MATCHING STRATEGY AND HUMAN RESOURCES IN MULTINATIONAL CORPORATIONS

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Abstract. Strategy is implemented by people; this article emphasizes this fundamental notion throughout. The characteristics of the major strategic levels and tasks in a multinational corporation (MNC) are identified, along with their implications for strategic human resource management. Through observations within 4 Swedish MNCs, the process by which human resources have gained a place in strategic management is examined. The experience of these firms in matching strategy and human resources is analyzed, concluding with suggestions regarding the implications of all this for practitioners and researchers.

INTRODUCTION: Strategy Implemented Through People

■ It is increasingly acknowledged that human resources play an essential role in the successful implementation of strategy in multinational corporations [Tichy 1983; Hrebiniak and Joyce 1983; Lorange and Murphy 1984]. As a scarce strategic resource, human capital must be allocated carefully; it can be far more critical to have the right people in the right slots than to focus excessively on the financial dimension of resource allocation. Also, to match the corporation's strategic intents with the goals, competence, and motivation of key managers seems particularly important in multinationals. Unless individual managers see that it is in their own best interest to commit themselves to the firm's strategy, realistic implementation may be hard to achieve.

Though on the whole managers are generally willing to perform the tasks they are assigned, and to develop their own skills within the firm, a number of conditions are likely to increase a manager's willingness and ability to implement strategy. For one thing, the manager must comprehend and accept his role in implementing strategy. At a minimum, therefore, strategies must be explained and communicated clearly, so that they are not perceived as ambiguous and vague general concepts, but instead take on specific meaning [Lorange 1983]. Also, the manager may be better motivated if he has some say in the formulation of the goals to be achieved [Stedry 1960; Odiorne 1965]. (It should be pointed out, however, that research on such participation has provided mixed results [Schein 1980]). The manager's participation will help ensure that the firm's strategies are in line with the manager's concept of self-development.

A manager must also perceive that he has sufficient freedom of action to be able to implement a strategy. If a manager is too constrained by specific instructions, he will become more concerned with following rules and responding to environmental contingencies than implementing the strategy [Vancil 1980]. Along with

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freedom to act, a manager must have sufficient competence, as well as attitudes that are appropriate to the task at hand. For instance, to be able to shift from the relatively centralized control associated with a stable business, which may be the predominant setting in one country, to managing a growth business in a new, emerging market is by no means an easy transition.

Even though self-development depends largely on the manager's internal drive and motivation, the organization must also encourage self-development in directions that are consistent with the strategy of the firm. Rewarding good performance is probably particularly important in this regard when it comes to compensation and job assignments [Tichy, Fombrun, and Devanna 1982].

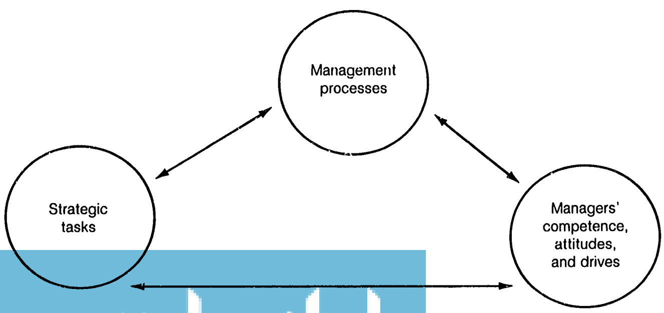
Conditions that would favorably motivate one person can create frustration for another [Maccoby 1976; Schein 1978]. A person's character, molded and developed over a long period of time, affects how he can be motivated and how he will develop. A person's job tasks and opportunities for self-development are determined basically by the strategic task at hand and by the firm's organization and management processes for developing strategies, setting goals, achieving direction and control, and distributing rewards. Changing the firm's organization and management processes modifies the conditions that affect an individual's motivation and development as well as the conditions for performing the strategic task.

In a large MNC with a multitude of business settings, a manager's motivation and opportunities for self-renewal will of course vary over time and between different parts of the organization. The danger of becoming trapped in a particular job may be more of a problem in maturing businesses where new challenges and opportunities may be scarcer than in growth businesses. Job openings that would allow a person to be exposed to new challenges will also tend to occur less frequently in such mature business settings.

The conditions that affect a manager's motivation and opportunities for self-development, then, are determined by the nature of the firm's strategic tasks, by the manager's competence, attitudes, and drives, and by the firm's management processes—such as, planning and establishing incentives—that seek to match human resources with strategic tasks (Figure 1).

