

Developing people for business success: capability-driven HRD in practice

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Abstract

Nowadays, more than ever before, the processes of human resource management (HRM) are expected to play a role in building the competitive edge of a company. This article argues that human resource development (HRD) can give a major contribution to competitiveness when it is employed for creating and sustaining the internal capabilities of an organization. With the help of theoretical discussion and qualitative research, the article builds a framework for capability-driven HRD, which implies that clarity, integration, involvement, and evaluation are the critical characteristics of managerial practices when striving for the adaptation of the capability approach. The framework offers a tool for practitioners to assess the abilities of their organizations to utilize the potential of HRD in reaching strategic goals.

Introduction

The last two decades have meant a substantial increase in awareness concerning the value of human resource management (HRM) in business. This is reflected as growing expectations for the impact which people-related activities can make on business performance. The idea of HR practices as simply matching the selected product/market strategies is no longer enough, as advocates of the resource-based theory increasingly stress the competitiveness being built around the competencies and behaviour of people. This being the case, the value of HR practices, such as human resource development (HRD), to business should be assessed according to their ability to contribute to creating and maintaining the desired competencies and behaviour.

This paper pays particular attention to the role of HRD in enhancing competitiveness. It assumes that when being used for building internal capabilities, HRD can give a far greater contribution to business success than when being driven by the daily training needs or the intervention techniques available. The research problem of this paper is as follows: How does capability-driven HRD demonstrate itself in organizations? This problem is further divided into smaller questions which will be handled separately:

- What are the managerial processes and outcomes that serve as determinants of capability-driven HRD?
- What are the characteristics of these?
- Which areas of expertise of HRD people are needed to carry out the capability-driven role?

The paper begins with a theoretical discussion on the aspects related to the capability-driven approach. A set of

propositions is formulated for the empirical research, where evidence from three organizations is studied with the help of qualitative analysis.

Integrating human resources and competitiveness

The rise of the resource-based view of strategic management has resulted in considerable attention being paid to the human resources of a company as critical contributors to competitiveness (e.g. Ulrich and Lake, 1990; Prahalad and Hamel, 1990; Stalk *et al.*, 1992; Pfeffer, 1994). This development in academic literature stressing the need to "compete from the inside out" has made companies search for ways to harness the power of their people-related processes to build and sustain the competitive advantage in order to outperform competitors. Although there still seems to be no unified theory on how human behaviour translates into competitive forces, one widely accepted idea is the concept of internal capability[1], which it is suggested, explains the success of leading companies in maintaining their long-lasting superiority in their realm of business (see accounts of companies in Ulrich and Lake, 1990; Stalk *et al.*, 1992; Long and Vickers-Koch, 1995).

An organization's capability in this respect is more than just the sum of competencies possessed by its members. The concept is defined here as a manageable behavioural pattern that originates from the organization-specific competencies of individuals, combined by organizational structures and processes in a manner that creates both uniqueness and value to the customers. Following this definition, capabilities are more about the way people act and what they know, and less about the tangible assets of a company. Competing on capabilities means putting people at the core of business strategy.



It is argued that the contribution of HR practices to competitiveness stems from the extent to which they relate to the capabilities of the firm. The role of individual HR practices in relation to the capabilities has been studied by several authors, but unfortunately, the presentations created seem to underestimate the value of HRD when compared to other HR practices. To counterbalance the discussion, this paper seeks to point out the potential of HRD as a major player in creating competitiveness. It builds on the previous work of the author, where capability-driven HRD is identified as the most challenging role developmental activities can be put to in relation to strategic management. The capability-driven role is distinguished from the thinking that emphasizes the identification of day-to-day training needs on one hand and the use of sophisticated developmental interventions on the other as driving forces for developmental initiatives. Compared to these need-driven and opportunity-driven approaches, which are well presented in some works of contemporary training literature (e.g. Reid and Barrington, 1997), capability-driven HRD differs as regards some basic premises. These are briefly presented in Table I.

practitioners, beyond the needs assessments and the selection of intervention techniques. Although the well-managed processes within the training and development function undoubtedly add value to an organization, it is argued here that they are insufficient alone to account for an organization's ability to get HRD to work as a critical contributor to competitiveness. Therefore, the study of the characteristics of capability-driven HRD has to build on several viewpoints which are related to general management, rather than to the management of training and development *per se*. Those investigated in the following are labelled as the strategic management, performance improvement, and HRD expertise perspectives. The purpose of the following discussion is, by building on recent literature on the resource-based view and HRM, to capture the aspects that are connected to the employment of the capability approach. These aspects are then used as the basis for the empirical research.

