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Investing in Human Resource Planning: An International Study**

In this paper we study drivers of firms' human resource planning practices. This is done by analyzing two central parts of personnel planning, formal HRM strategies and analyses of competence development needs. Data collected from 3,877 firms in 21 countries are applied in the analysis. Nine out of ten firms conduct analyses of needs for competence development to some extent, while every second firm in the sample has elaborated a formal HRM strategy. Results indicate that resources (size, having an HRM department and corporate affiliation) and to some degree cost-benefit considerations are the main determinants of these human resource planning arrangements. Moreover, institutional factors have an impact on firms' use of competence needs analyses.

Key words: **human resource planning, HRM practices, strategy**

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Introduction

A firm's human resource planning (HRP) comprises the strategies and routines it has elaborated in order to be better prepared to analyze and develop its human resources, and depends on the extent to which it invests attention and effort in elaborating these strategies and routines. We assume that such investments in HRP increases the firm's capacity to plan deployment and development of competencies for organizational ends. In this paper we focus on two vital aspects of the firm's HRP: Whether the firm has implemented a formal human resource management (HRM) strategy or not, and to what extent the firm has routines for the analysis of training and development needs.

While previous research has focused on the performance outcomes of human resource practices (Blundell et al. 1999; Huselid 1995; Delaney/Huselid 1996), less effort has been devoted to understanding why firms invest in such practices in the first place (Ethiraj et al. 2005; Gooderham et al. 1999; Larsen 1994). Likewise the resource-based view of the firm focuses on the quality of resources owned or controlled by the firm, rather than on the firm's investment in capacity to manage such resources. Both from a practical and a theoretical point of view there is a relative dearth of knowledge about the firm-specific preconditions enabling or encouraging the firm to invest in HRP. While the growing body of empirical evidence regarding HRM practices and policies offers clear managerial implications, HRM is merely one of several functional areas competing for scarce resources such as time, attention and money (Cyert/March 1963; Winter 2000). Accordingly, a more complete picture of HRM in a wider organizational context requires that the costs involved in implementing specific HRP and the constraints on the firm's allocation of resources to HRP are taken into account.

In this paper we investigate HRP as deliberate investments of time and money, as well as managerial attention and effort. Specifically we focus on two readily observable indicators of the firm's investment in HRP: having elaborated a formal HRM strategy and conducting analyses of competence development needs. Together, the presence of these in the firm indicates that the firm dedicates resources to the strategic management of its human resources.

Although our point of departure is a notion that the existence of such a formal strategy and the use of such analyses are indicators of the firm's deliberate investment in HRP, external institutional pressures may also be important in the adoption of organizational practices (Rumelt et al. 1994; Scott/Christensen 1995). On this basis we include relevant indicators to account for institutional processes in our analysis.

Based on data from 3,877 firms in 21 countries we analyze patterns of HRP practices. We investigate a set of determinants of HRM strategy and needs analysis practices in Europe, neighbouring countries, and the wider Anglosphere (Canada and New Zealand). Contrary to what could be expected, these data show that there are considerable variation in practices across and beyond Europe.

HRM policies and practices

While intangible resources such as employee competences are important for performance and competitive advantage, they are largely "static" assets whose value critically depends on the firm's capacity to develop and deploy such competence resources (Amit/Schoemaker 1993: 35). HRM practices and policies used in implementing strategy is the basis for human resources' considerable contribution to performance (Ichniowski/Shaw 1999; Huselid 1995). Becker and Huselid (2006) accordingly call for efforts to open this black box by developing empirical measures of these intermediate processes. Ray et al. (2004) similarly argue that intermediate processes related to functional areas (rather than ultimate firm performance) are appropriate dependent variables in empirical research within the resource-based view.

The emphasis in resource-based theory is on the deployment and protection of valuable competences rather than on the firm's ability to develop these over time (McEvily et al. 2004). Human resource planning that enable the firm to implement strategic competence development should therefore be in focus in addition to the actual competence resource base of the firm (Døving/Gooderham 2008). Ideally, formal HRM strategies link competence management to corporate strategy, and analyses of competence development needs link HRM strategies to developmental processes at the operational level. While a firm's HRM strategy has a broader perspective than merely the training and development of current employees, a key ingredient in such a strategy is the development of the firm's competence resources through training and workplace learning (McNamara/Baden-Fuller 1999). The presence of an HRM strategy and routines for needs analysis then indicates that the firm has invested in elaborate human resource planning.

