

Personnel and Human Resource Management Choices and Organizational Strategy

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When we classified . . . [our] . . . businesses, and when we realized that they were going to have quite different missions, we also realized we had to have quite different people running them. That was where we began to see the need to meld our human resources planning and management with the strategic planning we were doing (Reginald H. Jones, former chairman and CEO of the General Electric Co.)

I believe the only game in town is the personnel game . . . My theory is if you have the right person in the right place, you don't have to do anything else . . . If "you don't have the right person in the right place," you have a problem. If you have the wrong person in the job, there's no management system known to man that can save you. (Walter Wriston, former Chairman and CEO of Citicorp)

Together these quotations typify what is beginning to appear within organizations and academia: a growing awareness of the importance of linking human resource management with business management. Within organizations, one way this linkage is being made is by tying business strategy to top management characteristics (Song, 1982; Snow and Hrebiniak, 1980; Gupta, 1984; Olian and Rynes, 1984; Szilagyi and Schweiger, 1984; Miller, Kets de Vries, and Toulouse 1982; Hambrick and Mason, 1984; Gupta and Govindarajan, 1984a,b; and Gerstein and Reisman, 1983). Management characteristics such as personality, skills, abilities, values, and perspectives of top management are hypothesized to match particular types of business strategy. While some support has been found for the existence of top manager-strategy matches, only the Gupta and Govindarajan study (1984b) proposed several propositions using manager biographical background, personality orientation, organizational familiarity, and industry experience.

Flowing partly from the manager-strategy match paradigm is a second and more recent paradigm. This matches the strategy with personnel and human resource management (PHRM) practices. The issues that have been addressed in this paradigm include: (a) identifying the major theme or thrust of the PHRM practices in different strategies (Miles and Snow's (1984) building, acquiring, and allocating thrusts in defender, prospector, and analyzer strategies, respectively); (b) describing how organizations can gain competitive advantage through PHRM practices (Schuler and MacMillan, 1984); (c) describing different PHRM issues within different strategy phases (Miles and Snow, 1984; Hax, 1985) and in different stages of a product life cycle (Ferris, Schallenberg and Zammuto, 1985); and (d) Tailoring PHRM practices to specific strategies based on

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employee characteristics necessary to meet strategic demands (Kerr, 1982, 1985; Slocum, Cron Hansen, and Rawlings, 1985; and Schuler, MacMillan, and Martocchio, 1985). While all four of these issues are important, it is the last one that should be more fully addressed.

Matching PHRM Practices to Strategy

The notion of using PHRM practices with strategy is not novel; in fact it is a primary implication of the manager-strategy match paradigm (Gerstein and Reisman, 1985). Gupta (1984), Miller (1984), and Olian and Rhynes (1984) present propositions relevant to this paradigm; however, these studies focus on staffing practice. The focus here is on using all PHRM practices to foster and facilitate necessary characteristics for all employees, not just top management or general managers.

The basic way of matching strategy with PHRM practices is by identifying needed employee characteristics. Once this is done, the appropriate PHRM practices can be chosen. These in turn can be used to foster and facilitate the implementation of strategy because the employees are exhibiting the type of general characteristics needed by the company for it to be effective. Two important premises are used in this discussion: (1) that needed employee characteristics vary by business strategy and (2) that there are a variety of ways PHRM practices can be done, some of which stimulate employee characteristics better than others.

In presenting this strategy-PHRM practice paradigm, it is appropriate to begin by describing strategy types and necessary employee characteristics. Then the menus (or typology) of PHRM practices that can be used to match with strategy are described. This reading is concluded with several propositions relevant to strategy-PHRM practice matches.

Strategy Types and Employee Characteristics

There are well over a dozen frameworks for studying and understanding strategy types (Shrivastava and Peridis, 1985). One that reflects and integrates features from several is that used by Gerstein and Reisman (1983). Based upon their empirical work, they developed the five strategy types shown in Exhibit 1. These strategy types are consistent with several strategy writers (Hofer and Davoust, 1977; Wissema, Van Der Pol, and Messer, 1980; Tichy, Fombrun, and Devanna, 1982; Wright, 1974; Fombrun et al., 1985; and Hax, 1985).

Critical to the strategy types shown in Exhibit 2 is the description of the business characteristics of each strategic type. These are critical because they suggest the employee characteristics necessary to meet strategic demands. It is on the basis of these business and employee characteristics that PHRM practices can be matched with strategy. While Gerstein and Reisman (1983) have identified necessary managerial characteristics, they have not systematically matched all the PHRM practices with each strategy type. Thus, here is presented a paradigm by which PHRM practices can be systematically chosen based upon strategy type. Instrumental to this objective is the identification of several necessary employee characteristics from which choices can be made.