Along with the theoretical discussion, a set of propositions is formulated. The propositions serve as a priori expectations for the empirical research. Their role is to provide guidelines for the data analysis, and after being tried with the empirical evidence, offer threads for some wider conclusions to be made based on this study.

The determinants of capability-driven HRD

To successfully make people development act as a frontline activity calls for going outside the conventional territory of training

The strategic management perspective

One of the fundamental assumptions behind this paper is that the capability of an organization does not arise by itself, without conscious influence by the management. If

Table I

Basic premises of the three approaches to HRD

Need-driven HRD	Opportunity-driven HRD	Capability-driven HRD
HRD is reactive by nature. Developmental activities are launched when a performance gap or a training need is identified.	Regardless of the nature of the business, certain forms of employee behaviour (e.g. participation, teamwork, flexibility) are always appropriate. HRD is used to provide the organization with these	Human behaviour is a critical source of sustained competitive advantage
Human behaviour is not a critical source of competitive advantage. Skill requirements follow from the technological, financial, and product/market-related considerations of strategy	People responsible for HRD must constantly monitor the developmental markets and be open to new developmental opportunities	Rather than on past or current performance, HRD should focus on the targeted future capabilities defined in strategy.
The task of HRD is to assist the strategy implementation by maintaining the desired level of competence	HRD is only loosely coupled with developmental needs or special concerns in business strategy. Its task is to support competitiveness in general	Because HRD works directly with a central element of strategy, human behaviour, it does not merely assist or support the company's progress. It is a key means of executing strategy

the company is to achieve superiority over its competitors through the use of people's competencies and internal processes, these have to be embedded in the strategic decision-making. Here those aspects of strategic management, which are assumed to advance the use of HRD in generating capabilities, are discussed. Out of the various approaches to strategic management (see e.g. Johnson and Scholes, 1997, pp. 41-61; Segev, 1997; Mintzberg *et al.*, 1998), the discussion here draws mainly on the classic strategy model, presented, for example, in Andrews (1980).

As the first proposition, it is suggested that in organizations which apply the capability approach to HRD, human resource issues are included in the strategic planning process. The need for this has been addressed by several authors since the early days of HRM (e.g. Dyer, 1983; Golden and Ramanujam, 1985; Burack, 1986), and it can be considered as being a basic prerequisite for any area of HRM to respond strategically.

The process of strategic planning ends up in the establishment of an understanding of critical competitive factors, expressing by what means the company is going to outperform competition. This refers to the content of strategy, which in many studies on strategic HRM is treated as a set of generic alternatives (see e.g. Sonnenfeld *et al.*, 1988; Schuler, 1989; Peck, 1994; Heijltjes *et al.*, 1996). However, this paper shares the critical thoughts of Lado and Wilson (1994) and Hendry (1995, p. 85) about the limited value of generic strategies approach to HRM, and adapts a more liberal view. It assumes that as strategies appear "in many shapes and colours", combining the organizational values and resources differently in different organizations, it is more useful to examine the role of different competitive factors in strategy, rather than to try to categorize the strategies themselves.

For the second proposition, it is suggested that in organizations which apply the capability approach to HRD, the competitive advantage is sought particularly from behavioural aspects. In other words, the role of HR is highlighted in business strategy. However, despite the fact that the importance of HR in business strategy has been advocated in the literature for a long time, recent empirical findings do not look too promising. A study among the *Fortune* 500 companies in the USA, revealed that only approximately every second company had its competitive strategy based, in part, on HR (Martell and Carroll, 1995). In the study of the Finnish metals industry, Luoma (forthcoming) found that as regards the

relative importance in business strategy, HR clearly loses to activities such as marketing, production, and research and development.

Drawing further on the classic strategy model, it is assumed that putting strategy into practice calls for directing the resources and processes to work towards the set aspirations. From the viewpoint of HR, this means the (re)formulation of practices that influence people's performance. This brings up the role of HR strategy, which is to coordinate the application of these practices and ensure that the different HR efforts contribute to the common whole (Schuler, 1992). Seen this way, HR strategy acts as a bridge between business strategy and HR activities; although extracting the guidelines of each activity directly from business strategy would perhaps be an attractive idea, it could lead to a situation where the changes in strategy translate differently into the various practices of HR, creating contradictory incentives for behaviour.

