigning all goals in all role structures affected. This means that in the job descriptions of the firm, goals and behaviors of success are changed. This is the first, crucial act of change, involving every person in every role thinking out the implication of the change on the structure of the firm, when done the firm has changed but not necessarily the population.

Culture, change and responsiveness

Having done the thinking on the needed changes to the roles, the population understands what is has to do and then has the best possible chance of implementing the change. Exactly, for the population, this change in the structure of the firm means they have different behaviors of success they need to enact. This model of change accounts well for the adage that Japanese firms take five years to determine on a change and five minutes to implement, while many other nationalities take five minute to determine on a change and five years to implement it. The key to human change is people understanding the change and how to conduct him self or her self, this takes time, and is best done before the change is enacted.

The nature of business culture

"We treat organizational culture as inextricably bound to HRM and therefore not meaningful if separated from it" Jackson, S.E., & Schuler, S.S. Understanding human resource management in the context of organizations and their environments. Annual Review of Psychology, vol.46 (1995): pp 237-64.

I mean no disrespect to Schuler and Jackson who have done excellent work on HRM and SHRM. I use this quote because it does so precisely sum a general view. To say that culture is bound to HRM is almost a tautological cliché, the problems implicit in this position is the tendency to also see the reverse, namely that HRM is inextricably bound to culture, further, that culture emerges as a dominant factor in HRM and in SHRM: these positions are not accepted here, in this section I will consider what is and what is not culture, and discuss the overall role and priority of culture in HRM and SHRM.

Key aspects of firm are not cultural

The firm exists independent of people – as a legal entity and as an idea that shapes behavior. By applying the goal/action principle to the strategy then the role structure of the firm can be evolved. This must be done by people, but again, once done exists independent of people. The imagery is of a 'static firm'. Only people can change the firm and after the change the people now populate a new role structure.

Diagram 4 outlines the key items that 'belong to the firm'. This means that such things as goal focus, behaviors of success, congruence of goals with strategy, congruence of behaviors of success with goals are not cultural, they do not relate to the population, but to the very structure and nature of the firm.

Culture describes how the population enacts the behaviors of success

Culture describes the pattern of how groups of people interact. In business, with the firm and its strategy prescribing what behaviors are needed, then the cultural factors describe how those behaviors are enacted, the style and manner of the interactions, and the response of the population to changes.

The issue of values of the firm and their translation into action is summarized as follows.

- ✓ The core value of the firm is the value of success: this arises from the strategy in that the assumption in forging the strategy is that it will be realized. Hence the very existence of the strategy implies the expectation or assumption of success. Note: that strictly within the theory there is no necessary differentiation between 'success' and 'failure'; however, for practical purposes the discussion has not been forwarded on this abstract plane. The working assumption adopted is that those founding the firm want it to succeed, and it discussion has proceeded on this assumption. The alternative argument could be reviewed, the effect of assuming the firm is created to fail, is that different values would be adopted for the behaviors of success, and the discussion on culture, for example, would be identifying those actions consistent with failure, not action consistent with success. It is this assumption that is that the firm is built on the intent of succeeding that introduces the prescriptive tone or factors into the discussion.
- ✓ The translation of this value into action is via the behaviors of success.

In the first instance acting out the behaviors of success is not cultural, but the manner or commitment or intensity with which they are enacted are; so for example, one firm enacts behaviors of success vigorously and with all possible intensity, while another enacts the behaviors of success with some detachment, and without intensity or commitment.

Details of culture, such a dress, sense of style and occasion, are seen as particulars, the values of variables and not themselves variables; so any use of a 'mufti day', for example is how some firm seeks to lift morale and increase commitment. Some company may choose to adopt some idiosyncratic cultural practices to differentiate itself from competitors; if that so, then the outputs remain measurable and should those tactics be not producing as high a result as could be generated by less idiosyncratic practices, then the top management of the firm need be convinced that the practices remain worthy for reasons other than cultural issues (recruitment/selling of the firm to a certain type of person for example, and use of the unique culture in the public relations efforts of the firm).

