

What has Training got to do with Business Strategy?

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INTRODUCTION

Underpinning the promotion of lifelong learning, has been the belief by governments and educationists that a strong economy is predicated on a workforce that is continuously acquiring new, work-related knowledge and skills. Furthermore, it has been understood that, whilst people must take responsibility for their own ongoing learning across a lifetime, workplace-based training will be a major source of learning for work. For the employer who is investing in the organisation's human capital through provision of learning opportunities, what learning is going to be most effective in achieving business objectives, and at what cost?

Policy Context

Current VET policy would have Training Packages as supplying the answer. For the employee it makes sense to achieve as many competencies and academic qualifications as are practicable at employer expense and thereby to strengthen his/her position in the labour market, both internal and external. However, for the employer who is bearing the financial cost, if not the effort of learning, the answer appears to be more complex and problematic.

The words of Keep and Mayhew, although referring to the UK, could be recast to apply to Australia:

Current UK VET policies...appear incapable of acknowledging that skills are often a third order issue. Unless and until first order questions, such as choice of product market and competitive strategy, and consequent second order decisions about work organisation and job design, are confronted the underlying cause of Britain's skills problem will continue to be ignored. The danger of policies and institutional devices...which concentrate on boosting the supply of qualifications and formalised skills and knowledge is that they appear to offer a relatively swift and simple short cut to a wide-ranging set of desired outcomes—increasing economic competitiveness, greater productivity, rising GDP, and greater social inclusion—without having to confront complex and difficult choices about how businesses choose to compete (Keep and Mayhew 1999).

Moira Scollay (2000, p.3), Chief Executive Officer of the Australian National Training Authority (ANTA), writes, 'Depending on location, materials and the client's needs the expert builder turns the [building] specification into the reality—in the same way an experienced teacher interprets a Training Package to suit a variety of individual clients.' Certainly, Scollay is acknowledging that a Training Package does

not 'fit all' without some customisation. And where the clients are students in initial vocational courses, and are unemployed or only temporally attached to a particular employer, vesting responsibility for interpretation of a Training Package with the teacher has some merit. But Training Packages are meant, also, to be resources for use by enterprises in their ongoing training of employees. In these circumstances, before teachers and trainers interpret a Training Package, decisions have to be made as to which competencies should be acquired, by whom and in what contexts. And this assumes that it has been decided that the changes sought in employees are ones that training can, at least partially, address and for which a competency-based approach is applicable. If these decisions are to be driven by business strategy, then they are more problematic than current VET policy acknowledges. Moreover, if the level of success of business strategy depends on a business's human resource practices, then optimising business performance is conditional upon understanding the relationship. Shepeck and Militello (2000) question whether 'synergy among a firm's environment, business strategy, HRM [human resource management] practices, and leadership behaviours results in a complex system that serves to organise and unify these factors into realised and stable patterns that influence operating effectiveness.' And in the opinion of Wognum and Mulder (1999), 'Decision making at strategic level has to be translated into tactical and operational levels. When this does not happen, it is highly likely that HRD [human resource development] programmes will be ineffective'.

The current ANTA Plan specifies, as output, 'evidence of the links between effective management of high workforce skill levels and increased productivity' (ANTA 2000). In line with other national policy, there is no suggestion that what constitutes 'high workforce skill levels' may be contingent upon the nature of overarching business strategy. If there is a relationship between training as one element of human resource practices, and business strategy and, furthermore, if training promotion by ANTA were to set training in this context, then it is our belief that the credibility of its promotional efforts would be enhanced and, as a consequence, they would be more effective.

To paraphrase the title of this national conference, how can work-based lifelong learning optimally assist businesses to mobilise their human resources to achieve their organisational objectives? In this paper we examine the research literature to establish whether there is support for a relationship between training and business strategy and under what conditions that benefit appears to be maximised. On that basis we infer that training is 'idiosyncratically contingent', in the sense that it is likely to be most effective where it is integral to business strategy, and where strategy is developed to reflect the unique circumstances of the organisation. We then consider some of our own case study-based research to see if idiosyncratic contingency best explains our findings regarding training effectiveness.