Investing in HRP

Our point of departure is that HRM policies and practices are largely the result of deliberate investments of time and money, attention and effort. Because these resources are scarce and have potential alternative uses, we believe that incentives and resource constraints are key determinants of HRM investments. Devising and implementing HRM policies and practices may be costly and demand specific resources that are not evenly distributed among firms. The actual or anticipated benefits may also vary across firms. While cost-benefit considerations may be obvious at a theoretical level, the actual calculations are anything but simple (Ethiraj et al. 2005). Taken together, we assume that boundedly rational managers' efforts to improve the husbandry of human resources are intensified when the firm is under pressure (Cyert/March 1963; Mayrhofer/Brewster 2005).

From an alternative or supplementary perspective it can be argued that practices are implemented not so much because of assumed or proven benefits, but rather because of external institutional pressures to adopt certain standards in order to become and remain a legitimate actor in the industry and society (DiMaggio/Powell 1991; Rumelt et al. 1994; Scott/Christensen 1995; Gooderham et al. 1999). This explanation is rooted in the new institutionalism within organization theory focusing on the role of institutionalized pressures as these manifest themselves between and within firms. In many European countries, a firm's human resource practices easily become common knowledge, particularly in countries with strong unions and where work place conditions are regarded as a public issue. Firms may also exploit such public knowledge in an effort to build an employer brand or to strengthen the firm's general reputation (Martin et al. 2005). Human resource policies and practices are therefore particularly liable to institutional pressure.

In the following we consider in greater detail the constraints on investment in HRP and the assumed benefits of such investments as well as institutional factors, and on that basis we formulate hypotheses.

Resource constraints and costs

HRM is one of several functional areas competing for scarce managerial and organizational resources. Resource constraints and costs concern the firm's *ability* to invest in a specific HRM practice or policy, while the assumed benefits concern the firm's *incentive* to do so (Ethiraj et al. 2005; Makadok 2001). The next section concerns the expected effects of benefits, whereas in the current section we discuss resources and costs in terms of the presence or absence of an HRM department, scale economies and consequences of being embedded in larger corporation.

Findings from previous research highlight the role of resources. Carson et al. (2000) reported a considerable variation in difficulties and burdens of implementation on management across common managerial practices. As for management selection, Eleftheriou/Robertson (1999) reported substantial correlations between the *ease of use* and *actual use* of selection methods. These findings suggest that access to specifically trained or dedicated personnel lowers the threshold for implementing HRM practices and policies (cf Makadok 2001; Williamson 1985). This would imply that an initial investment in the form of an HRM department reduces the costs or relieves the line managers of the burden. While we assume that devising a formal HRM strategy is somewhat less affected by resource constraints than actually carrying out a detailed needs analysis for each employee, we expect that the presence of an HRM department will increase the likelihood of both. Thus we hypothesize:

Hypothesis 1a: Firms that have an HRM department are more likely to conduct analyses of needs for competence development than firms without an HRM department.

Hypothesis 1b: Firms that have an HRM department are more likely to have a formal HRM strategy than firms without an HRM department.

Moreover, and irrespective of the existence of an HRM department, large organizations tend to have a stronger internal specialization and scale economies that allow them to invest more in specialized practices as well as more elaborate policies (Jackson/Schuler 1995). Eleftheriou/Robertson (1999) reported a notable discrepancy between the selection methods that HRM practitioners would like to use and the ones they actually apply, which suggests that practitioners are unable to establish the most desirable practices because of budgetary restrictions or cost considerations. Schmitt/Sadowski (2003) found costs or scale economies to be associated with the use of compensation and training practices and concluded that a cost-minimization approach is well suited to explain HRM and industrial relation practices. Terpstra/Rozell (1993) found similar effects of firm size with regard to personnel assessment. While we assume that devising a formal HRM strategy is somewhat less costly than actually carrying out a detailed needs analysis for each employee, we expect that the presence of an HRM department will increase the likelihood of both. Based on this reasoning we will expect that:

Hypothesis 2a: The larger the firm, the more likely it is to conduct analyses of needs for competence development.

Hypothesis 2b: The larger the firm, the more likely it is that it has a formal HRM strategy.