The theory proposes the same system of factors for all firms, and it could be said that each business is doing the same thing and so there is no scope for differentiation. This confuses two different factors, first the variables are the same for all firms, but the values able to be adopted are very broad so that while the variables are all the same, the selection of the unique values to be lived out in some particular firm is extremely broad. Furthermore, the fact is in ten businesses implementing the same tactics there is inevitably a spread of performance, so differentiation will and does occur in the level of result achieved, even where the same tactics are employed.

There are many practices that will develop the will within the firm's population and no attempt again is made here to review or otherwise present the tactics (29). As it arises in this theory the issue of commitment is unlikely to be resolved with one or even a few tactics, this largely because within any developed society the range of aspirations, attitudes, and needs will be broad, and anything done to generate the necessary commitment must necessarily be as broad in scope as breadth of wishes and needs of the population the tactics are expected to motivate.

A culture of achievement

Assuming those founding and/or currently operating the firm are serious on achieving the aims and strategy of the firm, then there is and should be only one culture, one of success and achievement. What can be said of a culture of success?

- ✓ Paying attention to what has to be done, and doing it.
- ✓ Creative drive to improve, uncover best practice for implementing the strategy.
- ✓ Responding to change to ensure best possible result under all economic conditions.

This does not provide the details of exactly how to achieve this, the details implemented by any firm being a blend of the list of all possible actions enabling this culture and the personality of the top management making the choices of how to achieve the success culture.

The crucial point is that there is less choice than often thought.

1. It is crucial that the integrity of the firm is tightly managed, with everyone having good understanding of the focus and accuracy needed in their role. This aspect of management is not cultural; it is the very core of the success of the firm.
2. It is crucial there are effective strategies for constantly improving the implementation potential of the firm. This requirement for ongoing training and development is also not cultural.
3. Effective cultural strategies that result in the commitment, creativity and responsiveness in the population.

Businesses do not have a choice on whether or not to implement these tactics; merely how well they do it.

Why a positive culture is best

Is there anything special about a positive culture that is a culture that generates positive emotional reactions in the population? Specifically, a positive culture generates a positive commitment to the success of the firm in some percentage of the population, and aims to generate neutral view of the success of the firm in the remainder of the population. Generally, a positive culture is not polarized, that is not with one group supporting the success of the firm and another group opposed to the success of the firm. So doing surveys where positive views statistically out number negative is not in my view a positive culture, it is a recipe for politics and sabotage.

There is a critical mass needed if success is to be used to build further success. Excluding top management, which should be positive and if not that needs dealt to first, I find that if some twenty percent of the people are positive and the rest neutral albeit with a healthy skepticism then the business can be moved forward. Care must be taken, and the first successes targeted carefully for if failures occur, skepticism can quickly become resistance.

There are three main arguments in favor of a positive culture in a business these are summarized below.

1. A positive culture works (2, 4). This argument is not conclusive, since I suggest that a fiercely driven culture will also work in a financial sense, but it is vulnerable when circumstances change.
2. The positive culture builds commitment in depth in the business that is if some people leave, there is a depth of commitment to see the business through, to see it succeed. A negative culture has no such depth, and the moment the driving force is lifted performance will fall off.
3. The most telling argument is the response to change in a negative culture there is little or no willingness to change, to respond quickly, and to adapt to new circumstance. I have been in businesses where there was staunch passive resistance to change and to adapt, people understood the need for change, and understood the consequences of not changing, but steadfastly declined to assist or otherwise actively participate in the change. In the examples I have experienced the culture was not so much fear driven, rather there had emerged various and multiple conflicts between many key people and the CEO, these collectively added to an implicit collusion of passivity, with active resistance where the key people felt able to resist. So responsiveness had to be driven by the CEO, and the moment that drive was removed, performance fell. Where the CEO is also the owner, which is in almost all the cases I have experienced, the solution to these emotional knots is to have the CEO manage their style, and to replace key personnel and start again.

Summary 1: ***The level of commitment of the population of the firm to enacting the behavior of success is cultural.***

Culture also describes how the population reacts to change

Imagine a company that is of high integrity, with a fully committed population and management effective in maintaining high implementation potential, in short, a successful business. Now, imagine economic circumstances changed such that significant changes were required beginning with significant shift in strategy, this necessarily flowing through all aspect of the firm and its population. The short-term success of the business is obviously related to the skill, ability and willingness of the population to adapt to the changes being pressed upon it.