BUSINESS STRATEGY

To gain some insight we need to look at the human resource management literature—there has been little research that looks at only training in relation to business strategy. Instead, most research in the area has investigated human resource practices in breadth.

Intuitively, a link between business strategy and the human resource practices that a business adopts makes sense. It follows that one might expect that business strategy would typically address human resource issues. However, Lundy and Cowling observe:

The function [of HRM] is weak and its effectiveness diminished because it is locked into a non-strategic administrative role, conflict is endemic in its relationship with line management due to the blurring of the staff line responsibility for the management of people and, as it has failed to develop a sound theoretical base, it has been prone to make piecemeal prescriptive 'best practice' interventions which, too frequently, have been irrelevant to the needs of the organisation. Recurrent advice offered to the function is that reversal of fortune will only come about when it takes advantage of an increasing incidence of employees becoming significant issues in terms of the achievement of organisational strategy and actually seeks the involvement of the function's activities at that level (Lundy and Cowling 1996, p.3).

This is consistent with the findings of Andrew Smith and Geoff Hayton, in their survey of nearly 2000 Australian enterprises along with the undertaking of a number of case studies:

The process of strategy formulation was only in its infancy in most of the enterprises investigated and the distinct connections between strategy and training were, to all intents and purposes, non-existent. As our model of enterprise training suggests, training activity was triggered by more operational concerns such as the introduction of new forms of work organisation or new technology, rather than more strategic concerns... (Smith and Hayton 1999).

Their research was undertaken over the two years 1994-96, a time when so-called strategic planning was in disfavour, as a consequence, especially, of the writings of Henry Mintzberg. He was concerned about strategic planning as a lock-step process that assumed a predictable business environment well into the future; he was not denigrating vision or acting strategically (Mintzberg 1994). Notwithstanding, business managers at the time may have been dissuaded from pursuing a strategic approach, making training and other human resource practices usually first or second order, rather than third order, issues. Given the acceleration of change in the business environment, the increasing uncertainty that businesses have been experiencing, and the associated increasing need for capability to adjust to those changes, strategic planning as an almost mindless routine has rightly been relegated to the scrap heap of history.

On the other hand, it can be argued that these are the very conditions under which strategy is vital. If a business is to be able to respond effectively to new opportunities—and to know when to relinquish existing habits, it means being organised to acquire timely market intelligence relating to chosen direction or niche, being skilled to judge the potential value of responding and the opportunity costs in doing so, and being able to redirect resources quickly. Hamel and Prahalad see the problem as

the particular notion of strategy that predominates in most companies...strategy as pedantic planning ritual on one hand or a speculative and open-ended investment commitment on the other...The risk is that the devaluation of strategy will leave many companies rudderless in a world of turbulent seas and force-ten gales (Hamel and Prahalad 1994, p.281).

Strategy is concerned with knowing ‘what you are about’ instead of ‘blowing in the wind’. Or ‘strategy is concerned with establishing competitive advantage by taking a long-term perspective as opposed to tactical manoeuvring’ where strategic thinking drives both planning and action (Lundy and Cowling *ibid.* p.p.4-17). A useful concept is that of Liedka (2000) who likens strategy to the design paradigm. Inherent to design are the constraints of ‘internal cohesion and alignment among sub-systems’ and harmony with the environment—there is ‘an ever-present tension between them and some different view of a new future. Constraints are not allowed to drive the design process; nor can they be ignored. Instead, they are an important part of the dialectic always underway [sic] which the designer tries to mediate through intervention.’

Powell (1992) re-examined some of the research results that had previously been used to claim a lack of relationship between strategic planning and business performance and concluded that earlier analyses had suffered from poor method—in particular, little real difference between firms’ strategic management. But where this was present, a relationship with business performance was demonstrable. Lam and Schaubroeck reconnect planning and strategy by pointing out:

Planning is critical to strategy because it identifies gaps in capabilities which would prevent successful implementation; surpluses in capabilities that suggest opportunities for enhancing efficiencies and responsiveness; and poor utilisation of highly valued organisational resources because of inappropriate HR practice (Lam and Schaubroeck 1998).

Human Resources

Whilst there can be little question that strategy that includes planning informed by a long term perspective is important to business performance, the place of human resource management, and hence training, within business strategy has remained much more a matter of debate.

