

## **Strategy, culture and HRM: evidence from the UK food retailing sector**

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**T**he 1980s witnessed extensive claims for the existence of a link between human resource management and strategy. More recently the subject has achieved greater prominence with the movement towards 'strategic HRM', and in so doing has attracted widespread interest both in the UK and the US (Schuler, 1989; Cooke and Armstrong, 1990; Gennard and Kelly, 1994; Lado and Wilson, 1994; Cappelli and Crocker-Hefter, 1996). Running parallel to these developments has been the energetic debate over the nature of the relationship between organisational culture and strategy (Schwartz and Davis, 1981; Scholz, 1987; Whipp *et al.*, 1989). There has, however, been little attempt to examine the claims made in respect of these connections or to explore the junction between the three concepts. Accounts of how the three areas relate in practical settings are also limited.

The following pages pose the question: is the pervasive use of the strategy label by commentators matched by evidence of strategic management at company level beyond mere rhetoric? Secondly, the dominant form of academic commentary has been largely uncritical. The advocates of strategic management, especially in North America and UK, have not engaged with the challenging perspectives on organisations and broader social and economic relations which are more common in continental Europe. The aim of this article is to employ more recent scholarly assessments of strategy and HRM which take such critical orientations seriously. Thirdly, one of the clearest conclusions from recent overviews is the continuing absence of empirically-based examinations (Mabey *et al.*, 1998). In studying the initiatives of the leading UK national food retail chains in the 1990s this study makes a concerted effort to overcome this limitation and to move away from individual cases or extreme performers.

The intention of this article is to show that expectations of 'matching' the three concepts should be strictly limited. HRM, culture and strategy are complex and contested phenomena; hopes of relating them in any straightforward way are remote. Yet, our argument does not maintain that there are no connections. It is the potential range of these connections which concerns us, including their contradictions, unintended consequences and problematic outcomes.

The article is structured with these aims in mind. It begins with a review of the literature which identifies both the explicit and implicit links between strategy, culture and HRM. The multiple linkages between the three concepts are discussed and a framework of the relationships is presented. The discussion is followed by empirical evidence from a study of the UK food retail sector. The evidence from the sector is timely, given the recent attempts by the major companies to embrace the philosophy of HRM. It is notable too for the way managers have also sought to integrate HR practices with strategy, and with the management of organisational culture. The data is used to assess the validity of the framework offered in the first two sections of the article.

The results of the assessment of the literature, together with the experience of the UK food retail sector, pose questions for academics and practitioners alike. Strategy, culture and HRM contain rich sources of difficulties which confront those who seek to study them – conceptually or practically. The article concludes, therefore, with an account of the challenges involved. These include the intangible nature of the three core areas, the tensions which arise from the independent relationships between strategy, culture and HRM and an organisation's environment, and their political character. The framework which is presented indicates the reciprocal relations and the potential for contradictory responses from each of the three areas. Coherence between them is not assumed while competitive advantage is regarded as a highly contingent outcome dependent on how far such tensions and contradictions are overcome. The combined effect of the three areas in practice are also shown to produce four types of operational difficulties, namely, congruence, consistency, management and use.

### **Strategy and HRM**

The last decade has witnessed the establishment of HRM as a separate area of research. The flood of writing on HRM by its supporters and critics has resulted in the subject being written into existence. Part of the reason for its prominence has been its association with organisational strategy. Strategy writers make strong claims for the contribution of HRM to performance and competitiveness. Indeed, a specialist literature on 'strategic HRM' has emerged. This orthodoxy has, nevertheless, been challenged on a number of fronts, including HRM's lack of a coherent theoretical base (Armstrong, 1987; Fowler, 1987; Legge, 1989; Keenoy, 1990a), the institutional contexts which are alien to its development, and the problem of demonstrating HRM's precise contribution to competitive outcomes. As the following pages will show, in spite of the widespread enthusiasms for HRM by certain academics, its status on both the conceptual and practical levels is open to question.

It has already been noted that one reason for the recent popularity of HRM is its perceived relationship with organisational strategy. Previous research into HRM is frequently criticised as incomplete and 'micro-analytic' because of the tendency to ignore such links (Delery and Doty, 1996). Thus, many researchers have noted the important role the joining of strategy and HRM plays in facilitating organisational performance (Gennard and Kelly, 1994; Lado and Wilson, 1994; Cappelli and Crocker-Hefter, 1996). Some claim that it is the uniting of strategy and HRM which distinguishes 'high performance work organisations' (Kochan and Dyer, 1993; Osterman, 1994; Pfeffer, 1994; MacDuffie, 1995). Schuler (1992) meanwhile demonstrates the link in terms of the role the two concepts play in the functioning of organisations, arguing that HRM could enhance the capacity of the organisation to undertake strategic change.