The necessary changes within the firm are clear and well able to be documented, and implemented without resistance, this because the changes are solely of the nature of changes in statements about roles, goals, procedures and the like. There is nothing to resist the changes to the firm; thus these changes are not themselves cultural.

The population of the firm however is being necessarily asked to adopt new ways of acting, these in the first instance embodied in new behaviors of success. It is also possible that the population does not have fully the skills and competencies to enact the new behaviors of success, so significant new learning is involved before the 'serious' business of implementing the new business can even begin. These circumstance can and will often be resisted, or certainly affected by issues that are solely and fully cultural.

Summary 2: ***The response of the population to changes in the behaviors of success is cultural.***

As second aspect of the response to change is the willingness to learn and adapt and adopt new and improved ways; for example a sales team has a set of behaviors of success, but through trial and error one or more find that rather than doing AB if they do CD they improve the close ratio by 3%, so instead of close ratio of 25% it becomes 25.75%. This is not a major change but when adopted by 100 sales people each with 100 closing opportunities per month, the change becomes significant. The key implications in this are as follows.

1. That one group was willing to put in the thinking and creative trial and error to uncover the improved closing technique.
2. The team as a whole was willing to test and then adopt the new technique once uncovered.

These issues describe a crucial aspect of responsiveness, perhaps best summed as the attitude to learning and development.

Summary 3: ***The willingness to learn and grow commercially in their roles, and personally is important cultural elements allied to overall cultural factors of responsiveness.***

Values as an aspect of the interaction of the population

The aspects of values implicit in the firm have already been discussed; these may be formal, expressed in HR and general policy, or informal being present in established precedent and informal contracts of employment.

In addition there are the values exhibited in the manner the population of the business interacts. The particularly important aspect of this is how the leadership of the business treats and interacts with the remaining members of the population.

The issue of how the population treats each other is again reduced to a simple and clear variable in relation to the overall intent assumed for the firm of being successful in the achievement of the strategy of the firm; the issue is summarized in the proposition below.

Summary 4: ***The values inherent in the interactions of the population are cultural and said to be positive when the emotional tone of those interactions is such as to afford no discouragement to people getting on with the behaviors of success.***

A balanced score card

A balanced score card is both effective and dangerous. I have had experience where a top team stated, ‘we didn’t get the numbers, but look at the other factors we did well with’. In this instance the balanced score card was removed and financials returned as the sole focus for two years.

It is undeniable that a positive culture secures the long-term success of the firm. For example: imagine a business that lost touch with its people, that is it lost access and influence in the minds and hearts of the population. Where and how would such circumstances affect the business? Likely, business results would erode, but not immediately drop because the business has some level of inherent momentum in its market, but over two or three years, results would become harder and harder to sustain. Now, how long do you believe it would take to regain the minds and hearts of its population? Likely, if a business ’lost the heads’ of its population it would take several years to recover that loss. Using this argument I suggest that the attitudes and commitment of the people is a short run factor that has a significant affect on long run profitability.

Strong, positive commitment and responsiveness in the population can properly be said to be one of the key driving forces of long-term financial success (30). The other key factor I like to see included is some form of customer survey, offering some insight into what the customers think and indications of what they are likely to do short and long term, this factor for the same reasons as above, that is if a business lost touch with its customers it would erode and recovery of that would take years not weeks or months.

In this attitude to balanced scorecards, it is crucial to understand the tensions. The focus is on the financial results, short and long term. Effectively the long-term profits are reflected in the short term strategic HR and customer survey results on the basis that it takes quite a long time to secure a positive culture in a business and to secure positive customer support. If lost, it can take years to get it back. So the task for management is to be sufficiently sharp and creative to achieve both excellent short term profits while retaining excellent short-term strategic HR and customer surveys. These can and will frequently be in conflict. Achieving only one or two of the results is simply not good enough, with the business not performing in the short term or being jeopardized in the long-term.

Summary of cultural management

It is important to understand that there is no moral presence in this view of cultural management, which solely has the purpose of securing the best possible short, and long term results for the firm. The factors that arise from the model for effective cultural management are as follows.