One constraint on research has been, as noted above, the dearth of enterprises that have treated human resource management as a strategic issue. Another has been uncertainty about what to measure (Ulrich 1997). The result has been that very few studies have looked at human resource practices, business strategy and business performance together.

One of the first to explore a relationship between organisational strategy and human resource practices was that of Jackson, Schuler and Rivero (1989). Based on questionnaire returns from 156 US firms across forty industry sectors, they found that enterprises pursuing a strategy based on innovation were less likely to offer incentives

and more likely to offer security of employment to their workers than those that were not. They were also more likely to train.

A particular line of research has concerned 'high performance work practices', also referred to by other terms such as 'innovative human resource practices' and 'high involvement work practices', ('work practices' are not always distinguished from 'human resource practices'). High performance work practices have been those that have increasingly been adopted by firms moving away from more traditional production systems, and that appear to deliver greater productivity (typically: total quality management, job rotation, job sharing, self-managed teams, flexitime, performance-based incentives). These might or might not be complemented with rigorous recruitment processes and a strong emphasis on training and development. Studies have mainly focused on manufacturing with some especially on 'flexible production' (as distinct from mass production) or 'lean manufacturing' (low inventories, work in progress and/or stocks). This line of research may be combined with investigation of 'internal and external fit'. The term 'internal fit' is used to mean complementarity between a set of closely-related practices, typically human resource practices; 'external fit' is used to refer to alignment between them and another aspect of the organisation, usually the business's strategic objectives or mission.

A particularly influential study has been that of MacDuffie (1995). From his survey of over sixty US automotive assembly plants he concluded that innovative human resource practices affect performance collectively, as a 'bundle', rather than individually—internal fit benefited organisational effectiveness. The level of benefit appeared to be greater 'when they were integrated with policies under "the organisational logic" of a flexible production system' rather than under mass production. Hence, the research provided some support, also, for external fit. However, MacDuffie questions whether external fit means that, given the right 'bundle', mass production should have proved to have been as effective as flexible production because, if not, technological diffusion would have resulted in displacement of mass production. But there are many barriers to diffusion that create 'lock-in', including established procedures, a niche market with a satisfactory level of return, the tacit nature of much 'process' knowledge, and investments in plant and equipment. In our view, there is no reason to think that, under optimal conditions of fit between human resource practices and business strategy, different production systems should deliver equal levels of business performance. Ichnowski, Shaw and Prensushi (1997) also conclude, from panel data on 36 steel finishing lines in seventeen US companies, that complementarities exist between innovative human resource practices. In both pieces of research, extensive training was identified as one component of the bundle of innovative practices.

Ulrich (*ibid.*) reviews studies that have provided inconclusive evidence for a relationship between particular aspects of human resource practices and business performance: collectively they lead to no clear-cut conclusion. However, his earlier research across nearly one thousand enterprises and many different sectors had found support for a relationship (Yeung and Ulrich 1990). Alignment of human resource practices and strategy appeared to have had a positive impact on business performance, with the level of impact in conditions of low change in the environment being very small, but in high change being quite considerable. In addition, Ulrich relates other research that showed that firms tend to use human resource practices in

different ways to achieve different objectives—such as monitoring and control, increased identification with the firm, or employee sense of achievement (Ulrich 1997). On the basis of results from a survey of Canadian enterprises that had implemented a performance management system, Barrette and Ouellette (2000) conclude ‘the more the strategic elements are integrated into the performance management system, the greater the increase in competitiveness, competitive position and the survival of the organization. Moreover, the results show that the increase in the coherence of HRM systems with the performance management system is linked to an increase in the organization’s competitive position.’

Huselid (1995), who focused on firms with so-called high performance work practices, combined financial information from a US data base for over 900 US firms with responses from mailed questionnaires. He found some evidence for complementarity between human resource practices as employee skills, organisational structures and motivational factors but none for ‘fit’ between them and business strategy or conditions in the external environment. Whilst he was unable to demonstrate ‘bundling’, he found that those firms with a greater number of practices tended to have greater productivity and financial performance, with lower employee turnover. He acknowledged that his method may be masking relationships and ‘the theoretical arguments for internal and external fit remain compelling’. Moreover, Purcell (1999) provides a detailed critique of Huselid’s method, claiming that it would not have been a suitable one to detect external fit, had it been present.