A different approach to assessing the links between strategy and HRM is found in the work of Miles and Snow (1984). They identify three strategic types, and demonstrate how each type will have different HR requirements. For example, 'defender' strategies which are aimed at securing a slow but steady growth in market share require HR to be developed internally, frequently involving selective recruitment, training and strong internal promotion policies. In contrast, 'prospector' strategies are characteristic of firms that experience rapid growth. Such firms emphasise the redeployment of management and technical resources in order to develop people who can be moved easily to undertake different assignments. Finally, the 'analyser' strategic type describes organisations that compete not only when their product is new and unique but also at the later stages of a product life cycle when the organisation can benefit from mass production technology. The

HR system needed by the 'analyser' firm is akin to that of the 'defender' whereby the emphasis is on selecting and training the right people and placing them where they can maximise their contribution to the business.

Researchers have built on Miles and Snow's (1984) classifications in order to extend the connections between strategy and HRM. Bird and Beecher (1995) detail different typologies of HRM and their links with a range of business strategies. Others argue that HRM can contribute to the increased competitive advantage of the firm. Porter (1985) observed that the effective management of HR could facilitate the achievement of advantage through the reduction of operating costs and/or increased sources of differentiation. Lado and Wilson (1994) note that HRM may provide competitive advantage to the organisation through the generation of concomitant behaviours and values which help to increase added value to customers. Using HRM as a source of competitive advantage requires, it is argued, that the company does not merely react to present challenges in the environment but anticipates and exploits a future competitive arena (Beer *et al*, 1985; Hendry and Pettigrew, 1986, 1992; Guest, 1987; Gennard and Kelly, 1994; Lado and Wilson, 1994; Cappelli and Crocker-Hefter, 1996).

The dominant theme from the current orthodoxy is clear – the link between strategy and HRM is regarded as essential both in theory and practice. However, as the subsequent company examples used in this article will show, HRM not only lacks a coherent theoretical base, it has proven particularly difficult to achieve in organisations. Two problems stand out.

First, the obstacles to the establishment of HRM in UK organisations have been considerable. Differences in institutional and political frameworks undermine monolithic notions of HRM (or other post-Fordist arrangements). The long-term weaknesses of workforce management in the UK produced a national context which was not conducive to the establishment of HRM. The result has been a widely recognised profile of industrial relations and personnel specialists who regarded strategic thinking as largely alien (Sisson, 1989).

Secondly, research on competition has unearthed further difficulties. In spite of much evangelism over the past 15 years in the West, no simple connection between HRM and competitive performance has been established. HR is but one of the intangible assets within the collection of capacities in an organisation. Even the more sophisticated attempts to develop HRM at company level are noted for their fragility and impermanence. The area of knowledge is an appropriate example. The extent to which the knowledge base of a firm matches competitive conditions may be critical. However, ensuring such synchronisation poses fundamental questions – how individuals acquire new techniques and how organisations collectively alter their knowledge, values and shared mental models of their firms and environments (Whipp, 1992). Such challenges defeat even the most resourceful international companies who lead their sectors (de Geus, 1988).

In the light of these challenges to current enthusiasms for HRM, researchers need to proceed with caution. Such a mixed picture of academic accounts of HRM may well be reflected in the actions of managers and staff within organisations. Companies may, for example, contain adherents and critics of HRM. The study on which this article is based began, therefore, with a healthy scepticism of the association between strategy and HRM. A similar position is taken with respect to culture and HRM, as is shown below.

### **Culture and HRM**

Many authors have pointed to a link between culture and HRM. It has been argued that an important role for HRM within high performance work organisations is the development of core organisational values and their link to the strategic direction of the business (Gennard

and Kelly, 1994; Huselid, 1995). However, due to the ubiquity and opacity of the two concepts, the links between HRM and culture have not been developed in the literature.