As to the capability approach, HR practices work for creating the setting – the structures and processes – where the competencies of individuals can be exploited. This leads to the third proposition of this paper, suggesting that in organizations which apply the capability approach to HRD, HR strategy directs the application of various HR practices.

The performance improvement perspective

From creating the foundation for capabilities through the processes of strategic management, attention is next turned more closely to the conventional area of HRD. By examining the performance improvement perspective, this section seeks to address such aspects of developmental work as are associated with capability-driven HRD. The discussion focuses on "the programme level", that is, the use of development initiatives in building the organization-specific competencies that were highlighted in the definition as forming the core of capability. "Organization-specific competency" is here used to refer to the special knowledge, skills, and technological know-how that distinguishes a company from others (see Long and Vickers-Koch, 1995).

A central assumption here is that the competencies are something that can be developed with external interventions. This view is often juxtaposed with a notion of informal and unstructured learning that takes place naturally and incrementally in all organizations, but as these processes tend to be random, unreviewed, and dislocated from wider strategic HRM policies and plans (Mumford *et al.*, 1987), their contribution to

the systematic competence-building is here seen as being somewhat modest. The discussion here draws on an approach to organizational learning that was presented originally by Burgoyne and Stuart (1976) and further developed by Mabey and Salaman (1995), and connects that to the concept of competencies. The writers address three areas of learning that are here equated with the dimensions of competencies. Basic data and information refer to "the facts", to the knowledge that forms the core of one's expertise; situation-specific skills and response tendencies include the skills associated with sensitivity to different events; and qualities for self-development cover creativity, mental agility, balanced learning habits, and self-knowledge (Burgoyne and Stuart, 1976). Rather than being three discrete categories, these areas overlap one another to an extent that depends on the targeted learning, that is, the competency in question.

As pointed out by Mabey and Salaman (1995, p. 331), different developmental interventions influence different areas. For example, HRD that utilizes traditional lecturing, contributes mainly to the enhancement of the basic data and information area, whereas the methods of action learning rather foster self-development. Butler *et al.* (1991, p. 132) suggest that the time that is needed for an intervention to make its impact forms a major dimension along which the different activities vary. Basic knowledge of a work process can be disseminated for many people quickly and effectively in a classroom setting, but because the organization-specific competencies at the heart of business strategy tend to be more complicated and time-consuming to build, they also require a variety of HRD activities to be used. This logic leads to the fourth proposition of this paper: in organizations that apply the capability approach to HRD, different types of developmental activities are put in use for systematic competence-building. A central requirement of an HRD professional is to master a variety of interventions – and to have sensitivity to apply them according to the needs of the situation.

Although it is important to have all the workforce affected by developmental activities, a special strategic role of developing those in managerial positions has also been pointed out (e.g. Parkinson, 1990; Hall and Seibert, 1992). The importance of management development stems from the central influence that the managers have on planning and implementing strategy, compared to that of other groups of

personnel. The writers seem to agree that in order to be of strategic value, management development should be seen as a means to achieve the goals of the company by creating the critical behaviours – to execute strategy itself – rather than to merely support the implementation of strategy by delivering learning experiences in the context of a particular business (e.g. Burgoyne, 1988; Seibert *et al.*, 1995; Meldrum and Atkinson, 1998). This comes to be of utmost importance especially when resource-based strategy is concerned. Therefore, the fifth proposition reads as follows: in organizations which apply the capability-driven approach to HRD, management development is used as a central means to implement strategy.

The HRD expertise perspective

The areas that are organically related to the appearance of capability-driven HRD have been discussed above. The processes within strategic management work for initiating the capability approach and creating the structure, while those within performance improvement generate and enhance the critical behaviours within the given organizational setting. This implies that getting people development work as a competitive imperative cannot be done only from within the HRD function itself, but it calls for interference in the main managerial processes as well. Clearly, this sets new kinds of requirements for the expertise of those responsible for managing HRD. Therefore, it is assumed that one more arena that has to be examined in relation to capability-driven HRD, is the one that concerns the mastery of HRD people in fulfilling their strategic role.