Necessary Employee Characteristics. Based upon an extensive review of the PHRM literature, several necessary employee characteristics are suggested. The strategy type dictates which employee characteristics are necessary. All these characteristics are shown in Exhibit 2. Note that these characteristics are regarded as general ones, applicable in varying degrees across organizations. The challenge is to match these general characteristics to the organization's strategy. Not addressed here are specific characteristics, especially employee skills, knowledge, and abilities (SKAs), necessitated by specific job demands. For a given organization, however, these need to be identified and matched with the appropriate PHRM practices similar to the way the PHRM practices are matched with the general, necessary employee characteristics. Based upon the characteristics of the five strategic situations shown in Exhibit 1, several necessary employee characteristics seem critical. These draw upon the organizational concerns

for each strategy as described by Gerstein and Reisman (1983). The rationale for these characteristics is presented in detail after describing the menus of PHRM practices.

EXHIBIT 1

Corporate Strategy and Business Concerns

Entrepreneurial: In this strategy, projects with high financial risk are undertaken, minimal policies and procedures are in place, there are insufficient resources to satisfy all customer demands and there are multiple priorities to satisfy. The focus here is on the short run and getting the operation off the ground.

Dynamic Growth Strategy: Here risk taking on projects is more modest. There is a constant dilemma between doing current work and building support for the future. Policies and procedures are starting to be written as there is a need for more control and structure for an ever-expanding operation.

Extract Profit/Rationalization Strategy: The focus here is on maintaining existing profit levels. Modest cost-cutting efforts and employee terminations may be occurring. Control systems and structure are well developed along with an extensive set of policies and procedures.

Liquidation/Divestiture Strategy: The focus of this strategy involves selling off assets, cutting further losses and reducing the workforce as much as possible. Little or no thought is given to trying to save the operation as declining profits are likely to continue.

Turnaround Strategy: The focus of this strategy is to save the operation. Although cost-cutting efforts and employee reductions are made, they are short-term programs for long-run survival. Worker morale may be somewhat depressed.

EXHIBIT 2

General Employee Characteristics to Complement an Organization's Strategy

| | |
|--|-------------------------------------|
| Repetitive, Predictable Behavior | Creative, Innovative Behavior |
| Short-Term Focus | Long-Term Focus |
| Cooperative, Interdependent Behavior | Independent, Autonomous Behavior |
| Low Concern for High Quantity | High Concern for High Quantity |
| Lower Concern for Quality | High Concern for Quality |
| Low Risk Orientation | High Risk Orientation |
| Concern for Process | Concern for Results |
| Preference to Avoid Responsibility | Preference to Assume Responsibility |
| Inflexible to Change | Flexible to Change |
| Low Task Orientation | High Task Orientation |
| Low Organizational Identification | High Organizational Identification |
| Focus on Efficiency | Focus on Effectiveness |

Menu of PHRM Practices

In this section, the menu of PHRM choices available to any company wishing to foster and facilitate necessary employee characteristics is described. The intent here is to communicate the variety of characteristics and methods that shape and give flavor to each PHRM function (ie., planning, staffing, appraising, compensating, and training). The intent also is to provide for the PHRM practitioner a menu of choices after a determination is made of what employee characteristics are necessary based upon organizational strategy. Only those choices most relevant to each strategy type are described here.

Planning Menu. The following explicit planning choices reflect those that many PHRM practitioners make:

Planning Choices

| | |
|------------------------------------|---------------------------|
| Informal | Formal |
| Loose | Tight |
| Short-term | Long-term |
| Explicit Analysis | Implicit Analysis |
| Narrow Jobs | Broad Jobs |
| Segmental Design | Integrative Design |
| Low Employee Involvement | High Employee Involvement |

The first choice in the planning menu is the extent or degree of formalization, ranging from informal to formal. The more formal the planning becomes, the more attention and concern is given to explicit planning procedures and activities in human resource management. One example of formal planning is Hewlett-Packard's willingness to state and support its human resource policy of "Not to be a hire-and-fire company." An advantage of this type of formalized planning of course is that it enables a company to provide employees job security, a facet of human resource management critical to the success of such companies as IBM, Dana, Delta, as well as to Hewlett-Packard (Peters and Waterman, 1982; Dyer and Heyer, 1984; Mills, 1985).

Other examples of more formal planning include designing jobs to attract and retain the best people and to maximize their performance contribution to the organization, designing organizational structures to match the product needs of the organization, and developing organizational climates that cultivate trust and openness (Angle, Manz, and Van de Ven, 1985).

A second and critical choice in the planning menu is the degree of tightness. A tight rather than a loose link between human resource planning and corporate planning facilitates formal planning. This choice is most evident in the recent discussions of corporate strategic management and human resource management (e.g., See Milkovich, Dyer, and Mahoney, 1983).