The purpose of cultural management is to:

1. **Increase commitment**. The level of commitment of the population of the firm to enacting the behavior of success.
2. **Development high responsiveness.** The response of the population to changes in the behaviors of success.
3. **Create positive team climates that encourage success.** The values inherent in the interactions of the population are said to be positive when the emotional tone of those interactions is such as to afford no discouragement to people getting on with the behaviors of success.
4. **Develop positive response to learning and growth.** The willingness to learn and grow commercially and personally is important elements allied to overall cultural factors of responsiveness.

This list I regard as necessary and sufficient, in that I find no other factor of any significance able to affect the success of the firm. The model results in quite clear and specific statements of what needs to be done ‘culturally’ within the firm. Furthermore the model proposes that a business managing and achieving against these cultural will find its culture contributing to the success of the firm.

Commercial paradigm

The term paradigm refers to an orientating system of ideas that shape how certain situations are viewed, in this instance; ‘commercial’ then refers to business situations (21). The strategic intent forms an important part of the commercial paradigm which itself includes issues on ‘how we do things’, ideas on social and political position, how we treat our people, and general business ethics.

The strategic intent itself is not the strategy as written; it is the strategy as understood and acted upon. Then there are issues of integrating the strategic intent with the other aspects of the commercial paradigm. The strategy as written belongs to the firm; the strategy as acted upon belongs to the firm’s population. This discussion is then about the most significant of the firm’s population, that is the senior management and directors, and it is from their minds and understanding, from their grasp of the complexity that much of what happens and what is, eventuates. This gives rise to crucial aspects of the competitive advantage arising from top management, namely the grasp of strategy and its relation with the other aspects of the commercial paradigm, the extent the whole is understood as a paradigm, the fluency with the paradigm and interrelated parts can be discussed and shared, the extent it is shared and commonly held among the top management, and the extent the top management effectively convey the paradigm or the necessary parts of it to others who populate the firm.

In effect the commercial paradigm is the living idea of the firm that intrinsically guides action by the firm's population. So unless embedded in the population's mind, it simply will not do its work (23).

On the notion of human capital in the firm

Human capital is an economics idea, typically applied to societies. It aims to measure the level and quality of the human skills and/or education in that society. Any firm with a role structure exists within a society, and so will populate its roles from the human capital available.

Immediately it can be seen that there are two measures of 'implementation potential' for the firm. The first is as discussed, measuring the capacities of the population against the needs of the firm. The second is more general and measures the human capital of the society against the needs of the firm. In this second case of 'general social implementation potential' it can be that while the human capital of the society is high the ability of the society to meet the needs of firms or a firm may be low. This merely means that the education system in the society does not produce the types of skills and competencies needed by the firm. From time to time business lobbies have and do pursue this issue politically, aiming to have the human capital as developed in the society by tax spending on education better match the implementation needs of firms. This arises as an obvious issue in the theory and matches reality so reinforces that perhaps the theory is on the right track.

Pursuing the argument further, the firm rents (in the economic sense) talent from the human capital pool of the society, this is completely analogous to renting office space from the pool of space available, and subject to all the same issues of supply and demand; that being so, it is difficult to see how and in what way the population of the firm is 'human capital' in the firm. People do not and cannot ever be seen as 'belonging' to the firm, no more than rented office space belongs to the firm.

These arguments mean that such things as salaries and wages, and the cost of maintaining and developing skills in the population are costs to the firm in the same way that painting rented space is a cost, or realigning office space is a cost. Aspects of managing rented space can be capitalized, so likely aspects of cost of the population of the firm can also be capitalized. However, it appears unlikely that such aspects would in any way represent a theory of human capital in the firm, more likely being convenient ways of accounting for some types of expenditure.

I also suggest that fallacy of composition applies, and that notions of human capital have an application at a broad and general level of societies, and macro economics, but do not fit any where near so well in individual firms and in micro economics. Consequently I will not use the term 'human capital' in respect to the firm, restricting its use as referring to the pool of talent in the society from which the firm must draw its population (31).