It has become a common assertion that culture must be managed (Baker, 1980; Green, 1988; Kilmann, 1982; Whipp *et al*, 1989). Legge (1989) observes that HRM 'emphasises the management of culture as a central management activity', while Armstrong (1987) notes that the management of culture is an essential element of HRM. Indeed, the 'soft' version of HRM (found more readily in some UK organisations) emphasises the development and maintenance of a strong organisational culture. In theory, this serves multiple purposes for managers. First, an organisational culture provides a means of enacting the all-encompassing vision of what the organisation wishes to be and offers a possible sense of direction for its members. Secondly, and perhaps more importantly, it promises some way of redressing the potential conflict between 'individualism' and 'collectivism' which is inherent in HRM (*eg* ensuring that 'individuals' are systematically recruited and socialised to share key organisational values). Equally, it is argued that the achievement of certain HR policy objectives (such as integration, commitment, flexibility, quality and competence) identified by Beer *et al* (1985) and Guest (1987) requires the management of the organisational culture, notwithstanding that different cultures will require different HR practices (Fombrun, 1983). Further, organisations wishing to develop and sustain 'strong' cultures would need to pay particular attention to their HR policies to ensure that they are supportive of the culture they wish to develop and that they feed through to strategic planning. It is the consistency over time in the pursuit of the culturally relative policies that may give rise to a strong culture.

Beer *et al* (1985) observe that organisations need to have a clearly articulated management philosophy which will form the guiding framework from which HR policies will be developed. They contend that where this philosophy is supported strongly by senior managers and the resulting HR policies and practices are internally consistent, the result is likely to be the development of a 'strong culture' as the belief systems of managers and other employees are moulded. They point out that the consequence of not having a clearly articulated belief system is that:

Short-term pragmatic considerations would dominate human resource policy decisions rather than simply influence them. The result would be inconsistent new policies and the erosion of the policies.

It would appear that the problems in the development of an organisational philosophy are akin to the challenges facing the development of organisational culture and yet this is an important step in managing HR. Wilkins (1984) observes that many organisations develop 'statements of philosophy' denoting their stance on the management of HR. He contends that successful companies have a system of transmitting this philosophy to new employees. HR policies should give credence to the company philosophy (and help support positive organisational stories) which Wilkins sees as a major tool of sustaining culture.

Having explored the connections between strategy, culture and HRM, even in outline, it would appear that the claims made by academics are open to question. In both the conceptual and operational senses, many of the linkages are viewed in isolation. Few seem aware of the extent of interconnections that are implied or the depth of the difficulties in managing such implications in organisations. In a first attempt to examine these issues, we use the example of the food retailing sector in the UK.

## THE STUDY

The general orientation of the study has been towards the qualitative. The choice was logical since the phenomenon had not been studied previously. Such an approach enabled the use of a range of sources with no prior assumption of the superiority of any one type of evidence. The aim was to use a set of probes in order to discover what forms of company strategies, HR practices and attempts to manage organisational culture existed. It is important to distinguish this approach from a deductive one. The study was not seeking to test existing theories or positions but to remain open to the subtleties which surround such management practices.

This composite approach has relied on a mix of sources which are appropriate to an institutional analysis. In other words, the primary and secondary sources are employed to capture the intangible qualities of organisational relationships. The concern was with uncovering the assumptions which inform the actions of those involved across the sector. Moreover, the multi-faceted construction of the problems of strategy, HRM and culture, described in the previous pages, demanded that adequate attention be devoted to a comparable spread of evidential material.

The result has been an attempt to triangulate three main types of data: documentary, secondary and interview-based. The documentary category included a variety of sources, internal to the focal organisations, and which had not been published (such as company communications, memoranda, reports and incidental material). The interview evidence was derived from managers and staff in the main firms as well as sector specialists such as academic researchers. The secondary data source covered commercial research reports, the publications of key associations and electronic databases.

It should be noted that triangulation between these three types of evidence had two main objectives. First, to minimise reliance on any single type of data and, secondly, to produce a deliberate tension between them which would generate second order questions to direct the research process. The contradictions between published statements, practice and underlying beliefs provide the basis for some of the major findings reported below. The three categories of evidence were visited repeatedly as research puzzles and fieldwork opportunities arose; such a spread of evidence gave rise to the set of concerns which form the basis of this article.

Initially, four organisations were researched and although all four were undertaking changes in their strategies, two were far advanced in this respect and were undergoing changes which were consistent with the central themes of this article and also representative of the dominant section of the industry. These two organisations, codenamed Kase and Lake Stores, were selected for more in-depth analysis. Detailed case studies of the two organisations are not reported here for reasons of space; however an attempt is made to delineate the significant features consistent with the themes of the article. The two companies, which are major household names, control around 19 per cent of the UK food market and they employ over 120,000 people between them. The two case studies used semi-structured interviews conducted at different levels within each of the participating organisations. At the head offices, interviews were conducted with senior managers and directors who had responsibility for strategic direction and a senior manager with responsibility for personnel/HRM for the whole group. The store level interviews were conducted with the store managers, store personnel managers/officers, supervisors and shopfloor operatives. At least six senior head office managers were interviewed and no fewer than five stores were visited in each company. In addition to the formal interviews, it was possible to observe the behaviour of shopfloor workers in their relationships with their supervisors and customers during pre-arranged and

private visits to the stores. The research was conducted between 1989 and 1994. During this period, it was possible to arrange a number of repeat visits to clarify ambiguities that were raised as the interview tapes were transcribed and compared with other source material.