The balance between strategic tasks, management processes, and human resources is dynamic and shifting. It is above all affected by external forces of

FIGURE 1
The Strategic Human Resource Management Task: Matching Strategy, Process, and Individuals



change, such as, market dynamics and technological innovations, and by the strategic decisions of the firm. The balance is also affected by the shifting values of the managers themselves. Because of the dynamic nature of the multinational business setting, a MNC's human resource requirements will change on a more or less continuous basis: maintaining a degree of consistency among the factors portrayed in Figure 1 is a critical managerial task.

There is thus a clear need to focus on strategic management and human resource management in a unified context. They ought to be considered together when developing a meaningful participative planning process, assigning people to jobs, delineating their responsibilities, and providing incentives and motivation, as well as when carrying out relevant executive development actions. And yet, it is doubtful that these tasks are well coordinated in real life. As a result, there are several normative issues that need to be raised, discussed, and further highlighted through continuing research, so that organizations might become more successful in matching their overall strategies with those of individual executives.

STRATEGIC MANAGEMENT TASKS AND HUMAN RESOURCE MANAGEMENT IMPLICATIONS

A multinational corporation faces 3 major types of strategic management tasks [Lorange 1980]. At the corporate level, top management is faced with creating value through a portfolio strategy. This is accomplished by achieving a balance between the generation of resources and the use of resources in the different businesses of the firm and, furthermore, by making sure that the overall risk exposure of the firm (both economically and politically) is acceptable as well. Because human capital is an important strategic resource, along with funds, management at this level faces the following questions: Where are the managers with key talents for running our various businesses coming from? How can we ensure that each business is managed by the best person? How can we motivate our key managers so that they can, in fact, be utilized fully as strategic resources?

Business Families

At the next strategic level the challenge is to develop competitive business strategies, which will typically emphasize several related product/market segments. Usually a firm will attempt to offer a range of related products and services in the marketplace, and will seek to integrate manufacturing, selling, research and development (R&D), and so forth, internally.

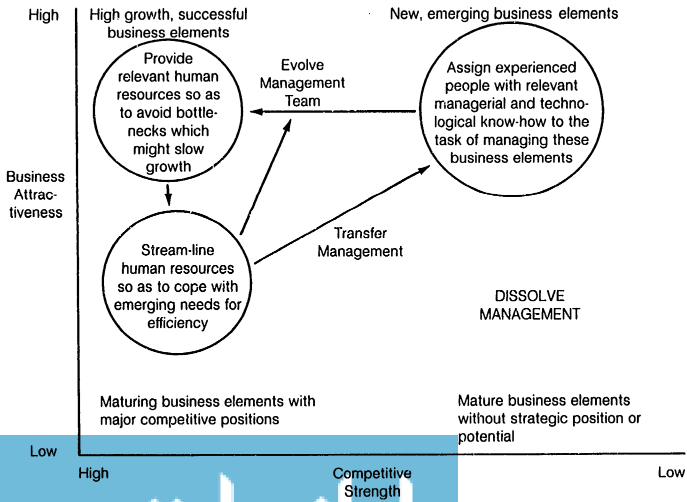
This level may be called the "business family" strategy level. Most importantly, the business family is concerned with providing "strategic self-renewal" within its given sphere of business activities. Specifically, strategy at this level is concerned with such questions as: How can the more established products or markets provide a basis for the development of new business? And how can established know-how be used to pursue new business? A key consideration when it comes to human resource management is, therefore, how to make use of existing managers and their expertise to pursue new business. As a result, managing human resources effectively in the business family requires a cyclical process, as described in Figure 2.

Figure 2 is analogous to the classic Boston Consulting Group matrix [Henderson 1979][1]. The key here is to emphasize the human resource flow within a given business family—new businesses get established, not only through the investment of funds but through the infusion of managerial know-how from the established businesses. Managers must therefore be freed from their assignments in established businesses in a given country in order to develop the new ones, often in different countries. These new businesses will grow, if successful, and become the basis for new managerial know-how, which in turn can spearhead further new business development, entry into new countries, and so on. Infusing managerial know-how from existing businesses to new ones can be problematic if new attitudes, abilities, and competencies are called for in managing the new business, particularly if this involves entry into a totally different country. Different problems arise when a management team moves from a relatively small entrepreneurial firm to a large, full-blown organization capable of going after high growth on a large scale. Still different human resource needs arise when the business gradually starts to enter a more mature stage. This transfer of human resources between different types of business elements and often across country boundaries within the business family is a key task of human resource management. The strategic value of a firm's human resources depends to a large extent on this ability to recycle them; failure to transfer human resources effectively between business elements and across national settings will significantly jeopardize longer term strategic success.