Strategic human resource management

Strategic human resource management is not part of fundamental business strategy decision-making. The overall dominating issues in general strategic decision-making are commercial issues of how long to making a profit? How much profit when we get there? How much must be spent to get there? The issues relating to human resources are assumed in cost estimates on the basis that people with the skills can be trained or recruited. It follows that SHRM emerges as a crucial factor once the strategy is decided, so that SHRM has to do with implementation, in particular with the implementation of the selected strategy. This fundamental place of SHRM is an important orientation, it means that first and foremost SHRM serves the firm and achievement of strategy, and does not serve the people who populate the firm.

Aim of SHRM

SHRM is focused on the link between a firm and its population; it has the aim of contributing to the success of the firm by enhancing that link. The aim of SHRM can then be summarized as follows.

SHRM is the optimizing of the link between the firm and its population such as to enable greater achievement of firm's strategy than would otherwise occur.

The SHRM components

Human resource practitioners have a place in organization design in relation to some specific strategy, either in the creation of the role structure or advising on appropriate changes to that role structure. However, this is not seen as a domain the exclusive place of HR managers, rather the issues of role structure (organization design) are aspects of general senior management expertise and experience.

What is more pertinent here is given a role structure, what is the ongoing place of SHRM in relation to achieving the best possible performance and result against goals and strategy? With this in mind, there arise from the model the following strategic human resource management components.

1. **The integrity of the firm**, namely the goals at every level and the congruence of the goals with the strategy, and the congruence of the behaviors of success with the goals.
2. **The implementation potential** of the firm. This involves two interrelated factors.
    a. Validity and reassessment of the role structure, goals and behaviors of success. Assessing the inherent competencies of the firm.
    b. Recruitment and training tactics, to ensure the competencies in the population appropriately match the inherent competencies of the firm.
3. **The overall platform of business processes** and the extent that the processes are seen to enable best possible performance.
    a. **Development of the learning firm,** consolidation and distribution of what the firm knows. This is quite different from training of individuals, and is effectively a business process. Acceptance of the policy guidelines, notes and other resources is quite different again, and is one of the cultural management issues.
4. **Development of the values of the firm,** the policy framework that describes how the firm will treat its population (note, this does not cover how some person might treat another person of the population, it merely specifies what the person can expect as right in regards the firm.)
5. **Cultural management** of the following factors.
    a. **Increase commitment.** The level of commitment of the population of the firm to enacting the behavior of success is cultural.
    b. **Development high responsiveness:** The response of the population to changes in the behaviors of success is cultural.

c. **Create a positive team climate that encourages success.** The values inherent in the interactions of the population are cultural and said to be positive when the emotional tone of those interactions is such as to afford no discouragement to people getting on with the behaviors of success.

d. **Develop positive response to personal learning and growth.** The willingness to learn and grow commercially and personally is important cultural elements allied to overall cultural factors of responsiveness.

Why these priorities?

The four priority factors in SHRM all focus on the firm, and are measurable aspects of the firm that will point to the likely success or otherwise of the firm. This remains regardless of the interpersonal style that may be adopted in pursuing these factors. In summary, the four priority SHRM factors are not cultural but are crucial to the sustained success of the firm, and to the best possible link between the firm and its population. The proposal that the key SHRM factors are not cultural very likely comes as a surprise (32).

The model proposes that the very last factor, the lowest priority factor in SHRM is cultural management, this requires some explanation. The ranking of priorities begins with the central question of organization: would we have organization without a common goal? The answer is no, it follows that the first thing that needs to be done is to make sure that everyone involved in the organization knows and understands their role with respect to the overall aim of the organization. To use simple analogy, of two groups of people, one committed but with no organization and poor idea of what they need to be doing, the other not committed, but well organized and clearly understanding what they are doing, which group likely to do the best? So ensuring the integrity of the firm from top to bottom is the crucial first step. This also matches with psychological understanding, that is the first thing to do to get a group of people to perform is to have them understanding what it is they must do.

Once the role structure is in place and understood then it must be populated, and the competencies of the population must match appropriately the inherent competencies of the role in the firm.

Business processes are a major factor in the link between the firm and its population providing the platform of organization enabling people to focus on what it is they need to do. Should the platform of business processes be weak or inadequate, this failing will eventually undermine the effort and performance will fall. The role of HR is one of auditing, in particular auditing the perception of the business processes, for if people do not think the processes are any good they will act accordingly. An aspect of business processes, and in fact a business process itself is the smooth transfer of learning from one team to another able to use it.