Along the same line of reasoning our conjecture is that a firm which is part of a larger corporation may draw on specialized, common resources. Uniform practices throughout the corporation contribute to scale economies by dispersing fixed administrative costs on a larger number of employees (Schmitt/Sadowski 2003). We therefore hypothesize that:

Hypothesis 3a: Subsidiaries are more likely to conduct analyses of needs for competence development than independent firms.

Hypothesis 3b: Subsidiaries are more likely to have a formal HRM strategy than independent firms.

Benefits and incentives

It can be argued that decisions to invest in HRP practices and systems are not solely dependent on cost considerations or the organizational resources already available. We believe that it also depends on the actual or perceived benefits of more elaborate approaches to HRM. There is hence a trade-off between improved husbandry of human resources on the one hand and the cost of the HR management processes involved on the other.

Previous research has shown that the benefits of improved training and development depend on the variability in job performance (Schmidt/Hunter 1998). Performance variability tends to be substantially larger for managerial and professional jobs than for unskilled and semi-skilled jobs. This implies that the benefits from using more sophisticated practices and policies in the firm's HRM depend on the prevailing types of jobs in the firm. We therefore expect that organizations with a large proportion of professionals will tend to invest more in formal and elaborate HRM practices and policies:

Hypothesis 4a: The greater the proportion of professionals in a firm's work force, the more likely it is to conduct analyses of needs for competence development.

Hypothesis 4b: The greater the proportion of professionals in a firm's work force, the more likely it is to have a formal HRM strategy.

Although there may be considerable benefits from using sophisticated HRM practices, the motivation to pursue these benefits is a crucial factor. Prior success makes managers so complacent, so content with status quo, that they will not see the need to implement changes (Cyert/March 1963; Miller/Chen 1994). Similarly, Greve (2003) found that high performance caused low asset growth. Such "lazy" firms are typically found in protected environments that are largely insulated from any threat related to international competition.

Firms operating with a comfortable slack may not be motivated to invest additional time and effort required to implement novel practices for HRM in order to increase the slack (Levinthal/March 1993; Mayrhofer/Brewster 2005). Thus, we reason that more sophisticated HRM practices and policies will be more common in firms operating under international competition at home or abroad (Bae/Rowley 2001; Miller/Chen 1994). Competing internationally frequently entails greater uncertainty which necessitates a more intense husbandry of resources in general and human resources in particular. In addition, operating on the international scene widens the scope of managerial tasks often entailing cross-national mobility of personnel which in turn demands a more thorough approach to HRM. The reasoning above leads to the following hypotheses:

Hypothesis 5a: The more international a firm's market is, the more likely it is to conduct analyses of needs for competence development.

Hypothesis 5b: The more international a firm's market is, the more likely it is to have a formal HRM strategy.

Institutional and political processes

While costs and market benefits may influence the extent of investment in HRP, there may at the same time be powerful non-market or institutional factors at play. Such factors imply that HRM practices and policies that are effective in one country may be inappropriate or ineffective in another context (Giardini et al. 2005; Gooderham et al. 2004; Gooderham et al. 1999). Among the factors that have been highlighted in the research literature relating to the dissemination of similar HRM practices among firms through more or less mimetic processes or legal constraints, are the existence of HRM departments, the growth in the number of companies operating across national borders, and the coercive and normative influence of trade unions and employer associations (Nordhaug 1994; Scott/Meyer 1994).

Multinational corporations (MNCs) can be effective vehicles for the diffusion of HRM practices (Fenton-O'Creevy et al. 2005; Kostova/Roth 2002; Quintanilla/ Ferner 2003). MNCs are generally large and compete worldwide, and therefore tend to adopt the most sophisticated management techniques. Moreover, corporate headquarters frequently have a propensity or desire to implement uniform practices throughout the corporation irrespective of national boundaries (DiMaggio/Powell 1991). The multinational corporation's HRM practices have, however, evolved in a cultural and institutional environment that may be specific to the country of origin. If the corporation imposes its idiosyncratic practices overseas, the corporation may lose legitimacy in the foreign location and may even get into overt conflict with locals and local employees. Consequently there is a tension or a trade-off between the internal environment of the corporation and the larger environment in the host country.