It can be argued that there are 2 major archtypes of business families in the multinational setting [Doz and Prahalad 1981]. One handles businesses that are typically aimed at the individual consumer, dealing in such goods as food, consumer durables, clothing, and so forth. The emphasis of such a business is to a large extent based on the particular environment found in each given country—thus the business family strategy is "country-based."

Another type of business family deals with business activities that are worldwide in scope, such as, chemicals, many types of industrial equipment, and pharmaceuticals. The competitive realities here call for a worldwide focus. The business faces more or less the same competitors all across the world, often has the same customers in several countries, and has capital-intensive installations that must serve several countries to be economical. These types of business families are referred to as "global."

FIGURE 2
The Human Resource Transfer Cycle between Business Elements within a Business Family



Business Elements

The third level of strategy is concerned with developing a plan for each particular product or market. There are different types of markets, or what might be called "business elements." A new, emerging business element is typically found within a highly attractive, rapidly growing business niche. The human resource management task here is to assign managers who can lead this business in an adaptive, entrepreneurial way. For the high-growth, successfully established business element the strategic task is partly to continue to provide adaptive leadership, but also to complement this with a gradually increasing emphasis on efficiency. Above all this requires that the management procedures be established solidly, so that managers cope sufficiently with increases in sales and people without losing control over costs, quality, or physical flow management. It is important that managers assigned to this type of business element have a wide range of experience and also the ability to live with ambiguity, so that they can cope with the kind of dual emphasis typical of this setting. Finally, for the maturing business element with a significant competitive position, the relative emphasis on cost efficiency and productivity will tend to be even higher. Managers here should be chosen for their ability to provide efficient management and attention to costs.

There is, then, a need to match strategy and human resource management at all 3 strategic levels: the corporate portfolio level; the business family level, whether "global" or "country-based"; and the business element strategy level. Human resource management at the different strategic levels is basically similar, in that it involves matching strategy, managerial processes, and individual goals (as illustrated in Figure 1). There are basic differences, however, in how human resources are developed at different levels—for instance, selecting and recruiting managers to head each business element, each business family, and the corporation as a whole. Also, the development of managers must be tailored to each particular level and strategy so that the supply of managerial talent is sufficient for the future needs of each business element or family. Finally, at the portfolio level and to a lesser extent in the business family, a firm must realize that in selecting and developing managers it is also developing its organizational structure through the conceptual frameworks, communication patterns, and attitudes that are shaped in the process [Edström and Galbraith 1977].

THE EVOLUTION OF THE HUMAN RESOURCE FUNCTION IN MNCs: EXPERIENCES OF 4 SWEDISH FIRMS

The nature of human resource management will evolve over time in a given multinational organization, reflecting the growth of business activities and the interaction of strategic tasks, management processes, and individual managers. Managing human resources gradually becomes mostly a strategic function. This article has attempted to explore the general pattern of evolution of the management of human resources from studies of the internationalization of Swedish firms [Edström 1983]. As expected, it turns out that the problem of integrating strategic and human resource management tasks becomes more difficult as a business element, family, or portfolio increases in size, growth rate, and complexity of structure. For a small business element with moderate growth and complexity, human resources can be managed without much support by those who are strategically responsible. At most, some support may be needed to formalize executives' work contracts. As the rate of growth increases and the demand for managers rises, the manager in charge may not be able to handle the recruitment and selection of new manpower, especially if this involves external recruitment. Thus, as a business family matures and grows, the task of developing managers becomes more demanding, and support facilities are needed. As interdependencies develop between elements of a business family, even crossing international boundaries, further support may be required for the selection of executives and the development of managers.

The field research for this article centers on 4 Swedish MNCs—AGA, SKF, Sandvik, and Ericsson. Their practices and experiences in managing human resources within their foreign operations were examined. The strategies that they followed for their international operations ranged from a country-based strategy approach on one hand to a global strategy form on the other.