A third choice is the planning time horizon. Companies can choose to plan for their very short-term human resource needs or plan farther into the future. Longer-term time horizons are preferred since a company's human resource characteristics are slow in changing (Skinner, 1981). Nevertheless, since a company's environment may be volatile, short-term responses and adjustments by the company may be required. Thus, companies may benefit from some long-range planning considerations with short-range flexibility.

The next two choices relate more directly to job analysis and job design. A critical choice in job analysis is choosing the degree of explicitness. On the one hand, job dimensions and requisite skill and behavior requirements can be detailed precisely and, on the other hand, they can be described in general terms and with more emphasis on the results expected of the job incumbent. Another choice related to job analysis could also be offered here, and that is whether or not to do job analysis at all. However, because it is more likely to result in getting the best people to do the jobs correctly and is essentially a legal necessity, job analysis should be done (Schuler, 1987).

Job design focuses on the breadth of the jobs. Ranging from very narrow to very broad, companies have a great deal of choice in designing their jobs. More broadly designed jobs provide for more employee autonomy, skill usage, and identification with the product itself. More narrowly designed jobs limit these employee/task attributes.

Organizations can be designed or structured in many ways. The recent attempts to rationalize organizations and eliminate middle management represent ways of restructuring. Another way is matching the structure to an organization's environment. The degree of structural integration across the company is particularly important to PHRM. At the low end, companies can choose to be relatively segmented and at the high end

they can choose to be highly integrated. The more integrated the company the more interaction, formal as well as well as informal, that employees have with their counterparts from other areas of the organization (Kanter, 1983a).

Staffing Menu. The human resource manager also needs to make staffing choices. They include:

Staffing Choices

| | |
|---------------------------------|-------------------------|
| Internal Sources | External Sources |
| Narrow Paths | Broad Paths |
| Single Ladder | Multiple Ladders |
| Explicit Criteria | Implicit Criteria |
| Limited Socialization | Extensive Socialization |
| Closed Procedures | Open Procedures |

The first choice from the staffing menu is choosing the source from which to recruit applicants. At one extreme, candidates are chosen internally from other departments in the company and other levels in the organizational hierarchy; at the other extreme, external sources (employment agencies, schools, etc.) can be used. The options are limited for entry level jobs; however, this decision is very important for other jobs. Recruiting internally means a policy of promotion from within. While this policy serves as an effective reward, it commits a company to providing training and career development opportunities to ensure higher performance.

A second choice focuses on the breadth of career paths (London and Stumpf, 1982). The broader the paths that are established, the greater the opportunity for employees to acquire skills relevant to many functional areas, the greater the opportunity to gain exposure in more parts of the organization, and, possibly, the greater the opportunities for promotion. However, the time frame for the acquisition of many skills is likely to be longer than that required for the acquisition of a more limited skill base; thus promotion may be quicker under a policy of narrow career paths although an employee's career opportunities may be limited over the long run.

Another staffing choice to be made is whether or not to establish one or more promotion ladders. Multiple career ladders increase opportunities for employees to be promoted, yet allows them to stay within a given technical speciality without having necessarily to assume managerial responsibilities. Establishing just one promotion ladder enhances the value of a promotion and increases the competition in getting it.

The criteria used in deciding whom to promote is part and parcel of a promotion system. The choice is whether the criteria for promotion are explicit or implicit (Cummings, 1984). The more explicit the criteria, the less adaptable the promotion system is to exceptions and changing circumstances. What the company loses in flexibility the individual may gain in clarity, a clarity, however, only beneficial for those who fulfill the criteria exactly. With implicit criteria, there is greater flexibility to move employees around and develop them more broadly (Cummings, 1984).

The socialization process is also important to the staffing of organizations. With minimal socialization, organizations establish few rules or procedures to totally immerse individuals into the culture and practices of the organization. Although it is probably easier and cheaper to do this than provide for maximum socialization, the result is more likely to constrict/restrict psychological attachment and commitment to the organization (Schein, 1970).

A final choice is the degree of openness in the staffing procedures. The more open the procedures, the more likely there is job posting for internal recruitment, self-nomination for promotion and involvement in assessment centers for promotion. The less open and more secret the procedures, the more limited is the involvement of employees in selection decisions, but the faster the decisions are made. An open policy, however, is worthwhile because it allows individuals to select themselves for entrepreneurial jobs, a critical aspect of successful entrepreneurship (Pinchot, 1984).