Some recent research has looked more closely at the place of training amongst work practices—multi-tasking, team work, quality circles and briefings (Whitfield 2000). Whitfield assumes these to be indicative of a high performance work system. His study draws together two UK national data sets—the 1990 British Workplace Industrial Relations Survey and the 1990-91 Employer Manpower Skills Practices Survey and concentrates on establishments that trade. His findings suggest that establishments that had all work practices were much more likely to provide large amounts of training than those that did not have them all. Those with the bundle of so-called high performance work practices appeared more likely to focus training on key workers rather than distribute it more broadly, than did those employing more traditional practices. His findings contrast with those of Osterman (1995), who found that it was quality practices that led to more training whilst team work and multi-tasking had little explanatory power.

A study that has investigated human resource practices, performance, and internal and external fit in a service industry is that of Hoque (1999). Over two hundred medium-sized and large hotels in Britain were grouped as cost reducers, quality enhancers or ‘other’ based on their claimed business strategy. Depending on the number of human resource practices they employed they were classified as ‘high HRM’, ‘medium HRM’ and ‘low HRM’. Practices were ones which would be expected to impact positively on attitude as well as performance. They included, amongst other things, at least a minimum period of training annually for all personnel, and efforts aimed at development of a learning organisation. Respondents were asked to rate hotel performance in terms of labour productivity, quality of service and financial performance relative to the industry average. For the ‘quality enhancer’ groups, the level of HRM impacted positively on performance as both quality of service and financial performance. For the ‘other’ group, it was positively associated with labour

productivity and financial performance. But for cost-reducers there was no relationship. Hotels with fourteen or more human resource practices were also grouped on the basis of whether or not practices were strategically integrated with each other. Hotels in the group for which practices were integrated, out-performed those where they were not, on all three measures. The results suggest, for hotels at least, that where competing on price is the market strategy, investing in upgrading human resources has little benefit. But where the aim is to compete on characteristics such as quality, cleanliness, or client responsiveness, albeit perhaps along with price, then both internal and external fit are important factors.

The Notion of Idiosyncratic Contingency

In trying to make sense, collectively, of these various pieces of research, a number of observations can be made. There is good evidence for internal fit—various human resource practices and work organisation practices can reinforce each other in benefiting business performance. For businesses with almost identical output in a shared market, a particular set of practices at a point in time may appear to constitute something approaching ‘best practice’. And where quality and innovation are important to that market, it probably involves substantial training, multi-skilling, job rotation, problem-solving groups and the like. For such businesses there is evidence too, of external fit—where practices are addressed in the context of business strategy, performance is further enhanced. Equally, there appear to have been instances where there has been nothing approaching ‘best practice’ for businesses operating in similar markets. But here, too, there has been evidence for external fit—business performance benefits further where human resource and work practices are integral to business strategy.

Hence, it seems that a key factor in optimising business performance is the link between strategic objectives and practices, rather than the adoption of a set of practices *per se*. The ideal set of practices will be **contingent** upon the **idiosyncratic** characteristics of the enterprise—its unique combination of internal and external circumstances. Those referred to as high performance practices may serve many firms well, if the circumstances are ones in which they positively reinforce each other as a subset of business strategy. Becker, Huselid, Pickus and Spratt (1997) coin the term ‘idiosyncratic contingency’, in reference to the effect that HRM exerts on business performance, such that ‘HRM systems only have a systematic impact on the bottom line when they are embedded in the management infrastructure and help the firm achieve important business priorities’. They see idiosyncratic contingency as providing competitive advantage because imitation may not only be difficult for competitors, but inappropriate, given their different circumstances. Purcell, who is also of this view, explains:

Idiosyncratic contingency is especially interesting since it is based on the twin issues of path dependency and causal ambiguity...the numerous, subtle and often hidden interconnections between contingent factors make the experience of every organisation unique in time and place, and thus, ‘imperfectly imitable’ ...Path dependency draws attention to the emergent nature of strategy and, therefore, the fact that what came before is a powerful force on what comes after...The implication of all this is that it points to uniqueness, to no

one best path and to a focus on the individual organisation in a given sector or industry. While there may be a limited number of policy combinations in a configuration of HR systems and the deployment of non-human resources, the precise mix can never be predicted or assured (Purcell ibid.).