AGA's industrial gas business represents a rather pure country-based business family strategy approach. Each subsidiary within AGA—that is, each business element—is associated with a particular country, is developing its own marketing strategy, and is servicing its clients from its own production plants. There seem to have been no large strategic shifts within the AGA business family over the last few years. Each business element is dependent on the business family for capital resources and for the development of new applications of industrial gases. Because all business elements are relatively small and employ relatively few workers, business elements must be willing to cooperate and exchange information if new applications of gases are to be found and new businesses developed. This cooperation can take the form of transferring competent and knowledgeable managers among subsidiaries or of sharing common marketing information systems.

SKF's business family for roller bearings has historically been predominantly country-based. Its large manufacturing companies in Europe and the United States were set up to act independently within their unique home markets, primarily to serve the local automotive industries. They were dependent on Sweden only when it came to roller bearings product know-how. SKF's smaller sales companies and manufacturing companies outside Europe and the United States, on the other hand, were much more dependent on Sweden, for instance, in the area of product sourcing. In the beginning of the 1970s SKF started to introduce product specialization for European-wide sourcing of products; thus, in Europe the company could be called a regional business family. Outside of Europe the companies that make roller bearings are still basically country-based; however, there are indications that the integration among subsidiaries will continue to grow here as well and that possibly SKF may shift toward several regionally integrated businesses, or possibly even to one global business family.

Sandvik's cemented carbide business represents a business family that is more global in scope. Both the new product development and the planning of market strategies are done centrally for most markets. Where there are important barriers to trade, however, as in India and Brazil, planning is done in the local market and with greater autonomy. For the most part, market planning is carried out through close cooperation between the business family and each business element. A strategic shift is becoming evident, though, that shows the firm evolving toward a global family for the advanced free trade industrial countries, while dealing with the rest of the world in a more regional fashion where each business is country-based.

Ericsson's public switching business is geared to a limited number of large telephone company customers, typically one per country. In most markets the business family supports the local subsidiary in direct contacts with clients. The development of new products and systems is centralized in Sweden. Production has gradually been internationalized, however, primarily in response to customer demands. Rules for buying components, criteria for judging suppliers, testing methods, and design support are standardized to assure clients of quality performance and reliability. In Ericsson the making of strategy is centralized, but country subsidiaries and division headquarters work closely together on operational matters. Ericsson will probably continue to evolve its public switching business into a truly global business family, by promoting richer interactions between business elements and division headquarters in formulating strategy, and by strengthening the lateral contacts between business elements.

At Ericsson, then, marketing, production, and development are rather centralized. At the other extreme is AGA, where both production and marketing are decentralized. Strategy is formulated and implemented in individual countries in AGA, while it is centralized globally in Ericsson, and mixed in SKF and Sandvik. Ranking the typical business families of the 4 companies along a span from local to global would result in the following: AGA, SKF, Sandvik, and Ericsson.

The 4 business families are basically similar in that they are made up predominantly of maturing business elements with major competitive positions.

Data were collected on human resource management in these 4 companies through a survey study as well as through interviews carried out at the corporate, division, and subsidiary level of each MNC. In each corporation, managers were interviewed from 4 different subsidiaries: 2 in developing countries and 2 in industrial countries.[2]

FINDINGS

Some major differences were found between country-based and global business families. In the country-based business family the strategic task is heavily affected by resource limits. Because the strategy is developed locally, goals usually are relatively simple and almost totally restricted to financial and local markets. The manager has substantial freedom to act within the resource limits of his country unit—limits that may vary depending on how much the manager is trusted by his superiors. The skills required of the manager are determined mainly by the local conditions; does he face, for instance, a dynamic growing market or a stagnating market with severe competition? The business family's success, and the manager's reward, will be tied predominantly to financial and market performance.

In a global business family the strategic task is characterized by operational interdependencies brought about through product sourcing or standardization of marketing. Goals will in general be more complex and will include both operational and strategic aspects. A manager's freedom of action will typically be more restricted than in a country-based strategy, and the competencies and attitudes required of him will be determined by local conditions and by the interrelationships within the business family. Rewards are geared to both the implementation of strategy and the firm's financial performance.

Even though the manager's freedom of action is substantial in a country-based business, conditions for self-development may be less than optimal. Resource limits may be very tight, and goals may be set rather bureaucratically, without much interaction among managers. Managers are typically appointed according to a relatively narrow and static interpretation of what the local conditions call for. As a result, the quality of the management processes will be a major determinant of how difficult it will be to achieve a long-term match between the implementation of strategy and the advancement and development of individual managers.