The UK food retailing sector has been characterised by changes affecting both the structure of the industry and the emerging patterns of competition. Although the developments in the industry are too numerous to do justice to in the limited space of this article, it is nonetheless important to document some of these in order to put the central themes of the article into perspective. A summary of the industry's key features will thus be presented before proceeding to a more detailed account of the two companies under investigation.

The first area to look at is the structure of the industry. One of the consistent features of any discussion of the UK food sector is that it is highly concentrated with the major multiple retailers continuing to gain market shares at the expense of independents and co-operative societies. For example, in 1992 68.5 per cent of the total turnover was generated by only 16 businesses out of a total number of 55,416 businesses (*Retail Trade Review*, 1995). A recent industry review showed that the top four retailers alone generated over 50 per cent of the total sector turnover in 1996 (*UK Retail Report*, 1997).

Another important feature of the industry is that it is intensely competitive. The major retailers have pursued different strategies in their bid to gain the competitive initiative. Until the early 1980s, competitive strategy in the industry was based on offering the lowest price. The speculation in the early '80s that the sector was approaching saturation convinced the major retailers that growth can only be achieved by attracting customers from competitors. This served as the impetus for change and almost all the major retailers embraced the philosophy of customer service (linked to improved product quality and customer convenience). The economic recession of the early '90s forced retailers to re-appraise their strategies with price re-emerging as an important part of the total strategy, although this was not at the expense of quality and service (Ogbonna and Wilkinson, 1998).

Overall, the industry has been at the forefront in the development of many areas including information technology, distribution, product innovation and packaging. In particular, the development of information technology has been immense, providing retailers with an enhanced power capacity with which they have influenced the entire food supply chain (Ogbonna and Wilkinson, 1996).

The attempt to integrate strategy, culture and HRM is largely a consequence of the increasing competitiveness of the industry. As there is a high degree of similarity in product quality and prices across different stores, the major companies have decided to differentiate themselves on customer service. To achieve this, they have chosen to modify their HR practices and to concentrate on developing cultures that support the values of customer service. The following examples illustrate how two major retailers have sought to achieve this. In reporting the findings, we have focused on the overall treatment of the three concepts rather than provide exhaustive case studies of the similarities and differences in the actual operations of the two companies. First, we explore the ways in which strategy and culture are treated; secondly, we highlight how strategy, culture and HRM are linked in practice. Finally, we examine the practical difficulties associated with attempts to link the three concepts.

Both Kase and Lake Stores have a strong history in the food retailing business and they both employed a strategy which emphasised the dominance of price. The two companies, like many others at the top end of the UK food market, decided to differentiate themselves in the late 1980s. In both cases, there was a deliberate move to a new strategic direction as

the following comments demonstrate:

In the past, we stocked individual lines that provided big margins. We were still a 1970s retailer in the late 1980s, offering products that we wanted instead of what our customers wanted... We just knew we had to change our strategic direction.

*Kase Senior Manager, Buying*

We have taken Marks and Spencer as our benchmark. Our intention is to equal their reputation as a quality food retailer...we expect to offer own labels that are as good if not better than theirs and we will offer our customers fresh foods that rival theirs...

*Lake Senior Manager, Retail Operations*

Interestingly, the findings reveal that senior managers at both companies recognised that a change in strategy required a composite change in company culture to support the new direction. Implicit in this are two areas of practice which have received varying degrees of acknowledgement in the literature.

First, the findings suggest that executives sometimes consider the development of an appropriate organisational culture important. In this context, both companies considered the management of culture a prerequisite to success at the initial phases of the change process. Two senior managers' comments at the time are illustrative:

In the past, we made no attempt to manage our culture... But I think a culture that was supportive of price responsiveness and the other strategies we pursued did emerge. We have now realised that we must change our culture to be consistent with our strategic direction.

*Kase Senior Manager, Training and Development*

Eight or nine years ago we did not make any attempt to create any kind of culture. We now go about creating the kind of climate to suit the culture we actually want to see in the business.... What used to be right in (Lake) nine years ago may no longer be right in today's climate.

*Lake Senior Manager, Retail Systems*

Second, and perhaps more important, is the recognition of a centrality of a culture strategy match for the success of the business. Senior managers in both companies were unequivocal in their view that this match was a prerequisite to increased business performance:

We have come to accept that if our strategic objectives are to be achieved, then the culture, values and norms must be clear and although not written down believed.