Appraising Menu. The choices in the appraising menu include:

Appraising Choices

| | |
|---|-----------------------------|
| Loose, Incomplete Integration | Tight, Complete Integration |
| Behavioral Criteria | Results Criteria |
| Purposes | |
| DAP RAP MAP | |
| Low Employee Participation | High Employee Participation |
| Short-term Criteria | Long-term Criteria |
| Individual Criteria | Group Criteria |

Because performance appraisal is a system with many components, a first choice on the menu is deciding on the degree of integration of these components. This integration includes: (a) establishing the link between job analysis and the performance appraisal forms and criteria; (b) identifying who can provide relevant appraisal data on the criteria identified; (c) developing and coordinating the appraisal forms for the purpose to be served; (d) gathering and combining the various sources of performance data as expeditiously as possible; (e) Communicating the results to the employees in a timely fashion thus allowing time for appeal; and (f) ensuring that the results are utilized for their intended purposes (such as compensation) and are still relevant (valid) for the employees and jobs. Point (f) brings the process full circle with continual monitoring and adjustment when necessary. When companies do not engage in continual monitoring and adjustment, they establish a loose integration; if they do, the integration is much tighter.

Another appraisal choice is whether to evaluate behaviors or results. Appraisal of behavior focuses on "how" things are done, while appraisal of results focuses on "how many" things are done. Appraisal forms often reflect these focuses: behavioral-anchored rating scales (BARS) focus on behaviors, and management by objectives (MBO) focuses on results. However, it is possible to use both formats with equal emphasis (Carroll and Schneier, 1982).

The third choice identifies the general purpose of the appraisal (Cummings, 1984). Appraisal can be used to develop employee performance (DAP), to maintain it (MAP) or to improve it (RAP). DAP is future-oriented and focuses heavily on spotting employees who are likely to do well on more challenging jobs and providing developmental opportunities to help ensure that they will do well. In contrast, RAP is more present-oriented and seeks to spot current performance deficiencies, analyze the reasons for them, and then design programs to remove them (Mager and Pipe, 1970). MAP is concerned with maintaining current employee performance levels.

A fourth choice centers upon the degree of employee participation in the performance appraisal process. Companies can choose to have employees involved in all of the components of the system, in some of them, or in none. For example, Human Resource managers can involve employees in writing their own job descriptions, identifying critical job dimensions, and then identifying examples of effective and ineffective performance in these dimensions. Conversely, employees can be excluded from active participation in any of these components.

Another choice for companies in appraising employees is whether to emphasize short or long-term criteria. Short-term criteria is defined as having a twelve month or less time horizon.

A final choice is whether employees should be appraised with weight given to individual or group criteria. For instance, if collective action is required to get results, group criteria are more appropriate in appraising individual performance.

Compensation Menu. As with the preceding PHRM functions, this menu also offers many choices. They include:

Compensating Choices

| | |
|-----------------------------------|--------------------------|
| Low Base Salaries | High Base Salaries |
| Internal Equity | External Equity |
| Few Perks | Many Perks |
| Standard, Fixed Package | Flexible Package |
| Low Participation | High Participation |
| No Incentives | Many Incentives |
| Short-term Incentives | Long-term Incentives |
| No Employment Security | High Employment Security |

One of the first choices is determining the level of base pay. Companies must decide upon an hourly or salary base, and they must focus on internal or external equity (Lawler, 1984).

Another critical choice is the number of perquisites. Though often presented in the context of benefits, companies can choose to offer a standard package of direct and indirect compensation or they can offer a variety in a mix and value of components in the total compensation package such as found in flexible pay programs.

In offering more flexibility in compensation, companies are determining how much employee participation to have in that compensation. Because employees are the best judge of what they value, having high employee participation and flexibility makes a great deal of sense. Employees can also participate in other aspects of compensation, job- or skill-based evaluations, and salary increase decisions (Lawler, 1984). If participation is allowed, however, the company must be ready to provide relevant pay information and abandon pay secrecy.

Another compensation choice is whether to provide incentives and, if so, whether they should be short- or long-term based. For example companies can choose to offer cash or stock to reward achievement of short-term (less than 12 months) goals on criteria such as output, sales, or return on capital. By comparison, incentive stock options (ISOs) or stock appreciation rights (SARs) reward long-term goal attainment (Bentson and Schuster, 1983).

A final choice in compensating employees is whether to offer guarantees. This choice is perhaps one of the most critical and one that excellent companies seem to favor (Peters and Waterman, 1982). It appears that employment security encourages employee risk-taking, longer-term orientations, and greater loyalty and commitment to the company (Mills, 1985).

Training and Development Menu. As with other PHRM functions, the training and development menu also consists of many choices:

Training and Development

| | |
|--|-------------------------------|
| Short Term | Long Term |
| Narrow Application | Broad Application |
| Productivity Emphasis | Quality of Work Life Emphasis |
| Spontaneous, Unplanned, Unsystematic | Planned, Systematic |
| Individual Orientation | Group Orientation |
| Low Participation | High Participation |

The first menu choice is the extent to which programs focus on the short vs. long-term needs of the employees. To the extent emphasis is given to the short term, there will be more training programs and fewer development programs.