For the individual manager there is a further difference between a local and a global business philosophy. A manager within a country-based system sees his personal development as naturally tied to the local company and its development; however, if he outgrows his original local company he may find that he has nowhere else to go. He may be reassigned to another larger local company and develop more responsibility, but there he runs the risk of not fitting into the new local circumstances. In the global business family, on the other hand, there is a more dynamic avenue for growth and development. A manager can be encouraged to shift his focus gradually from a local strategy to a global one. There is also an inducement to learn more about the complexities of the business family system as a whole, and there are more opportunities for development through job transfers.

Along with these general differences, the country-based and global MNCs in the sample had different ways of dealing with specific aspects of human resource development, such as, selection and recruitment, management development, and organizational development.

Selection and Recruitment

The data in Tables 1, 2, and 3 indicate a general tendency for the country-based business family, such as AGA, to do more local recruitment, to rely less heavily on Swedish expatriates as managing directors, and, in fact, to rely less heavily on expatriates at all levels in the organization. The country-based business families have more of a chance to hire competent managers locally.

The global business families, such as Sandvik and Ericsson, recruit more Swedes and more often transfer people within their organizations, reflecting the different character of these business families. The interdependent elements of the global family are managed by people who have a common understanding of the company's strategy technology, and businesses. A more explicit pattern of interaction among managers through the strategic planning processes may, however, relax the need for "inbreeding" as a way to maintain a homogeneous culture and open up new recruitment patterns.

As has been discussed earlier, when selecting managers a firm may run into a conflict between the needs dictated by the strategic task at hand and the concept of development which an individual manager has for himself. For instance, in one of the global business families an external candidate was selected to be the country manager for the United States. He was responsible for 4 different business elements within the U.S. subsidiary, one of which was part of a global business family. In the setup the new manager envisioned, that particular business element would continue to get strategic guidance from the global business family, but there would be no operational interference. He fought for a country-based strategy, with himself as the country-based portfolio manager, and the various business element managers directly subordinate to him. This implicit shift in strategic focus turned out to be a constant source of conflict for 4 years. The U.S. managing director was finally forced to take over the management of the business element in question and now combines this with his role as country manager. Whether this is a temporary solution remains to be seen.

This incident reveals that neither strategic task nor the role of the managing director has been sufficiently defined and understood. It also illustrates some of the difficulties of external recruitment in a global business family. In such settings, with heavy reliance on a particular informal culture and style, it is often hard for an outsider to become effective. As a result, personal contacts, cultivated over a long career with the company, may be particularly important. This example also illustrates that a manager who is responsible for several global business elements within a particular country is more of an administrator than a manager of a business portfolio. This has to be recognized in matching individuals to strategic tasks; it apparently was not in this case. Since the same subsidiary is running several business elements for different business families, different interests are involved in appointing subsidiary managers. This further complicates the integration of strategy and human resource management.

It may be that a global business family is a less favorable environment for breeding independent general managers than the country-based business. This became evident in one of the global business families when there was a shift in strategy in one country. The company had difficulty finding a suitable manager to carry out the new strategy because there was a lack of candidates with a solid general management background.

Management Development

Management development involves identifying and bridging the gap between existing management resources and those necessary for carrying out the firm's strategic tasks, both for key individual jobs as well as for groups of employees. Except for management education there seems to be no explicit or formal approach to management development in the 4 companies studied.

Even in the global business families studied there is no global approach to management development. The development of broad potential tends to be largely restricted to Swedes. Even though the planning and negotiation of opportunities for personal development between the company and the individual executive could be done on a more systematic basis, it is too often done ad hoc. One of the reasons for this state of affairs is that human resource management is organized as a corporate staff in all 4 MNCs. They thus attend to both corporate and business family interests. Effective management development would require a close familiarity with each business family but will not have the ability and resources to deal with development tailored to the need of each business family. This clearly may restrict the effective development of talent and potential on a global basis. As a result there seems to be a serious mismatch between strategy and management development in the 2 globally based business families. This is particularly true since both are facing tougher competition and must handle new or broader product lines.