The firm employs people therefore it is useful and important that they understand their rights with regard to the firm. The obligations of the population are spelled out in the role structure, and it is appropriate the firm spells out its obligations to its population. The framework of HR policy is independent of the managers implementing that policy, and it is recommended that the policy be available in every lunchroom and every induction booklet, in this way the firm is forging relationship with its population independent of the management. It is by having well drafted HR policy that the firm can be fair and be seen to be fair independent of any particular manager.

The SHRM factors build the framework, by doing these things and doing them well will produce the basic levels of commitment and enthusiasm. Cultural management is then the activity of refining and developing the commitment, enthusiasm and flexibility of the people. By ensuring the first factors well developed and strong, then the issues of ‘culture’ emerge clear and uncluttered, and efforts at cultural management able to be monitored and measured without being clouded by poor business processes, or poor HR policy or inadequate recruiting systems, etc. All HR tactics are integrated into the proposed strategic framework and are given focus and thrust likely absent without the integration afforded by this theory (33).

These factors can only be the focus of the HR department

For other departments in a business there is typically a clear factor that sums and otherwise focuses what the department does. This has been harder for HR, but the factors above provide a unique and systematic framework that is and can only be the focus of HR effectively providing a structured set of measurable items crucial to the business.

The HR Department can now adopt as its strategic aim: *to improve the link between the firm and its population such that the realization of the firm's strategy is enhanced.*

The effectiveness with which the strategic aim of HR is achieved can be measured in the by developing suitable questionnaires (31) that measure and quantify the key SHRM parameters. The sustaining and measuring of these is a crucial short term factor that is a major predictor of long term financial success, and so are crucial elements in well constructed balanced score cards.

Conclusion

At the outset, various goals were set for the construction of any theory. The goals were as follows.

1. Describe the key elements that when managed will improve the link between the people and the firm.
2. Describe the role and place of SHRM within the context of the broader general strategic decision-making.
3. Place the key SHRM factors in priority order.
4. Integrate all tactical and technical aspects of HRM so that the relationship between SHRM and technical HRM is clear and precise.
5. Have the necessary and appropriate epistemological structure, namely be a system of variables and relations between.
6. Be effectively integrated into broader, general theory of psychology and the person.
7. Provide clear and unequivocal advice and focus for the HR practitioner and manager seeking to develop effective HR strategy that will strengthen the link between the people and the firm such that the people enjoy greater satisfaction and the firm enjoys greater financial success.

These goals have been achieved.

If needed, re-read the goals. Their significance should not, cannot be passed over lightly. The theory is the first and thus far only full integration of SHRM into a coherent framework. The focus and thrust is not what likely was expected to emerge, but if the theory is in fact enacted the results that can and do emerge from a number of years of consistent application are many times greater than even the most optimistic of managers could have or would have predicted in advance (35).

It remains simply to stress that management team implementing these ideas with focus and discipline will bring benefits to the people to themselves and to the stakeholders of the firm.