Many MNCs originate in the USA, and this is also where a large part of the research on and innovations within the field of management practices has been produced (Jackson/Schuler 1995; Mayrhofer/Brewster 2005). While the institutional environment in the host country constrains the behavior of the MNC, particularly in the area of HRM (Rosenzweig/Nohria 1994; Sparrow/Hiltrop 1997), there may at the same time be strong country-of-origin effects in the sense that the MNC imposes policies on subsidiaries or subsidiaries adopt country of origin practices in order to look good in the eyes of the parent company (Giardini et al. 2005). It can be assumed that the country-of-origin effect is prominent in the case of US MNCs. Having been part of the dominant and most dynamic economy for decades, US companies are frequently regarded as models for other countries. Companies and countries that want to "catch up" will accordingly be inclined to adopt American-style practices (Brewster 2004; Sparrow/Hiltrop 1997). We therefore expect that subsidiaries of US companies will tend to use more elaborate policies and practices in their HRM:

Hypothesis 6a: Subsidiaries of US corporations are more likely to conduct analyses of needs for competence development than other firms.

Hypothesis 6b: Subsidiaries of US corporations are more likely to have a formal HRM strategy than other firms.

In the European context, one obvious source of institutional pressure to ensure that HRP systems are in place, stems from the relations between employers and trade unions, the latter seeking to ensure the long-term employability and equal treatment of its members. Formal strategies and elaborate HRP practices may therefore be in the interest of trade unions. Unions may also have a key role in acting as the collective voice of employees thus transmitting relevant information about employee preferences to managers. Previous empirical research indicates that unionization is positively associated with a more formal approach to HRM in general (Ng/Maki 1994). We assume that the greater the proportion of unionized employees, the greater the impact of trade unions on company policies and practices. Consequently, we expect that unionized firms are more likely to have a formal approach to HRM:

Hypothesis 7a: The larger the proportion of unionized employees in a firm, the more likely it is to conduct analyses of needs for competence development.

Hypothesis 7b: The larger the proportion of unionized employees in a firm, the more likely it is to have a formal HRM strategy.

While the focus of research in this area frequently is on unions, industry and employer associations can also be important sources of information about business practices as well as salient reference groups. Membership in such an association would thus increase the firm's propensity to have more elaborate HRM practices:

Hypothesis 8a: Firms that are members of an employer association are more likely to conduct analyses of needs for competence development than firms without such membership.

Hypothesis 8b: Firms that are members of an employer association are more likely to have a formal HRM strategy than firms without such membership.

From the very outset of institutional theory, the importance of the time aspect has been at the forefront. Rules and routines that typically permeate older organizations may make changes of policies and practices difficult (Selznick 1949). Due to the fact that the attention paid to competence resources in firms has increased strongly during the last couple of decades (Carson et al. 2000), many related HRM approaches and practices will be regarded by older firms as too novel and therefore being in conflict with their embedded practices. For this reason we expect that companies that have been established fairly recently are more likely to employ elaborate methods than older firms:

Hypothesis 9a: Older firms are less likely to conduct analyses of needs for competence development than recently established firms.

Hypothesis 9b: Older firms are less likely to have a formal HRM strategy than recently established firms.

Methods

Sample

The analysis reported in this paper is based on data collected in a multinational survey organized by the Cranfield network for HRM (cranet.org). Cranet is a network of business schools and universities that collaborate to conduct joint research (see Brewster et al., 2004, for methodological details, for previous analysis of these data see for instance Brewster et al. 2007). The standardized questionnaire was translated to the language(s) of each participating country and distributed to national samples of companies with 200 employees or more (100 or more in Norway). To obtain a more homogenous institutional and economic context (and limit the influence of unobserved variables) we focused on European countries. In addition to core European countries, we included both parts of the island of Cyprus, Turkey and Israel on the European perimeter and in addition two developed countries from the wider Anglosphere. While the dataset originally also included Nepal, the Philippines and Tunisia, we excluded these less developed countries. This provides a sample that is relatively varied yet exposed to comparable economic and institutional conditions. Data were collected during 2003 and 2004. Table 1 shows the number of firms by country.

Measurement

Informants answered questions regarding two ingredients of the firm's HRP: analysis of competence development needs in relation to performance appraisal, and formal HRM strategy. Competence development needs analysis was measured as yes/no responses to the following question "Is the appraisal system used to inform the following? Analysis of training and development needs." Formal HRM strategy we extracted from responses to the question "Does your organisation have a personnel/HRM strategy". Those answering "yes, written" we coded as formal HRM strategy, while those answering "no" or "yes, unwritten" we coded as no formal strategy.