Recently, some empirically-based research has been conducted to figure out the necessary expertise areas of an HR professional (Lawson, 1990; Ulrich *et al.*, 1995; Blancero, *et al.*, 1996; Yeung *et al.*, 1996). The first two of these introduce distinct categories of competencies that are associated with successful HR work in general, whereas the last-mentioned studies make a distinction between general and role-specific competencies. However, owing to the lack of a common approach both to the competency and the different roles in HR, these studies do not allow the establishment of clear criteria for professionalism in capability-driven HRD. What they do instead, is provide evidence that certain qualifications and characteristics are significantly connected to the successful employment of any area of HRM. This paves the way for the last proposition, which states that in organizations which apply the capability approach to HRD, a coherent set of

competencies is seen as being critical for HRD people to successfully master their work.

The case study

Data collection and analysis

The empirical part of this article consists of a qualitative study that was carried out as part of a larger research project investigating the linkages between strategic management and HRD in the Finnish metals industry. An area that was particularly of interest in the research project, was the extent to which the companies investigated emphasized the different developmental approaches presented in Table I. Based on the previous phases of the research, a cluster of 11 companies (the original sample included 81 companies in total) that proved to be most capability-driven in their overall orientation towards the management of HRD, had been formed.

Out of these companies, three were chosen to participate in this phase. The companies studied were: Kalmar Industries' terminal systems manufacturing unit in Tampere, Valmet Corporation's (now Metso Corporation) paper machinery manufacturing units in Järvenpää, and Rautaruukki Group's steel operations in Raahe – later referred to as Kalmar, Valmet, and Rautaruukki, respectively. Among the aspects that make these companies specifically interesting here, are the following:

- according to the previous survey, they belong among the most considerable investors in people within the industry in terms of the amount of absolute investment;
- they all are considerably large employers (more than 800 employees in each);
- they are highly export-oriented and have a strong competitive position in their markets; and
- they all have a good reputation within the industry for their success in HRM.

Furthermore, two of the companies, Rautaruukki and Valmet, have recently won the Finnish Quality Award, the criteria of which also markedly stress the excellence in strategic management and HRD. As to the organizational context, Kalmar has recently experienced major ownership re-arrangements and Rautaruukki has renewed its organizational structure.

First, the overall suitability of the companies for the purpose of this study was assessed in discussions with those responsible for HRD. The discussions supported the findings of previous studies about the capability approach being the

dominant way of seeing the targeted role of HRD in business in these companies.

Next, three interviews were held in each company (with representatives from top and middle management and with the person responsible for HRD). The interviews were semi-structured, the outline coming from the theoretical discussion as follows:

- the process of strategy formulation;
- the establishment of the competitive advantage;
- the role of HR strategy;
- the utilization of HRD activities;
- the role of management development; and
- the expertise areas of HRD people.

The interviews, which took from 0.5 to 2 hours each, were tape recorded and later transcribed literally. Some additional material, such as strategy documents, quality assurance documents, descriptions of internal processes and copies of employee magazine articles about the topics investigated, was also gained from the informants.

The analysis was made in two phases. First, a summary covering all the topics of the interviews was written about each company. The idea of the summaries was to capture the essential aspects that the informants in each company collectively brought up in relation to the topics discussed.

To avoid being led by subjective interpretations and wishful thinking instead of the real situation in a company, a guideline was applied that an aspect to be included in the résumé had to be clearly supported by at least two of the informants in the company. However, the interviewees were also encouraged to express their possible dissatisfaction with the current state of affairs as well as thoughts on improvement.

The second phase of the analysis was to find possible unifying themes becoming apparent across the topics and across the companies. A theme is here understood as being any feature of the managerial determinants of capability-driven HRD (strategy process, sources of competitive advantage, HR strategy, HRD activities, and management development processes) that was referred to in relation to several topics in several résumés.

However, because of its role as an "input" factor, the last determinant – HRD people's expertise – was not expected to share characteristics with others, and was therefore examined separately.

The emerging themes

As a result of the analysis, the following themes were found to serve as critical features of the determinants:

1. Clarity

There was a strong pursuit of applying clear forms of action within all the areas studied. The processes of strategic planning in all companies were explicit and described consistently by the informants. Likewise, the competitive factors were identified. Although the evaluations of the importance of different factors varied somewhat, nevertheless, the behaviour-related strengths were generally assessed as being more important than those related in tangible resources. An explicit HR strategy was generally seen as being important, but only one of the companies, Valmet, had accomplished a documented statement on strategic HR issues on a business unit level as a part of its strategic planning. A coherent set of developmental activities, through which the performance of individuals and organization is being improved, was identified by most informants. For example, the diverse activities deployed by Rautaruukki were grouped in the following categories: on-the-job training, off-the-job programmes (for individuals and groups), self-initiated development, and systematic participation in projects. Some established forms of management development were also recognized, but the representatives of middle management in particular lacked a systematic approach to the processes that fostered their own expertise.