*Kase Senior Manager, Personnel*

The prevailing culture could no longer be sustained... For one thing, the company had grown to a point where the prevailing autonomy at store level could not be justified. The changes in technology and customer attitude brought about a whole new approach to the business and we had to meet this impetus by changing our culture.

*Lake Senior Manager, Buying*

Interestingly, these findings shed some light on the direction and starting point of the relationship between strategy and culture. Much of the HRM-based literature takes embedded cultural values as the starting point of this relationship (Meyer, 1982; Schein, 1984; Thompson and Wildavsky, 1986). However, evidence from the two case studies illustrates that culture is considered dispensable in that a strategic direction (which may, as in the two cases, be totally inconsistent with existing cultural values) might be embarked on. A programme of action to attune the culture to the new strategic direction then follows this. One Kase operations senior manager's comment summarises this point:

We set ourselves strategic objectives which were not consistent with the values of our staff. Since these objectives are important to us, we decided that we must embark on changing the values to reflect our new position.

Linked to the above is the finding that the formulation of strategy continues to be viewed in rationalistic terms. Both companies rely extensively on sophisticated computer packages which simulate environmental scenarios and generates alternative courses of action. There has also been a heightened dependence on employing business school graduates with strong analytic backgrounds. Indeed, retailing has generally become an information technology driven business with significant emphasis on the development of logical systems of analysis and planning. The finding of the application of the rational model to strategy formulation is in sharp contrast to the large body of academic literature (Hayes and Abernathy, 1980; Mintzberg and McHugh, 1985; Mintzberg and Waters, 1985) which extensively criticises this approach.

The decision to change the culture of the two organisations in response to the new strategic directions highlighted the perceived role of HRM in facilitating a match between strategy and culture. Kase Stores engaged the services of HR consultants to advise on ways of achieving this match and Lake liaised closely with a leading airline operator that was reputed for its excellence in managing HR. The comments of many senior managers represent the perceived importance of HRM:

We believe that if we are to achieve this philosophical change, we have to change our personnel policies and improve the profile of our personnel department.

*Kase Senior Manager, Distribution*

We have gone through a process of recognising that our staff are extremely important to us and we have to look after them, take notice of what they do and involve them more in the business. *Lake Senior Manager, Retail Operations*

The actual HR policies pursued by both companies include the refinement of recruitment procedure to facilitate selective recruitment, emphasis on internal labour market, enhanced benefits and reward packages and improvements in internal communication.

The centrality of HRM was no where more emphasised than the example of Kase Stores which changed the title of the head office function from 'personnel' to 'human resources' and gave the director enhanced status. Indeed, while the case studies find that the two companies have become more responsive to people-oriented issues, they also highlight the central importance of pursuing the desired strategic direction even if this means pursuing 'hard versions' of HRM. For example, employees, especially those at managerial levels, who were unwilling to adopt the desired values or who were considered surplus to requirement were made redundant as part of the change process.

The finding that HRM is a moderator of the relationship between strategy and culture is important and has not been given due recognition in the literature. This point is crucial and will be taken up in the discussion part of the article. Prior to this, it is necessary to examine some of the difficulties that the companies experienced in linking strategy, culture and HRM.

Since this study was undertaken over a five-year period, it was possible to assess the events that unfolded as the two companies attempted to link the three concepts. A number of problems hampered the linking of strategy, culture and HRM in the two companies. Kase Stores experienced a loss in profitability as its quest to compete at the top end of the market moved it away from its traditional customers. This resulted in the sacking of the managing director who initiated the original changes and the appointment of a new chief executive in 1991. As one senior manager pointed out:



We were not achieving the type of growth we wanted... We realised that we were actually losing our traditional customers and we decided to embark on a three-year programme of corporate renewal to get back the ordinary working people and their families.

*Kase Senior Manager, Retail Operations*

Lake Stores experienced a similar predicament, although it fared relatively better than Kase in dealing with environmental pressures. In both cases, the problem was attributed to the economic recession of the early 1990s which led to the re-emergence of price as the key competitive weapon in the food retail sector. Interestingly, as both companies struggled to cope with the recession, the central activity moved from the management of culture and HRM to marketing and the management of operations designed to minimise cost. For example, the new chief executive officer relegated the HR function at Kase and reverted the head office job title to personnel director. Lake's senior management team also embarked on a cost reduction exercise, which was seen as important to remaining competitive, and there was a conscious effort to cut any activity which was not perceived as adding value to the business.