Becker and colleagues also refer to ‘deadly combinations’ and ‘powerful connections’ of circumstances and actions:

These same Deadly Combinations and Powerful Connections will probably not be present in every firm, or even most firms. Indeed, if these synergies and unintended consequences are idiosyncratic there will be no one common organizational experience, or right answer; however the only way that any organization can hope to identify the HRM system that is appropriate to it is to adopt a system perspective. This means that business priorities drive the development of the HRM system, and the evaluation of any element...is always considered within the context of other elements of the system and the business priorities of the organization (Becker et al. Ibid.).

Seemingly then, amongst a group of competing firms, the more successful in terms of business performance are likely to be those in which training and other human resource decisions are part of business strategy that is uniquely geared to the business’s particular circumstances.

THIS RESEARCH

A National Research and Evaluation Council-funded project provided us with the opportunity to explore with some Australian firms, whether the effectiveness of training, as measured by labour productivity, could best be explained as contingent upon the idiosyncratic circumstances of the enterprise by being integral to business strategy. Because this was not the primary purpose of the research we are able to gain only some preliminary insights. But they may provide a basis for further, more in-depth research.

The primary purpose was to evaluate the use of comparative case studies as a method for demonstrating a relationship between training investment by firms and their labour productivity. A lengthy program of research based in the UK by Sigmund Prais and colleagues, employing inter-country comparisons of similar enterprises (summarised in Maglen and Hopkins 1998), had shown productivity differences to mirror differences in levels of vocational qualifications. Those differences were considerable and had much to do with the contrasting VET policies of the countries concerned. We, on the other hand, sought to explore intra-country differences, and not in formal qualifications, but in training expenditure. Whilst the demonstration of a relationship was not assisted by differences in the policy environment as it was in the Prais studies, the fact that our studies were, in effect, ‘controlled’ for this, meant there was a possibility that we could detect more subtle factors at work. Our evaluation of comparative case studies as a method is due to be published shortly (Maglen, Hopkins and Burke 2000). That report also examines findings for clustering of strategic planning and innovative work practices.

In this paper, we revisit our findings to examine the relationship between training and strategy more fully. It should be borne in mind, given that our index of business performance is labour productivity, that whilst low labour productivity means poor business performance, good performance may require more than high labour productivity.

METHOD

We compared a group of seven enterprises in each footwear manufacture and wire products manufacture, and eight enterprises in each supermarkets and accommodation sections of four and five star hotels. All were located in major urban centres and all states of Australia were represented. The results for supermarkets will not be considered here because the stores were outlets of two chains and those chains were very similar in their business strategy and operation. To preserve confidentiality whilst facilitating intelligibility of the results and ease of discussion, each enterprise was allocated a pseudonym. This was done randomly, so nothing should be read into the names.

We interviewed managers, observed operatives at work and obtained employee views through questionnaires. Where possible, it was the Chief Executive Officer whom we interviewed on the matter of business strategy, planning and the place of training within business strategy. We had sought data for the three and a half financial years July 1995 to December 1998, but because some figures were missing, we resorted to calculating averages for training expenditure and labour productivity. And, regrettably, two of the wire products manufacturers proved unable to supply the quantitative data.

RESULTS

Footwear

Figure 1 shows that labour productivity as dollar value added (sales minus materials) per hour of labour strongly correlated with the average expenditure over a year on training per person at the non-management level. There was a somewhat higher correlation between productivity and training expenditure for the same year than for the previous year, in line with training having delivered the increased productivity, not the other way around.