Although training may be short-run, it can be offered to improve an employee's SKAs for his/her present job or to enable an employee to learn SKAs more relevant for other jobs in the organization. Similarly, the choice with development involves the

breadth of the program. This choice is influenced by whether the importance of human resources focuses primarily on a company's need for improved quality of work life or on productivity. Although not mutually exclusive, the primary emphasis constitutes a training and development choice.

Another critical choice is the degree to which the training and development activities are planned, formalized and systematically linked to the other PHRM activities. At issue here is whether training and development is delivered to individuals as individuals or as members of a cohort group. Being a member of a cohort-like group can facilitate the socialization process as well as the training and development activities. Group membership can also buffer individual members against company stress and time pressures as well as encourage improved performance.

A final choice in training and development is the extent of participation of employees. For example, companies can allow employees to identify their preferred career paths and goals and identify their own training needs which, ordinarily, they might attempt to hide (Beer, 1981). Nevertheless, companies may choose to limit participation in training and development activities. It is suggested that the choice in this case as well as in the case of all the other PHRM practices can be made on the basis of the necessary employee characteristics needed by the organization based on its strategy.

Matching Strategy Types and PHRM Practices

In the discussion thus far, it has been suggested that there are several PHRM practices which practitioners and researchers may utilize. Also described have been several choices of ways in which to implement these practices. The right PHRM choice depends upon what a company needs from its employees to match its strategy type. The PHRM practices that may constitute the "right" choices for each strategy type are summarized in Exhibit 3. The rationale for these strategy-PHRM practice matches rests upon the necessary employee characteristics and the presumption that different PHRM practices stimulate and reinforce different employee characteristics.

Entrepreneurial Strategy. In this strategy, the organization needs employees to be innovative, risk-taking, and willing to assume responsibility. The PHRM practices likely to be appropriate for the entrepreneurial type of strategy are:

Proposition 1a: Planning

Entrepreneurial Strategy is fostered and facilitated to the extent that planning practices are formal, tight, implicit, broad, have integrative design, and encourage high employee participation.

These planning practices should stimulate innovation, willingness to work well and cooperate with others, and get employees to assume responsibility (Angle, Manz, Van de Ven, 1985; Burgelman, 1983; Kanter, 1983b; Milkovich, Dyer and Mahoney, 1983; Schuler, 1986).

Proposition 1b: Staffing

Entrepreneurial Strategy is fostered and facilitated to the extent that staffing practices offer individuals broad paths and multiple ladders, have implicit criteria and open procedures, and allow extensive socialization.

These staffing practices are hypothesized to stimulate employee innovation, cooperation, and longer-term focus in the organization (Burgelman, 1983; Cummings, 1984; London and Stumpf, 1982; Maidique and Hayes, 1984; Peters and Waterman, 1982). Essential to the framework is that there be a consistency attained across PHRM practices within a strategy type. If PHRM practices are inconsistent, incompatible behaviors may emerge. Consequently, it is critical that all the PHRM practices be selected to match the chosen strategy.

EXHIBIT 3
PHRM Practices-Corporate Strategy Matches and Needed Employee Characteristics

| Corporate Strategy | Needed Employee Characteristics | HRM Practice Choices |
|--------------------------------|--|--|
| Entrepreneurial | To varying degrees, employees need to be innovative, cooperative, longer-term oriented, risk-taking, and willing to assume responsibility. It is critical that key employees remain. | (1) Planning-formal, tight, implicit, integrative, broad, high participation. (2) Staffing - broad paths, multiple ladders, open, implicit criteria. (3) Appraising - loosely integrated, results, longer term, high participation. (4) Compensation - external equity, flexible, high participation. (5) Training - broad application, informal, and high participation. |
| Dynamic Growth | Employees need to have high organizational identification, be flexible to change, look short term for survival, have a high task orientation, and work in close cooperation with others. | (1) Planning - broad, informal, integrative. (2) Staffing - broad, open, implicit. (3) Appraising - employee participation; combination of individual and group criteria and short- and long-term focus. (4) Compensation -employee participation, short and long term rewards; internal and external equity. (5) Training - broad application; productivity and QWL emphasis, some participation. |
| Contract Profit | The focus here is on quantity and efficiency, the short term, and results with a relatively low level of risk and a minimal level of organizational identification. | (1) Planning - formal, narrow, explicit job descriptions, low involvement. (2) Staffing - narrow, closed, explicit criteria, little socialization. (3) Appraising - results criteria, maintenance purposes, individual evaluation. (4) Compensation - short term, internal equity, low participation. (5) Training - narrow application, low participation, productivity focus. |
| Liquidation/Divestiture | Employees need a short term, narrow orientation, low organizational commitment, a low need to remain, and a limited focus on high quantity. | (1) Planning - formal, segmental, narrow, explicit. (2) Staffing - narrow paths, explicit criteria, limited socialization, closed procedures. (3) Appraising - remedial purposes, behavioral criteria, low participation. (4) Compensation - low participation, few perks, fixed package, no incentives. (5) Training - unplanned, narrow application. |
| Turnaround | Employees need to be flexible to change, have a high task orientation, have a longer term focus, and engage in some nonrepetitive behavior. | (1) Planning - informal, loose, high employee involvement. (2) Staffing -extensive socialization, openness, informal, implicit criteria. (3) Appraising - results criteria, group criteria, high participation. (4) Compensation - short-and long-term incentives, high participation. (5) Training - broad focus, high participation, productivity emphasis. |