Another problem that affected the linking of the three concepts was the confusion that staff experienced relating to the conflicting messages arising from the changes to competitive strategy. At the start of the change process, it was difficult to convince employees to change their view of customers (from highly price sensitive 'punters' to quality and service conscious 'kings'). However, just as the employees were getting over this culture shock, a new message came from the head office re-emphasising the importance of price and cost control, both of which were strongly associated with the 'old' culture. This point is exemplified by the comments of one Lake general store manager: 'It was quite difficult trying to be enthusiastic about the values of customer service when our actions say something different.'

The interlinking of the three concepts was also made difficult by the fact that lower level employees did not identify with management values. For example, many checkout operators expressed a lack of enthusiasm (during the interviews) at being required to be friendly with the customers notwithstanding the fact that many customers were rude and abusive towards them. Further, they complained about work intensification partly caused by the increased throughput and aided by advances in laser scanning technology. In the event, senior managements in both companies considered it necessary to institute bureaucratic control with effective surveillance systems enforced by the all too visible threat of sanctions for undesired behaviour. Thus, while the required behaviour (manifestation of the desired culture) was generated from checkout staff, their values (the culture itself) largely remained unchanged.

Finally, it was interesting to note that as the changes arising from the restoration of price as a major competitive tool have significantly distorted the 'fit' in strategy and culture which the two companies sought to create, senior managers are presently deliberating on whether to embark on a new programme of managing culture.

## DISCUSSION

The experience of two of the major food retail chains in the UK is instructive. The evidence of the preceding pages makes uncomfortable reading for some academics and many commentators and practitioners. In spite of the extensive efforts made by authors to link and positively integrate strategy, culture and HRM, the areas appear to exhibit profound tensions. The nature of these problems is best summarised along three dimensions. These include the

assumption of clear separation in the identification and use of strategy, culture and HRM, the high expectations of their relevance and the correspondingly fragile characteristics of the attempts to implement practices in all three areas. The consequences are important for both practitioners and academics alike as the following discussion will show.

The problematic character of the attempts by organisations to unite strategy, culture and HRM stems from the multiple linkages between them. Above all, the examples from the food sector, and elsewhere, examined in this article emphasise the inability of managers to appreciate and address the issue. Academics and practitioners alike are prepared to address the three areas together but not to pursue the multiplicity of connections between them. Our results suggest that this is a mistake due to the richness of the interconnections. The wealth of such linkages, and hence the difficulty in controlling them, is derived from three main sources.

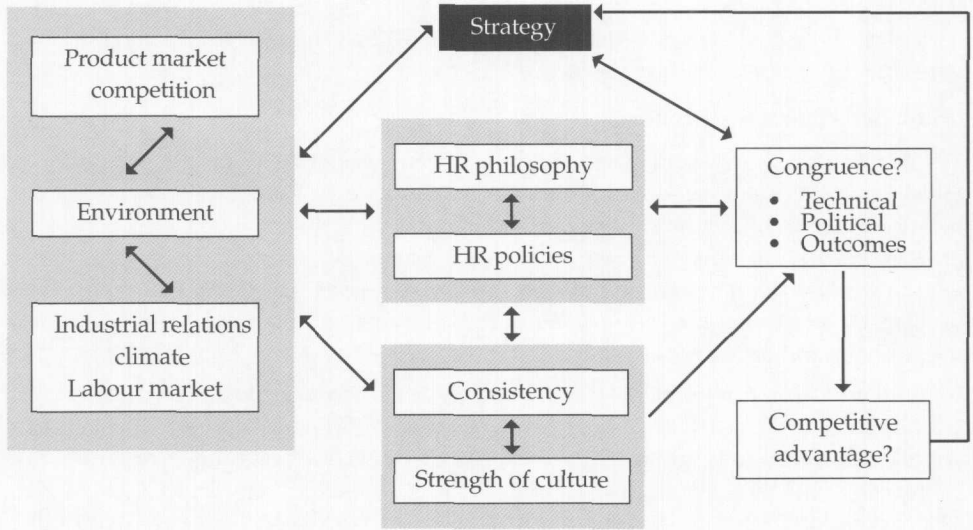
First, as the results of wider research and our findings on the food retail sector show, the common feature of culture and HRM is their elusive nature. Both areas encompass inherently intangible organisational phenomena such as values, beliefs and knowledge. The vast majority of approaches to strategy, both in theory and in practice, have yet to recognise this difficulty. Instead, as the two cases show, management action is targeted at the explicit rather than the immanent. Secondly, each of the three core concepts are multi-faceted not singular entities. The possible range of inter-connections are extensive, the permutations almost limitless and hence unintended consequences occur in abundance. Thirdly, most accounts concentrate on an organisation's response to the environment as it formally occurs through the actions of strategy makers (Newman and Nollen, 1998). What this article contends is that all the three areas of strategy, culture and HRM respond to environmental shifts separately and simultaneously. As the case examples show, the responses may be contradictory.