2. Integration

Another underlying theme in the discussions was the emphasis on integration, meaning the interrelatedness of the different elements of the managerial phenomenon in question or the external linkages of the phenomenon with a larger whole. The need for a strategy process to link together the corporate-level, business-level, and function-level considerations was underlined, as well as the importance of embedding the strategic planning as a constantly on-going process in the daily life of the organization. In all companies, HR issues were included in the strategic planning process. In the current process, Kalmar, for example, paid special attention to the human resources in product development. The conception that the different sources of competitive advantage were interrelated and supported each other was widely shared. This became apparent especially in Valmet, where the unique combination of the competencies in automation, paper processing, and

mechanical engineering was seen as accounting for a major share of the competitive edge. The need to integrate the HR practices with each other and with the direction of the business was stressed, but without exception, this was seen as being inadequately accomplished. Individual HRD activities were seen as being strongly connected to strategic aspirations, moving the company towards the desired future, but the activities were often handled separately, rather than as interrelated parts of a holistic endeavour. Interestingly, the link between the strategy implementation and management development did not demonstrate itself. The processes of management development were described (especially by other than HRD people) as isolated, although important, activities.

3. Involvement

Participation and the feeling of "ownership" in different activities were also frequently referred to in the interviews. The established process of strategy formulation in Kalmar involved dozens of key persons, including middle managers and shop stewards, who were considered as having a genuine possibility of influencing the direction of the business. The other companies were more or less on their way towards the same kind of active participation, and stressed that as an essential development. The establishment of competitive advantage was also described as being contributed to by several groups of people, not only by a certain department, or people in a few key positions. The informants brought up the active role of line managers in HR issues, but also stressed the co-operation with people in the centralized HR function, whom they described as experts, consultants, and initiators. In all companies, the coverage of HRD activities was extensive, allowing the participation of everybody in the workforce. The role of the members of senior management as supporters of management development programmes was also stressed by some informants.

4. Evaluation

One more characteristic that arose from the material was the tendency of companies to systematically evaluate the quality of their managerial processes and measure the outcomes of these. This was done, for example, with the help of formal evaluation schemes – such as Malcolm Baldrige criteria – or through benchmarking. In Valmet, the strategy process itself was reviewed regularly. Rautaruukki, in turn, had recently radically renewed its approach to strategy formulation and launched, for example, the balanced scorecard framework to convert the

strategic goals into measurable actions. The importance of measuring the competitive position and analysing competitors' strengths and weaknesses was also pointed out. No approach to the systematic evaluation of HR practices in general was presented, but as to HRD activities, there were several means employed for the measurement of learning results and overall efficiency. However, no attempt to measure the influence of management development on business results was reported.

The expertise required from HRD persons was also commented on intensively. The most often mentioned areas included collaboration skills, knowledge of organization (people and processes), business knowledge, and influencing skills. In addition to these areas, which were referred to by all the respondent groups equally, some others, such as language abilities and mastery of HRD speciality areas, were commented on by individual interviewees.

Lessons from the case companies

Table II summarizes the above findings. It suggests that a functioning capability-driven approach to HRD has several elements in place. First, there are aspects of strategic management and performance improvement where people-related issues are in-built. These aspects define the core processes which a company that wants to make its people development efforts act as a

competitive weapon, has to consider – and possibly redesign. Second, there are features that the core processes need to reflect. And third, as all this calls for active influence from those responsible for HRD, there are areas of expertise that they have to possess to effectively carry out their role.

It must be noted, however, that although the suggested framework was created with the help of evidence from real companies that were all striving after the maximum use of their HRD in building competitiveness and accounted HRD a major contributor to the business success, none of them demonstrated the existence of all the elements in the framework at the same time. For this reason, the framework should be regarded as an idealistic presentation, rather than a set of rigorous preconditions of capability-driven HRD.

The evidence from the case companies also provides answers to the propositions made in accordance with the theoretical discussion. The first one obtained clear support, as all the companies had included HR issues in their processes of strategy formulation.