Table 1: Strategy Planning and Training—Footwear Manufacturers

| Enterprise | Strategy Planning | Strategy/Objectives | Training |
|-------------------|--|--|--|
| Ecstasy | Strategy planned 5 years out: operational plan increasingly a sub-set of strategy. | <ul style="list-style-type: none"> • Efficiency; - being replaced by quality and service • Expansion • Superior technology and HRM systems | Development plan for pers strategy plan. |
| Caress | Vision document: one year business plan as sub-set of vision document. | <ul style="list-style-type: none"> • Flexibility • Total systems approach • Low response time • Value for money • Niche focus | Integral part of strategy. A have Personal Development |
| Felicity | Strategy planned 5 years out: operational plan a sub-set of strategy. | <ul style="list-style-type: none"> • Brand association with quality • Continuous improvement • Increased market share | Training based on needs o link to strategy indirect on |
| Anodyne | Strategy planned 5 years out: being replaced by annually reviewed rolling 5 year plan. | <ul style="list-style-type: none"> • International brand • Responsiveness through stock in hand • Maximising return on | Skills profiling of individu will meet strategic require |

| | | investment | |
|---------|---|--|---|
| Glamour | Strategy planned 5 years out: operational plan a sub-set of strategy. | <ul style="list-style-type: none"> • Quick response time • Continuous improvement • A happy, safe and contented workforce | Series of training strategies strategic plan. |
| Dream | Goals set by parent company | <ul style="list-style-type: none"> • Quick response time • 'Value-added management' system • To be at 'leading edge'. | No human resource development planning. |
| Bliss | Production driven by requirement to put set number of lines onto market annually. | <ul style="list-style-type: none"> • Brand positioning | No human resource development planning. |

Table 1 provides information on business strategy and its relationship to training. Enterprises are listed in order of labour productivity levels. Given that strategy concerns both the overriding objectives of an organisation and the means whereby it proposes to achieve them, except for return on investment (common to all firms) both have been shown in the second column.

It can be seen that the better performers planned at a strategic level; moreover, for the two best performers and one other, training was integral to strategy.

In undertaking more detailed comparisons it must be borne in mind that Ecstasy and Anodyne were in the heavier shoe market and so should be distinguished from the rest, that competed in the mid-range women's fashion shoe market. Both Ecstasy and Anodyne produced what were, visually at least, high quality products; they both had quality accreditation and sold under brand names well-recognised in the market. Ecstasy was committed to traditional production lines with up-to-date equipment and operators with a strong general education and highly skilled in their specialty. This appears to have delivered the efficiency to which its strategy was directed. But it also had a high turnover rate amongst personnel. As it moves to an overriding emphasis on quality and service, retention may become more important and require some change in strategy.

Amongst the women's shoe manufacturers, Caress was by far the most strategic in that it conformed most closely to current thinking on business strategy. Its vision document consisted of a single page that gave direction to all parts of the organisation and was aimed at optimising responsiveness within the niche the company had chosen. Consistently, of all the firms studied in the research, it also came closest to being a knowledge-based organisation. For instance, managers were expected to know every other manager's job by periodically working together, and all personnel met monthly where developments were shared and discussed. It and two other enterprises, Felicity and Glamour, had moved to team-based production. Caress was furthest down the path to having self-managing teams. Furthermore, training was very

consciously being directed at equipping personnel to be able to work in this way, through an emphasis on inter-personal skills.

In summary, our findings with footwear manufacturers provided good support for idiosyncratic contingency—the best performing enterprises as measured by labour productivity planned and operated strategically with training an integral component of strategy, whilst the poorest performers lacked these characteristics.

Wire Products Manufacturers

Wire products manufacturers have two main types of product—springs and wire mesh. The automotive industry is a major purchaser of the former and the food industry of the latter. Labour productivity as value-added per hour against training expenditure per annum per member of non-management personnel is shown in Figure 2. The scatter of points suggests two possibilities—either labour productivity is unrelated to training, or there are two populations, for one of which training is a factor.