In addition, these multiple linkages are not merely technical or neutral in character; they are inherently political. The case material reinforces this point. Yet, as Pfeffer (1992) has argued, managers and scholars alike seem reluctant to integrate such a perspective into their work on strategy, culture and HRM. To do so would expose not merely the contested nature of the three areas but their fragility as different groups in organisations seek to shape their meaning.

Figure 1 is an attempt to summarise the main forces involved in the links between strategy, culture and HRM and to begin to indicate where the reciprocal relations are found. The arrows point to sources of tension and potential problems. Congruence and competitive advantage are seen as possibilities not assumed outcomes. The figure may also be of use when considering the details of the problematic linkages which follow.

### **Scholarly and practitioner expectations**

The first point of commonality between the two leading companies in the UK food retail sector is their rationalism. The approach of senior management appears to conform to the era of the 1960s and '70s when strategic management was equated with planning. The impact of subsequent academic treatment of the subjective, iterative and uncertain qualities of the strategy process would seem to be minimal at best. The notion of a reciprocal relationship between strategy and culture, for example, has not been accepted. Instead, as the experience of Kase and Lake show, the expectation of their management was that simple alignment of the two areas was required. Moreover, the assumption of managers was that culture was significant for altering staff performance; it was not conversely regarded as a key influence on strategy formulation by management.

FIGURE 1 *Strategy, culture and HRM*

In one sense the results are worrying for academics. Put brutally, the wealth of revisionist, critical and alternative theories of the last 20 years might never have happened. On the experience of one of the major sectors in the UK economy, it is as if Peters and Waterman had won the battle for commanding heights of managerial discourse.

The same is true for the question of culture. In a recent review of academic research, Martin (1992) adopts a three-fold categorisation of orientations to the subject. These cover integration (where cultural manifestations are consistent and consensus exists over beliefs); differentiation (where cultural manifestations are often inconsistent and sub-cultures exist); and fragmentation (where consensus is routinely weak and is in a constant state of flux and ambiguity and competing meanings persist). Observing leading UK food retail chain managers, one can only conclude that their expectations fall clearly in the integration category. However, as the difficulties rehearsed in the previous section suggest, the retail chains' experience is more appropriately categorised using a fragmentation designation.

The second main tension which emerges from the evidence relates to the strength of the hopes entertained by those in senior positions. The expectations of linking strategy, culture and HRM were high. In this sense, the remarkable levels of interest in HRM witnessed during the 1980s are reflected in Kase and Lake. The difficulties of exploiting such linkages though appear persistent and deep-seated. Guest's (1992) identification of the gap between rhetoric and reality are amplified in the case examples given here. The way HRM initiatives have been unable to deliver the alterations in behaviour required by new strategic directions is apparent.

Beyond confirming the suspicions of many commentators over the contradictions within HRM and strategic management, these results have relevance to specialist academic approaches. The fragility of HRM and strategic initiatives is laid out in four ways below. However, this lack of robustness is of consequence for the development of the critical scholars of management. Those constructing this critique have emphasised the paradox contained within strategic management and HRM. This paradox centres on the way such management techniques supply a new language and construction of meaning targeted at long-standing problems of motivation, control and performance – old problems, new

rhetoric (Mabey *et al*, 1998). Yet reflecting on the picture in the food retail companies given here, the critique by radical scholars of HRM may well be over-stating the strength of these constructs. They are certainly in danger of inflating the operational resilience of HRM ideas when they are put into practice.

### **Combined effects and problems**

The delineation of both the implicit and explicit relationship between strategy, culture and HRM may be useful because it improves our understanding of the three concepts but also because it helps confront the difficult problem of unravelling the combined effect of the three areas in practice. Fundamental to the problem is the contested nature of the three concepts. It is little wonder that linking the three concepts may serve to highlight their operational problems. Here we highlight four difficulties: congruence, internal consistency, culture management and practical use.