Proposition 1c: Appraising

Entrepreneurial Strategy is fostered and facilitated to the extent that appraising practices are loosely and incompletely integrated, emphasize results criteria, are future-oriented, encourage high employee participation, and recognize the accomplishments of groups of individuals.

It is expected that these appraising practices will stimulate risk-taking, a willingness to assume responsibility, and a longer-term orientation (Carroll and Schneier, 1982; Cummings, 1984; George and MacMillan, 1984; Giles and Landauer, 1984; Kanter, 1983a; Roberts and Fustfeld, 1981; Timmons, 1979).

Proposition 1d: Compensating

Entrepreneurial Strategy is fostered and facilitated to the extent that compensating practices emphasize external equity, are flexible, contain many perks and long-term incentives, and encourage high employee participation.

These compensation practices are hypothesized to reinforce quite nicely the appraising practices. Accordingly, they should stimulate and reinforce risk-taking, and willingness to assume responsibility and a longer-term orientation (Bentson and Schuster, 1983; Hutton, 1985; Lawler, 1984; Lawler and Dexler, 1984; Timmons, 1979).

Proposition 1e: Training and Development

Entrepreneurial Strategy is fostered and facilitated to the extent that training and development practices are characterized by broad applications, emphasize quality of work life, are spontaneous, informal, and unsystematic, and encourage high employee participation.

These training and development practices should stimulate a willingness to assume responsibility, innovation, and a willingness to work with others. They also should help retain key employees (Beer, 1981; Maidique and Hayes, 1984; de Chambeau and Shays, 1984).

Turnaround Strategy. With this strategy, the organization needs employees who have high organizational identification, can engage in rapidly paced short-term activities for the benefit of the longer-gains, are willing to change and adapt, and desire to work in close, teamwork-like cooperation. Thus, PHRM practices likely to be appropriate for this strategy include:

Proposition 2a: Planning

Turnaround Strategy is fostered and facilitated to the extent that planning practices are informal, flexible, and emphasize high employee involvement.

These planning practices should evoke and reinforce high organizational identification, loyalty, flexibility, and a high level of short-term task orientation (Milkovich, et al., 1983).

Proposition 2b: Staffing

Turnaround Strategy is fostered and facilitated to the extent that staffing practices reflect extensive socialization, openness, more informal implicit criteria, and broad career paths.

These staffing practices are helpful in stimulating organizational identification, flexibility, a high task orientation, and willingness to work in close cooperation with others (Cummings, 1984).

Proposition 2c: Appraising

Turnaround Strategy is fostered and facilitated to the extent that appraising practices reflect results criteria, high employee participation, and a group basis of appraisal.

These appraising practices are hypothesized to be helpful in the Turnaround Strategy by stimulating and reinforcing cooperative behavior, high organizational identification, and a focus on the short-term tasks while keeping in mind the longer-term issues of the organization (Carroll and Schneier, 1983; Schuler, 1987).

Proposition 2d: Compensating

Turnaround Strategy is fostered and facilitated to the extent that Compensation practices reflect a combination of short-and long-term incentives and high employee participation.

These compensation practices should stimulate and reinforce employee company identification with and concern for the short-term as well as the long-term interests of the organization (Lawler, 1984).

Proposition 2e: Training and Development

Turnaround Strategy is fostered and facilitated to the extent that training and development practices reflect a productivity emphasis, high employee participation, and broad rather than narrow focus.

These training and development practices are hypothesized to be helpful in a Turnaround Strategy because they stimulate cooperative employee behavior, high task orientation, and high organizational identification (London and Stumpf, 1982).

Extract Profit/Rationalize Strategy. Consistent with an organization or product in a mature stage (Hax, 1985), this strategy is facilitated by employee behaviors that focus on high output, low risk, and highly repetitive behaviors in the short term, but require only a minimal level of employee identification with the organization.

Proposition 3a: Planning

Extract Profit/Rationalize Strategy is fostered and facilitated to the extent that planning practices focus on formality, a narrow focus, explicit job descriptions, narrow segmental design, and low employee involvement.