Notes

1. Russ, C.F., Jr. Manpower planning systems: Part 2. Personnel Journal, 119 –123, 1982.
2. Huselid, M. A. The impact human resource management practices on turnover, productivity and corporate financial performance. Academy of Management Journal, 38(3), 635-672, 1995. Reports research from some 900 USA firms showing statistically significant impact on short and long term measures of financial performance. Patterson, M. G., West, M. A., Lawthorn, R. and Nickell, S. Impact of people management practices on business performance. (Issues in People Management, No. 22). London: Institute of Personnel and Development, 1997. This outlines a longitudinal study showing positive relationships between employee attitudes, culture, HRM and business results, with the greatest factor in variation in productivity over a three to four year period was HRM issues.
3. Guest, D. Combine Harvest. People Management. October, 1998.
4. Rudman, R. People management and the bottom line. The New Zealand Journal of Human Resources Management, at www.hrinz.org.nz, posted January 2001.
5. Hueslid, M. A., Jackman, S.E., and Schuler, R.S. Technical and strategic human resource management effectiveness as determinants of firm performance. Academy of Management Journal, 40(1), 171-188, 1997.
6. There are many quotes, but typical is Wright, P. and McMahan, G. Theoretical perspectives for strategic human resource management. Journal of Management, vol. 18, no.2, 295-320, 1992. … 'the field of strategic human resource management is in need of a solid theoretical foundation to guide both research and practice'. It is this issue this paper addresses. Also, Boxall, P. The strategic HRM debate and the resource-based view of the firm. Human Resource Management Journal, vol. 6, No. 3, 59-75, 1996. …'the conceptual difficulties in spanning the HRM and SHRM boundary are much greater than those of treating HRM as a particular management style'.
7. Guest, D. HR and the bottom line. People Management, 6 (15), 26-31, 2000.
8. An overview of the range and type of theory being applied is in Understanding of human resource management in the context of organizations and their environments. Annual Review of Psychology, vol.46, 237-264, 1995. Or in the book by the same authors, Schuler, R.S., and Jackson, S.E. Strategic Human Resource Management, Blackwell: Malden, Mass., 1999.
9. This point seems to me to be sometimes overlooked, probably because business fringes into economics where psychology is ignored, or ordered in mathematical propensities aiming to parallel people's choice. However, this is not economics, it relates precisely to people, and the problems of causality of human behavior are immediately pertinent, as are the serious intellectual issues of causality in human affairs and theory construction in highly interrelated social systems.
10. This issue is parallel to that encountered in addressing the more general problem of a theory of psychology. It is discussed at the web site containing the theory and commentary supporting it. www.grlphilosophy.co.nz
11. Illustrative is the examples in the book Schuler, R.S., and Jackson, S.E. Strategic Human Resource Management, Blackwell: Malden, Mass., 1999. This is a collection of papers, so illustrates the general and wide spread nature of this issue. See pages 18, 44, 53,57, 59, 148, 183, 211, 232, 277, 364, 375, and 402.
12. Paper 3: A model of knowledge and tools for theory creation; at www.grlphilosophy.co.nz , by Little, G.R., posted 2000.

13. The Schuler and Jackson book note 11, again provides illustrative examples of the issues and lack of specificity, now while these terms and phrasing are a useful convenience, I suggest it does tend to mask crucial ontological and conceptual issues that will constrict theory creation.
14. Ashby, W., Ross. Design for a Brain. London: Chapman and Hall, 1960
15. See Papers 2, 3, and 5, at www.grlphilosophy.co.nz.
16. It is very important to keep the background in mind; 'idea' is quite precisely defined, and extracted from a well-constructed theory of human behavior that includes general theories of cause and knowledge. The term 'firm' is also deliberately chosen it is precisely that aspect of independent of people and it is the **idea** itself. A more general term is 'organization', this includes non-commercial systems, and so a firm is a 'commercial organization'.
17. An important aspect of this is that there cannot be any 'human capital' on the balance sheet of the firm. It does not own people, and no such concept can or is able to appear in the balance sheet. The firm does 'own' goals, structure and business processes. This management foundation could be quantified and could legitimately appear on a balance sheet.
18. The distinction is perhaps drawn a little harder than in practice, with training and human development existing on a continuum where the divisions are one of emphasis.
19. Little, G.R. The Five Steps to Successful Business Leadership. London: Management Books 2000; 2000.
20. I have not offered in detailed discussion since it hardly warrants. For a simple example, consider aiming to become an internationally competitive swimmer. You need spend good amount of time in a gym and swimming pool, with due commitment. If you are unwilling, then give away the goal, because it will not happen. Business plans are little more than collection of goals.
21. The commercial paradigm is the same as the idea of paradigm from Kuhn and embraces issues that extend beyond the idea 'what the firm does', including issues of 'how we do it'. Major changes in the business involve shifts in the commercial paradigm and are precisely akin to Kuhn's notions of 'paradigm shifts' in science.
22. Wright, P. and McMahan, G. Theoretical perspectives for strategic human resource management. Journal of Management, vol. 18, no.2, 295-320, 1992. Strategic human resource management is …"the pattern of planned human resource deployments and activities intended to enable an organization to achieve its goals." The issue of what activities, in what order, and what is the rationale for any order is not answered, and is the topic of this paper.
23. In the extreme case, a single person implements a strategic plan, but for them to succeed they must organize their behavior such that it reflects that needed for the plan and not that which they might prefer or feel on the day. If they do not so organize their conduct, at least to some minimum and sufficient degree, the strategic plan, no matter how fervently stated, will not happen. Hence even in this extreme case, the principles involved still apply. This concept is the underpinning of the approach to personal professional development implemented by myself for the last decade and a half: that is the person understanding what they need to do as regards the plan, and having the competence with the necessary behavior and the motivation and self-discipline to manage their conduct.
24. Some views in the literature are inclined to argue that SHRM should be among the foremost issues in strategic decision-making. See Cascio, W. Applied Psychology in