Behavioural elements had also found their way to the outcomes of strategy formulation, as all the companies studied described their superiority, in terms of either existing or targeted competitive advantage, being contributed to by the exploitation of human resources, rather than the tangible assets. This finding lends support to the second

Table II
 Suggested framework for capability-driven HRD

Determinants	Clarity	Integration	Critical features	
			Involvement	Evaluation
Strategy process	Documented, explicit approach to strategy formulation	Connection between corporate, business, and function-level issues	Participation of middle management and representatives of personnel	Evaluation of the functioning of current approach, sensitivity to new approaches
Sources of competitive advantage	Competitive factors identified and agreed on	Strengths supporting each other	Possibility for several key groups to contribute	Measurement of competitive position, identification of competitors' strengths
HR strategy	Explicitly stated HR strategy	HR practices aligned with each other and the direction of business	Line managers as owners of HR practices	Evaluation and reformulation of existing practices
HRD activities	Identified, comprehensive set of HRD activities	HRD activities linked to each other and HR strategy	Coverage of all personnel	Measurement of learning results and overall efficiency
Management development processes	Established, institutionalized management development processes	Management development processes embedded into the ongoing business	Active participation of senior management in the planning, execution and follow-up of processes	Evaluation of management development processes based on their ability to deliver business results
Expertise areas of HRD people	Business knowledge, collaboration skills, influencing skills, knowledge of organization			

proposition. The third proposition addressed the role of HR strategy. Against expectations, this one was not supported by the empirical evidence. The extensive use of HRD activities was typical to all companies, a notion that supports the fourth proposition. Management development activities were expected to be employed as critical means of strategy implementation, but based on the interviews, this seemed not to be the case, so the fifth proposition obtained no support. The sixth one, for its part, was supported because of the emergence of a common competency base for HRD people.

Conclusions

A point of departure for this study was the notion of a firm's internal capabilities as a central driver for business success. Because capabilities have their roots in human behaviour, it gives reason to expect that the actions of HRD can play a major role in creating and sustaining capabilities, thereby enhancing the competitiveness of the company. However, adapting a capability-driven approach to HRD is not only a concern of those who are responsible for managing HRD, but requires appropriate forms of management, starting from the formulation of business strategy. The aim of this study was to investigate the appearance of capability-driven HRD - how it plays itself out through the managerial practices.

Results show that some features really do characterize the managerial practices of capability-driven organizations. Involvement and integration, which are often mentioned as defining characteristics of strategic HRM (see e.g. Schuler, 1992; Martell and Carroll, 1995; Ryan, 1995), were accompanied by the themes of clarity and evaluation, which have attained much less attention as HRM's key attributes. This implies that adapting a single component view to the study of strategic HRM, that is, investigating the strategic role of different activities of HRM (development, selection, appraisal, rewards, communications) separately, can lead to richer findings than seeing HRM as a set of interrelated processes in relation to strategy.

Some prior expectations that were set on the basis of the theoretical discussion fell short in the empirical examination. Despite the fact that an explicit HR strategy did not direct the use of HR activities, the companies studied were able to utilize HRD for their strategic purposes. Whether this is an implication of the inseparability of business and HR strategies, or simply indicates the difficulty in applying a comprehensive strategic approach to HR

activities, remains unanswered in this study. Another discrepancy concerned the use of management development activities in the strategy implementation. The connection between strategic priorities and management development activities did not become apparent, indicating that in this respect a lot of HRD's potential is still insufficiently utilized.

While this article encourages practising managers to assess their organization's degree of utilizing people development to foster business success with the help of the framework in Table II, it also raises some aspects that are relevant from the academic point of view. First, using the qualitative method, it supplements the previous statistically oriented studies on the same subject. Second, the propositions formulated offer a practical basis for more comprehensive research designs, and third, the article addresses the need to study strategic HRM from the perspectives of individual HR practices.

Note

- 1 There is some variation in terminology referring to the same concept. At least, terms such as distinctive competence, core competence, firm-specific competencies, organizational capabilities, and organizational capital have been used to describe the internal processes and resources that critically affect the competitiveness of a company (see Lado and Wilson, 1994). This paper chooses to use the term "capability" to refer to these collective strengths and "competence" to refer to the strengths of an individual.

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Application questions

- 1 What are the major obstacles to clarity, integration, involvement, and evaluation in relation to managerial practices?
- 2 Should a company always strive for adapting the capability-driven approach to HRD?