As indicated, these planning practices should facilitate the Extract Profit/Rationalize Strategy because they stimulate low risk, highly repetitive behaviors, an orientation to the short term and minimal organizational identification.

Proposition 3b: Staffing

Extract Profit/Rationalize Strategy is fostered and facilitated to the extent that staffing practices reflect narrow, single ladder promotion and career paths, explicit criteria, limited socialization, and relatively closed procedures.

Again, these staffing practices are hypothesized to be helpful in an Extract Profit/Rationalize Strategy because they stimulate and reinforce highly repetitive behavior, a narrow, segmental, and short-term concern, and low organizational identification (London and Stumpf, 1982; Burgelman, 1983).

Proposition 3c: Appraising

Extract Profit/Rationalizing Strategy is fostered and facilitated to the extent that appraising practices can be characterized by results criteria, maintenance purposes, low employee involvement, and an individual basis of evaluation.

These appraising practices are hypothesized to be effective in an Extract Profit/Rationalize Strategy because they stimulate and reinforce narrow, repetitive behavior, low organizational identification, and a focus on quantity rather than quality (Carroll and Schneier, 1983; Cummings, 1984).

Proposition 3d: Compensating

Extract Profit/Rationalize Strategy is fostered and facilitated to the degree that compensation practices emphasize high perks, low employee participation, short term criteria, and internal equity.

These compensation practices are useful here because they can stimulate and reinforce a high quantity, short-term orientation with emphasis on efficiency rather than effectiveness (Lawler, 1984; Bentson and Schuster, 1983).

Proposition 3e: Training and Development

Extract Profit/Rationalize Strategy is fostered and facilitated to the extent that training and development practices have a narrow application, a productivity emphasis, and relatively low employee participation.

These training and development practices can stimulate a high quantity, high efficiency orientation, and a short-term focus with minimal organizational identification (Peters and Waterman, 1982; London and Stumpf, 1982); consequently, they should exact an Extract Profit/Rationalize Strategy.

Dynamic Growth Strategy. This strategy is one that is particularly appropriate for a company or product in the growth stage. For this strategy, the necessary employee characteristics include a need for flexibility and adaptability, a high task orientation, a longer-term focus and some innovativeness.

Proposition 4a: Planning

Dynamic Growth Strategy is fostered and facilitated to the extent planning practices are broad rather than narrow, somewhat informal, use and integrative design, and have some employee involvement.

These planning practices are hypothesized to be helpful for a Dynamic Growth Strategy because they stimulate a longer-term focus, some innovativeness, flexibility, and adaptability (Milkovich, et al., 1983; Fombrun, et al., 1984).

Proposition 4b: Staffing

Dynamic Growth Strategy is fostered and facilitated to the extent staffing practices are broad rather than narrow, are more open than closed, and utilize some implicit criteria.

These staffing practices are hypothesized to be effective for a Dynamic Growth Strategy because they stimulate the needed flexibility in employee behaviors, a longer-term orientation, and an ability to be innovative (Miller, 1984).

Proposition 4c: Appraising

Dynamic Growth Strategy is fostered and facilitated to the degree that appraising practices serve development purposes, have employee participation, focus on behavioral as well as results criteria, and use individual and group bases for evaluation.

These appraising practices are hypothesized to be helpful for the Dynamic Growth Strategy because they stimulate and reinforce cooperative, longer-term behavior, concern for product innovation, and individual adaptability (Cummings, 1984; Carroll and Schneier, 1982).

Proposition 4d: Compensating

Dynamic Growth Strategy is fostered and facilitated to the extent that compensation practices involve employee participation, reward short- and long-term behavioral results, and have concern for external as well as internal equity.

These compensation practices are hypothesized to be effective for the Dynamic Growth Strategy because they stimulate and reinforce the same employee characteristics that the appraising practices do (Lawler, 1984; McGill, 1984).

Proposition 4e: Training and Development

Dynamic Growth Strategy is fostered and facilitated to the degree training and development practices have broad application, emphasize both QWL and productivity, are well planned and integrated with the human resource and corporate planning activities, and allow employee participation.

These training and development practices are hypothesized to be effective for the Dynamic Growth Strategy because they stimulate employee innovativeness, longer-term planning, and individual adaptability and cooperativeness (Pinchot, 1984).

Liquidation/Divestiture Strategy. This strategy is quite appropriate for a business or product in the state of decline. Accordingly, the necessary employee characteristics reflect a short term orientation, low company identification, a limited focus on quantity, and a low need to remain with the organization (Milkovich, et al., 1983; Lorange and Murphy, 1984).

Proposition 5a: Planning

Liquidation/Divestiture Strategy is fostered and facilitated by planning practices that are described as having low employee involvement, segmental design, and relatively high formality.