**Congruence** One major problem arises from the notion of 'strategic fit' or congruence which appears to be the touchstone of approaches to match HRM and strategy and culture and strategy. Organisations are urged to create a 'fit' between their human resources and strategies (Tichy, 1982; Fombrun *et al*, 1984; Angle *et al*, 1985; Hendry and Pettigrew, 1986, 1990; Scholz, 1987; Schuler and Jackson, 1987; Schuler, 1989, 1992; Cooke and Armstrong, 1990) and between their strategy and culture (Schwartz and Davies, 1981; Shrivastava, 1985; Lorsch, 1986; Piercy, 1987; Scholz, 1987). Indeed, where this fit is not in existence, the decline of the organisation is often predicted (Tunstall, 1983; Chorn, 1991). However, much of the HRM and culture literature treats this notion of 'fit' as though it is something that can be observed, monitored and targeted. Such a view either assumes that the environment of the organisation is stable or that organisations may choose not to react to changes in the environment. Although the latter is sometimes the case, the same cannot be said of the former. In many instances, organisations have to respond to changes in the environment which are beyond their control and the response may radically alter the 'fit'. In fact, any company that does not respond to environmental changes may suffer as a result (Tunstall, 1983; Golzen, 1987). However, responding to these changes only tells half the story as it distorts the 'fit' which an organisation seeks to create in the first place. Viewed from this perspective, a 'strategic fit' becomes a theoretical ideal which is rarely achievable in reality. Recent trends in the UK food retailing sector, where the economic recession of the early 1990s and the advent of new retailing formats have forced the major operators to re-appraise their strategies, illustrate this point (Buckley, 1993, 1994). The evidence presented in this article illustrates that the two case study companies which have spent several years trying to achieve a 'strategic fit' have recently embarked on 'alternative' strategies to enable them maintain market dominance. This is despite the fact that they risk distorting the 'fit' they have so far sought to achieve.

**Consistency** There is also the difficulty associated with the notion of 'internal consistency' which is prescribed by both the HRM and culture literatures. Although consistency is desired, particularly in the way that policies and practices support each other, this may not always be achieved. One reason for this difficulty is the contradictions associated with HR goals (Legge, 1989, 1994; Keenoy, 1990b; Noon, 1992; Ogbonna, 1992). For example, the retailers described in this article are attempting to increase quality, achieve employee loyalty and commitment while at the same time pursuing cost conscious policies which undermine these. Equally, a deliberate policy of deviating from the norm (and thus threatening internal consistency) may be required to achieve other objectives. For example, the retail companies in this study when attempting to change their cultures did not always adhere to their policy

of internal promotion especially when it was felt that this would perpetuate the culture they wished to change. The senior management of Lake Stores adopted a deliberate policy of recruiting some managerial staff externally (rather than promoting from within) as a way of changing the organisation culture.

Notions of internal consistency may also be undermined by the way new leadership (especially when this is recruited externally) is usually associated with changes, which by definition, threaten consistency. In Kase stores, the sacking of the directors who were associated with the old strategies followed the appointment of a new chief executive in 1991. The new chief executive also came with his own vision of the company's strategic direction and the implementation of the associated policies distorted the consistency which Kase had previously sought to achieve.

**Culture management** A further problematic issue arising from the case studies is the assumption that organisational culture can be managed. Although the literature is full of culture management models, none of these has addressed the fundamental question of whether the 'deeper' levels of culture can be susceptible to conscious manipulation (Anthony, 1990; Gagliardi, 1986; Krefting and Frost, 1985; Ogbonna, 1993). In the case of the companies under investigation, senior managements' attempt to manage culture was only successful at the surface behavioural levels. This finding adds credence to previous studies which contends that, although employees may change their behaviour towards the customers, the values that inform these behaviours tend to remain intact (Ogbonna and Wilkinson, 1990).

**Practical use** Finally, it is useful to consider the practical utility of the three concepts. There is clear evidence from the case studies that only the concept of strategy is taken wholly seriously by managers. Indeed, both companies had clearly articulated strategies and adopted the latest computer packages that could simulate environmental factors. They specifically recruit business school graduates to facilitate this process. In contrast, neither HRM nor culture are regarded as important except in times of difficulty. It is interesting to note that the company in this study (Kase Stores) which made the greatest move in recognising the importance of HRM only changed the title of the head office function to HRM but not in the stores where the title 'Personnel' was still used. Further, one of the first changes the new chief executive made was to revert the head office function and title to 'Personnel director'. On culture, it would seem that the two companies saw this as an expedient tool of generating the behaviour required to support the chosen strategies and one which can be managed to suit the strategy. Thus, although senior managers spoke of pursuing a change in culture during the interviews, it was clear from their actions that a change of behaviour would suffice.

To summarise, this article has described the explicit and implicit linkages of strategy, culture and HRM made by researchers. It has also demonstrated that companies may be attempting to make this link in practice and documents two case studies of how this link has been attempted in the UK food retail sector. In doing so, it has also demonstrated that attempts to link the three concepts may be fraught with contradictions and unintended consequences for both practitioners and academics alike.

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