In the companies with country-based strategies the problems seem to be of another nature. For one thing, division headquarters does not seem to recognize the need for stimulating the development of resources locally. Instead, there is a tendency to restrict local expenditures for management development. Further-

TABLE 1

Recruitment of Managing Directors for Selected Subsidiaries as of 1981

Company	Local Promotion	Group Recruitment	External Recruitment
AGA	6	8	4
SKF	6	8	5
Sandvik	—	15	5
Ericsson	3	13	2

TABLE 2

Nationality of Managing Directors for Selected Subsidiaries (1981; Number of People)

Company	Local	Swedish	Third Country Nationals
AGA	7	9	2
SKF	10	6	3
Sandvik	4	11	5
Ericsson	5	12	1

TABLE 3

Number of Expatriates per Thousand Employees

Company	Expatriates
AGA	5.0
SKF	3.6
Sandvik	7.5
Ericsson	10.1

more, the development of expatriates can be particularly difficult. In one of the country-based business families a number of expatriate managers were eager to move in order to find opportunities for development. They felt, right or wrong, that the management of the business family was not really interested in their development. This points to the danger of losing track of key people if they are moved around within a country-based business family.

Organizational Development Appropriate managers are matched with strategic tasks through a firm's management processes (see Figure 1), and these same processes can, in turn, be affected by the management of strategic human resources, particularly the transfer of managers [Edström and Galbraith 1977]. The data presented in Tables 1, 2, and 3 show that key people in the subsidiaries of the 4 MNCs tend to be Swedish, particularly in the global business families. One reason for this is that there may be a lack of competent local people, or, since many of the strategies are developed centrally, there may be more people in Sweden readily available that have a sufficient appreciation of the strategy at hand. Perhaps, too, since implementing strategy requires widespread contacts within the various divisions, things might get done more efficiently when managers in strategic positions are thoroughly familiar with the corporate culture.

The interviews turned up no conscious attempts by these MNCs to build radically different organizational patterns, except in the case of SKF's European division. As previously mentioned, SKF is attempting to specialize production among its major European subsidiaries, shifting from a geographic to a "mini-global" strategy. This has led to more transfer of managers at high levels from these subsidiaries to the division headquarters and back—an example of a conscious effort to develop a more homogeneous organization within Europe. However, research for this article showed that matching management development and organizational development with strategic tasks is much more complicated and problematic than might initially be envisioned. This may indicate that strategies need to be thought through and conceptualized thoroughly before structure and management processes can be adapted and strategy and human resource effectively matched. There is as yet no clear philosophy of how to help structure an organization through human resource management although such a philosophy is said to exist within the Shell group, as expressed in a Shell Briefing Service:

> Most significant, however, the transferability of skills and the mobility of staff provide an international mix which strengthens and reinforces the cohesiveness of the Shell Group by promoting mutual understanding in its members as well as giving it a measure of flexibility.

CONCLUSION

Figure 3 summarizes the basic steps in the evolution of the management of human resources as a business family matures. The evolution corresponds basically to the human resource transfer cycle in Figure 2. This pattern, of course, will probably be affected by the basic strategy followed by the business family. For instance, a geographically oriented company (row 2) might manage its human resources differently from a global strategy company (row 3). The paths indicated in Figure 3 are, of course, fairly general, but they reflect paths that have considerable normative merit.

There seem to be clear differences between country-based firms, where the emphasis is on a local background, and the global family, where a parent-company background and cultural base is more often seen. Differences are not as marked, however, when it comes to management development and organizational development. This may be so at least partially because these activities are implicitly taken care of through the ordinary filling of vacancies, and are thus handled without any formalized planning. There was, however, an increased emphasis on more formalized approaches as the firm's multinational activities grew. Because these Swedish MNCs are all facing an increased demand for strategic development, it might seem appropriate for them to emphasize human

FIGURE 3

Evolution of the Human Resource Function as the Business Family Matures

Strategy shifts in business family and change in human resource function's tasks	Initiation of Strategy	Articulation of Strategy	Volume Expansion Strategy	Maturing of Strategy	Proactive Anticipation of Strategic Shifts; Strategic Self-Renewal
	Ad hoc administration; work contracts; pensions	Selection and recruitment, particularly of new bosses	Continued selection and recruitment; management development	Organization development	Organization evolution for self-renewal
Business family with country-based strategy	Staffing to get organization going in a country, carried out by each line manager with assistance from human resource function	Integration of the country and the organization; considerable freedom in selecting locals	Training of basic skills in each country; for example, market knowledge, process skills	Selection of executives who fit emerging organization's style; intervening or negotiating when misfits occur	Avoiding country inbreeding; hiring or reassigning to anticipate emerging strategic needs
Business family with global strategy	Staffing to get global organization going, carried out by each line manager with assistance from the human resource function	Development of organization, with emphasis on selecting original members who understand and appreciate global strategies, heavy home-country involvement.	Training of basic skills within the context of the global strategy; development of interactive planning process	Selection or reassignment of executives who fit global strategy; intervening or negotiating when misfits occur	Avoiding global degeneration of original style; hiring or reassigning to anticipate emerging global strategy shifts