Table 2: Strategy Planning and Training—Wire Products Manufacturers

| Enterprise | Strategy Planning | Strategy / Objectives | Training |
|-------------------|--|---|---|
| Adept | Strategy planned 5 years out addressing products, processes and equipment. | <ul style="list-style-type: none"> • Specialist personnel skilled in quality, innovation, customer service • Make own machinery where practicable | <p>No planning as such.</p> <p>Twice yearly assessment of job performance, plus career plans inform training decisions.</p> |

| | | | |
|-------------|---|--|--|
| | | <ul style="list-style-type: none"> • Satisfied personnel | |
| Brilliant | Strategy and operation planned 2 years out. | <ul style="list-style-type: none"> • Low overheads • Large inventory holdings • Quick response time • Comfortable life for owners | No planning. Skills p ensure all personnel s machines. |
| Crackerjack | Strategy planned 5 years out. | <ul style="list-style-type: none"> • Consistency in quality and service • Ongoing technological change • Continuous improvement in profitability • Meeting customer expectations | No planning. Team l basis of need. |
| Elan | Production planning 3 years out. | <ul style="list-style-type: none"> • Skilled personnel including in use of 'high tech' machines, supported by 'low skilled' labour whoa are able to move around floor • Loyal personnel | Analysis of production determine training de |
| Dazzle | Three year strategy planning at company level; one year factory operation plan. | <ul style="list-style-type: none"> • Brand synonymous with quality and reliability • Casuals employed to meet peak demand • Become a one-stop shop | Strategic level - man training only. Floor level - on basis appraisals. |

Table 2 shows strategy planning to have been undertaken by all except Elan, but none addressed training as a component of strategy planning. Albeit, Adept and Brilliant, in particular, appeared to have been addressing skills in ways that could be said to conform to idiosyncratic contingency. Adept sought to recruit already highly-skilled personnel at other than labourer level. Personnel then were expected to self-teach on-the-job when a new process or piece of equipment required it, and/or undertake a publicly-funded module or course at TAFE if needed. Indeed, it seems that strategy planning did not need to address training, as possession of high-level skills by personnel was already the major strategy. Brilliant was the only truly small business in the research program (and only included in the study because of our inability to gain sufficient numbers of medium to large enterprises). Its preference was to recruit for technical aptitude and completion of Year 10 at school. Recruits were then expected to become competent operators of all machines over a two-year period—a realistic option given the size of the operation. It seems that, for both Adept and Brilliant, business strategy was dealing effectively with the capability of personnel, in ways that fitted the particular circumstances.

Crackerjack had an ongoing problem in recruiting and retaining suitable personnel and was probably an exemplar of the difficulties besetting the automotive manufacturing supply sector; reducing margins was making paying over the award more and more difficult and, once skilled, labour could earn more elsewhere. Increasing automation is probably only part of the answer, as 'high tech' equipment was said to be less flexible than 'low tech', and component requirements vary over time—vehicle model to model. It might be questioned whether being 'strategic' means moving to a different niche! Indeed, that was what Elan was doing. It was in the process of moving into precision engineering manufacture, and skilling was becoming a more important strategy. Dazzle's clearly poor performance can be pinpointed to a prolonged period in a strategic void and management neglect. The factory was only starting to operate properly when we undertook the study.

It seems that idiosyncratic contingency is reasonably explanatory of findings with the wire products manufacturers we studied.

Accommodation Sections of Four and Five Star Hotels

One of the challenges we faced with studying hotels was how to measure productivity. Hotels deliver a service—or 'an experience' as one manager put it—rather than a tangible product, so value adding, whilst real enough conceptually, cannot be measured as it can be for manufacturing. Nor could we use profit figures; quite reasonably, managers were not permitted to make such information available to us. So we had to employ measures that fail to take account of costs.

On the basis of percentage occupancy there was little difference across the eight hotels. And whilst the average takings per hour of labour for the various Rooms Divisions varied considerably, there was no relationship between it and average annual training expenditure per person (we were unable to exclude expenditure on management) (Figure 3). We also measured rooms serviced per hour but succeeded only in revealing the rates set for room attendants. These reflected room complexity, which varied considerably across the group, and not only on the basis of the number of stars.