These planning practices are hypothesized to support a Liquidation/Divestiture Strategy because they stimulate low company identification, a short-term and narrow orientation, and a low desire to stay with the organization.

Proposition 5b: Staffing

Liquidation/Divestiture Strategy is fostered and facilitated by staffing practices that are characterized as reflecting narrow paths, explicit criteria, limited socialization, and closed procedures.

These staffing practices are hypothesized to support a Liquidation/Divestiture Strategy because they stimulate low corporate involvement, a short-term focus, and a limited focus on high quality (Ferris, et al., 1985).

Proposition 5c: Appraising

Liquidation/Divestiture Strategy is fostered and facilitated by appraising practices best described as having behavioral criteria for remedial purposes, are individually based, and have low employee participation.

These appraising practices are useful because they evoke and reinforce a low-quantity emphasis, a short-term orientation, and a low desire to remain with the organization (Beer, 1981; Carroll and Schneier, 1982).

Proposition 5d: Compensating

Liquidation/Divestiture Strategy is fostered and facilitated by compensation practices that have low employee participation, few perks, a standard, fixed package, and no incentives.

These compensation practices are hypothesized to be useful for a Liquidation/Divestiture Strategy because they should reinforce a short-term orientation, low involvement with the organization, and a narrow orientation (Ferris, et al., 1985; McGill, 1984).

Proposition 5e: Training and Development

Liquidation/Divestiture Strategy is fostered and facilitated by training and development practices that have narrow application, are rather unplanned if they exist at all, and low employee participation

These training and development practices are hypothesized to be useful because they should stimulate and reinforce short-term behavior and low desire to remain with the organization (Hall, 1984; London and Stumpf, 1982; Stumpf and Hanrahan, 1984).

While the discussion here of strategy types and PHRM practices is meant to be as encompassing as possible, it is filled with hypotheses and propositions that remain untested. If an alternative strategy-PHRM practice paradigm could be offered and tested as a result of this reading, the effort at constructing this paradigm would indeed have been worthwhile.

IMPLICATIONS AND CONCLUSIONS

As suggested in the beginning of this reading, the effective management of human resources for organizations is vital. Organizations can effectively manage their human resources by incorporating them into their overall strategies. Incorporation alone, however, is not sufficient for effective human resource management, although it is very necessary. What also is necessary is an integration of PHRM practices with strategy since PHRM practices really determine how an organization's employees are treated. This integration of PHRM practices with strategy, though complex, can be achieved by systematic understanding and analysis of strategy and PHRM practices. While this analysis is critical to strategy formulation, it is also critical to strategy implementation as in the Strategy-PHRM practices match.

Due in part to the strategy imperative, PHRM managers traditionally have not had a major role in strategy and the general operation of organizations (Nininger, 1982; Misa and Stein, 1983; Parker and Ulrich, 1983; Hax, 1985; Skinner, 1981; Foulkes, 1975; 1986). Rather, as personnel managers, they have played more limited roles (i.e., making sure that employees were paid and that the retirement checks went out) (Foulkes, 1975). Conditions are changing, however, and personnel managers are playing more important roles in organizations. For example, since the supply of human resources can no longer be taken as given, there is increased interest in human resource planning. There is also a growing interest in human resource programs to improve productivity and the quality of work life (QWL). In many organizations, PHRM departments have been involved in developing these programs.

What these changes and events suggest is that PHRM and the PHR manager have an excellent opportunity to become involved in strategy and the running of the organization (Fombrun, et al., 1984; Foulkes, 1986; Harris and Harris, 1983; Skaggs, 1984; Carroll and Schuler, 1983). It has been suggested here that this opportunity can be seized by incorporating PHRM practices with strategy to foster and facilitate necessary employee characteristics as determined in part by company strategy type.

However, it is critical to match PHRM to the strategy and needed employee characteristics. For example, if cooperative behaviors are needed among employees, then group or organizational level compensation incentives should be provided rather than an individual-level incentive system. If product quality is critical, quality circles and union-management cooperation should be developed. However, as companies begin to think in terms of matching PHRM practices to business strategy and building competitive advantage, employees will face ever-changing employment relationships; consequently, workers will be asked to exhibit different characteristics and will be exposed to different conditions of employment through their work histories.

Another implication of changing PHRM practices is that firms with more than one business are likely to have more than one set of PHRM practices and operate with

multiple strategies. Along with the challenge of matching PHRM practices with different strategies is the challenge of managing the interface of these different practices: the challenge of treating employees equitably across divisions, providing equal opportunity and compensation, and offering equivalent career development.

The PHRM area is likely to be filled with challenges and opportunities for researcher and practitioner alike. Seizing these challenges and opportunities is apt to increase the strategic importance of PHRM as a discipline as well as a function in organization.

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