resource management issues more systematically. The quality of a firm's human resources may become an increasingly important constraint as it seeks realistically to implement more complex, sophisticated competitive strategies. In such an environment, managers might attempt to develop unique competencies, so as to be better able to distinguish themselves from the competition. This calls for more sophisticated skills within R&D, manufacturing, and marketing, as well as more depth and flexibility in general management in order to be able to react rapidly to new circumstances in a coordinated manner.

For the MNCs, an emphasis on attracting managers with appropriate talents and on developing their skills would seem essential. So far, however, the human dimension has not been included explicitly in the articulation of more sophisticated strategies. As a result, human resource limitations may be underestimated, and unrealistic strategies developed. Delays, ad hoc modifications, and improvisations may come to characterize attempts to carry out strategies, and managers may become reluctant to commit themselves to their firm's plans if they are unable to see how their individual aspirations match the firm's strategies.

Overall, there seems to be a need for a much more explicit understanding of how to incorporate human resources into the strategic process. One implication of this is that managers of the human resources should have a more direct role in the strategic planning process. At a minimum, the human resource manager must be familiar with the strategies and plans for specific business elements and business families. It would, of course, also be desirable for human resource management executives to participate more directly in the planning process, say, by being a member of various planning teams. The heightened understanding that is likely to result from this kind of direct involvement will allow the human resource manager to anticipate more realistically and to describe potential impediments to the implementation of strategy. More realistic plans would, in turn, reflect that the importance of human resources has been acknowledged more explicitly.

Being more familiar with the basic strategic direction of the firm will also allow human resource managers to become more proactive when it comes to management selection, management development, and organizational development. Rather than reacting to crises after they have occurred, or behaving in a predominantly ad hoc manner, the human resource manager should be free to take steps to ameliorate human resource bottlenecks before they occur, thus giving management a chance to bring human resources into line while there is still time.

Maybe the most important challenge, however, will be to heighten senior line management's understanding of the potential of its human resource assets, making top management more willing and better able to use the talent in the organization. In order to meet this challenge, the human resource functions will have to be upgraded, so that a true partnership with the general management functions can be established.

The role of the human resource department in MNCs, then, will most likely be that of a facilitator; it will probably act as a catalyst to help key business managers to confront the issues of selecting, promoting, and developing managers. The effectiveness of the human resource manager will depend on several qualities: his ability to identify and understand key people in the organization, particularly their character, motivation, and potential; his ability to analyze and understand the requirements of strategic tasks; his understanding of management's processes and their impact on the motivation and development of key individuals; and his ability to develop a viable relationship with top management.

FOOTNOTES

1. An interpretive aspect regarding Figure 2 should be emphasized in order that a potential definitional misunderstanding be avoided. Following standard convention, the vertical scale of the figure measures the degree of competitive strength associated with one's business positions. One

important set of resources for developing one's competitive strength is the organization's human resources. These are allocated, together with financial resources, technological know-how, and so on, to businesses which are to be built. The human resources, together with other strategic resources, thus represent pools of strength that are the instruments for building competitive strengths as embedded in the strategic positions of businesses.

2. Each interview typically took between 1½ to 2½ hours. In the subsidiaries we interviewed key members of the management team; at the corporate and division levels we interviewed members of the board, division heads, personnel managers, and other key managers. The study provided data on the human resource management practices of the subsidiaries and divisions. It covered 20 subsidiaries in total, 10 from industrial countries and 10 from developing countries, and both of those groups of 10 included 5 manufacturing companies and 5 sales companies. Data on selected demographics of the management teams, such as, nationality, age, tenure, and job experience, were also collected. A total of 82 managers were interviewed. Throughout the rest of this chapter we report some of our observations, based on this study, on how these 4 MNCs match key people to strategic tasks.

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