Table 3: Strategy Planning and Training-Hotels

| Enterprise | Strategy Planning | Strategy/Objectives* | Training |
|-------------------|---|---|--|
| Festive | Annual business plan. | <ul style="list-style-type: none"> • ‘Down to earth’ personnel • Location • Continuous improvement • Flexible rostering | Decided on through performance appraisal |
| Congenial | A 5 year strategy plan provides direction; an annual operational plan is updated quarterly. | <ul style="list-style-type: none"> • Skilled and loyal staff • Service, quality and value for money • Customer loyalty • Flexible rooms | Decided on through performance appraisal |
| Benevolent | Planning about 5 years out with respect to profitability. | <ul style="list-style-type: none"> • Hotel’s physical attributes • A ‘5 star experience’ | Decided on through performance appraisal |
| Eminent | Strategy planning being introduced. | <ul style="list-style-type: none"> • Friendly and willing staff • Attract develop and satisfy personnel • Client mix | Ad hoc. |
| Heavenly | Planning mainly at division level in response to general direction set by | <ul style="list-style-type: none"> • Skills and attitude of personnel | Decided on through performance appraisal |

| | | | |
|------------|---|--|--|
| | GM. | <ul style="list-style-type: none"> • Old-style hotel | to training needs and |
| Delightful | Company 5 year strategy planning; annual business plan in response includes HR and HRD. | <ul style="list-style-type: none"> • Flexibility through size • High standard of service seen as genuine and individual • Streamlining | Subset of strategy (|
| Amiable | An annual business plan provides for all aspects including human resources. | <ul style="list-style-type: none"> • Quality of personnel • Exceptional customer service • Client mix | A subset of business (left). |
| Gallant | Five year rolling strategy planning; annual feeds into divisional plans. | <ul style="list-style-type: none"> • Friendly helpful personnel • Quality product • Client mix • Up-selling • Flexibility | Subset of strategy for management only. Otherwise ad hoc. |

The hotels Delightful (D) and Amiable (A) were the only four star hotels in the study; and the former was more ‘luxurious’, in our opinion, than were a couple of the five star hotels. They were also amongst those with the lowest takings per hour of labour, but spent the most on training on a per capita basis (Table 3). Importantly, they treated training as a strategic issue. In contrast, none of the five star hotels had training of floor level personnel embedded in overall strategy, in spite of the quality of personnel being a strategic issue for nearly all of them.

From our study, it is not possible to draw any conclusions for hotels about training as part of business strategy and its importance for business performance. Had some of the five star hotels treated training in this way, and over a period of years, then it might have been possible to make inferences. It should be noted, however, that in all the hotels in the study, managers viewed training as an essential input. Without it they would have not been able to compete in a sector where margins are small and owners (usually overseas companies) demand a ‘reasonable’ level of return yearly.

CONCLUSION

Gaining empirical evidence for idiosyncratic contingency in inherently problematic—uniqueness denies clear patterns of association. Nevertheless, we believe that we have found supportive evidence. Our results suggest that there are benefits to enterprises where they develop business strategy in a way that is visionary, geared to the individual circumstances of the enterprise, provides flexibility to respond quickly to opportunities, and treats training as integral to strategy or at least as a subset of it.

Idiosyncratic contingency places responsibility for major training decisions well and truly with senior managers and requires that they are highly capable strategists. There is no getting the answer out of a book or aping so-called best practice, although written sources and observation of other organisations can be informative. It suggests,

furthermore, that good systems of communication must be in place so that training decisions are understood and effectively implemented throughout the organisation. And if people external to the enterprise are involved in design or delivery of the training, then they, too, should gain the same understandings.

In the Introduction we suggested that, if training decisions are best treated as part of overarching strategic decision-making by enterprises, then their utilisation of Training Packages is more problematic than current VET policy acknowledges. Certainly, managers recognised a need to adapt Training Packages; firms which were using Training Packages tended to be quite selective in what they drew on, and modified competencies as they saw fit. But we also found that, in the main, those judgments were made without reference to longer term, strategic objectives. It is here that the VET policy framework might provide a lead by overtly indicating the strategic significance of training. Some case studies that illustrate the **process** of training-inclusive strategy development rather than strategy itself might also be helpful.

We have not addressed possible implications of enterprise-based or enterprise-sponsored idiosyncratically contingent training for competency assessment or the assumed equivalence of awards under the Australian Qualifications Framework. Nor have we addressed how idiosyncratic contingency may impact on the interests of employees. It could be argued that the more that training aligns with the needs of the enterprise, the less portable will be the learning. But it could also be argued, on the same basis, that the greater will be the enterprise's interest in retaining the employee who is highly trained in line with the strategic needs of the organisation.

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