Personnel Management (3dr Ed.). Englewood Cliffs, NJ: Prentice Hall 1987. Also Tyson, S. Human resource Strategy: A process for managing the contribution of HRM to organizational performance. The International Journal of Human Resource Management. Vol.8, No. 3: 277-290. 1997.

25. This epistemological position is derived directly from Karl Popper, see Objective Knowledge: An evolutionary approach. London: OUP. 1972. Also Conjectures and Refutations: The Growth of Scientific Knowledge. London: Routledge and Kegan Paul. 1963.

26. This thesis is not one that to my knowledge has been tested by research; that is the relationship between the conceptual precision and clarity of the firm's goals, behaviors of success and business processes and the success of the firm. The thesis arises from within this theory and can be taken as one of the testable consequences of it.

27. Presentation to the 2002 New Zealand Manufacturing Summit, 13-14 August 2002, Waipuna Lodge Conference Center. Notes are available from Conferenz, the Summit organizers, info@conferenz.co.nz.

28. See Little, G.R. The Five Steps to Successful Business Leadership. London: Management Books 2000; 2000, for a discussion developing these ideas on the social role of business and on the model of training.

29. For example see the list of some eighteen 'high commitment' human resource practices discussed in Guest, D. HR and the bottom line. People Management, 6 (15), 26-31, 2000.

30. Tools already exist that enable measurement of the integrity of the firm. See www.opd.selfhelpguides.com. These tools can also be used as part of a balanced score card approach, with the tools monitoring and providing regular advice on the state of key strategic HR factors that contribute to long-term financial success.

31. See Becker, Brian E., Huselid, Mark A., Pickus, Peter S., and Spratt, Michael F. HR as a source of shareholder value: research and recommendations. Human Resource Management, Vol. 36, No. 1: 39-47. 1997 for a discussion on human capital in firms, and firms as having human capital assets able to be capitalized.

32. See Jackson, S. E., & Schuler, S. S. understanding human resource management in the context of organizations and their environments. Annual Review of Psychology, Vol 46: 237-264. 1995. The following was stated:…"we treat organizational culture as inextricably bound to HRM and therefore not meaningful if separated from it." This represents a common view, but one I argue based on the ontological confusion addressed at the start of the paper. This is quite different from the view presented here, where SHRM is **not** primarily cultural, and in fact the priority elements are not cultural at all, but have to do with the conceptualization of the firm and the understanding of that by the population.

33. West, M. and Patterson, M. Profitable Personnel. People Management, January 1998. Also Hueslid, M.A., Jackson, S.E., Schuler, R.S. Technical and strategic human resource management effectiveness as determinants of firm performance. Academy of Management Journal, 40(1), 171-188, 1997. The evidence is that a broad holistic, community type development is beneficial and that an overall HR approach has better correlation than detailed technical efficiency of HR management.

34. There is an extensive literature on competitive advantage and no attempt has been made to review it here. The introduction here is only to emphasize that it does arise and how it can arise. In a similar manner there is an extensive literature on strategy, and no attempt has been made to review it since it diverts attention to the key issues of this paper. All that is needed here is that strategy is created and does form the

foundation of the firm in the sense that without strategy there is no need for organization and so no need for the firm.

35. I have in effect been applying these principles for several years, albeit not in the exact integrated form as outlined here. Case study material is available that show profit to sales ratios in excess of 25% in industries where such figures were and are not expected.

36. A favorite quote is from Oliver Wendell Holmes: “I would not give a fig from simplicity this side of complexity and give my right arm for simplicity the other side of complexity”. The higher the level of management the more the role demands the understanding of how and what is needed to bridge complexity and gain simplicity on the other side, and to then convert the concept into operational reality.