Independent variables are basically factual questions regarding the organization. All firms, except those explicitly reporting "no personnel/HR dept." or reporting less than one person employed in the HR department, were coded as "HRM department in the firm." Company size was measured as the "approximate total number of people employed by the company". Whether or not the firm is a subsidiary or not is measured by yes/no responses to the question: "Is your organization part of a larger group of companies."

The proportion of professional employees is reported by the firm as "proportion of professional/technical employees (in %) of the workforce". Informants were asked to distribute 100 percent among four categories of employees: manual, clerical, professional/technical, and managers. Degree of market internationalization was measured through the question "How would you describe the main market(s) for the firm's products or services?" Responses given by five alternatives: local, regional, national, European, or world-wide. By coding these responses on a scale from 1 (local market) to 5 (global) we obtained a measure for exposure to international competition.

Whether the company is a subsidiary of a US corporation was derived from the following question: "Where are the corporate headquarters of your organisation based?"

Unionization was operationalized as the proportion of the total number of employees in the firm that are members of a trade union. Responses to the question "What proportion of the total number of employees in your organisation are members of a trade union?" were given on a scale from 1 to 6 with the following intervals: none, 1-10 %, 11-25 %, 26-50 %, 51-75 %, 76-100 %. Membership in an employers' association was measured with a yes/no answer to the following question "Is your organisation a member of an employers' association?" Finally, we calculated the age of each firm as 2003 (year of data collection) minus the year the firm was established.

Analysis

We use both HRM strategy and competence needs analysis as dependent variables in separate analyses. Because these are dichotomous variables, logistic regression is the most appropriate multivariate method. As there is no exact equivalent to the multiple correlation squared in ordinary least squares linear regression, we report both McFadden's pseudo R^2 and Nagelkerke's pseudo R^2 that can largely be interpreted similar to R^2 in linear regression. McFadden's is the proportion of model χ^2 to minus two times log likelihood for model with constant only (null model), that is, McFadden measures the improvement from the null model to the full model with all variables (Menard 2002). Although McFadden's measure mimics R^2 as calculated in ordinary least squares regression it tends to be somewhat smaller than R^2. Several independent variables are yes/no issues and accordingly used as dummy variables in the regression analyses. For dummy variables the presence of a characteristic is coded as 1 and absence coded as 0. The corresponding coefficient thus indicates the difference between firms having the characteristic and firms not having it, while controlling for other variables in the model. For size (number of employees) and age (number of years since established) we used the natural logarithm transformation to reduce the influence of extreme values and to accommodate diminishing effects of both these variables (non-linearity).

Results

Table 1 shows the use of HRM strategy and competence needs analysis by country, where the distinction is between use and non-use. It can be noted that roughly every second company had elaborated a formal HRM strategy at the time of the survey, and that close to nine out of ten routinely carry out analyses of training and development in relation to performance appraisal. This means that most companies use formal methods in their HRM, even if there is no formal HRM strategy in place. Additional analysis reveals that among firms without a formal HRM strategy, some 80 percent carry out competence needs analysis.

Table 1: HRP practices and number of firms by country.

	Percentage of firms that have or do		
Country	Analysis of competence needs	Formal HRM strategy	Sample N
Austria	91.8	33.8	147
Belgium	94.0	53.8	149
Bulgaria	89.0	42.2	82
Canada	90.4	63.1	281
Denmark	86.2	67.5	398
Estonia	93.3	48.4	75
Finland	89.1	67.9	129
Germany	89.3	37.2	196
Greece	86.0	49.7	136
Greek Cypriot	80.4	29.9	56
Iceland	76.1	70.0	46
Israel	91.1	35.7	90
The Netherlands	92.0	60.7	262
New Zealand	96.1	59.5	233
Northern Cyprus	64.7	17.5	34
Norway	58.6	64.5	29
Slovenia	61.2	63.0	129
Sweden	79.8	78.3	163
Switzerland	95.7	53.4	255
Turkey	92.3	55.0	91
United Kingdom	98.2	60.4	896
Total	90.3	56.4	3877

There is a notable variation within and beyond Europe in the use of elaborate policies and practices. In Austria and Germany, for instance, about one third of the firms have a formal HRM strategy, whereas in Denmark and Norway about two thirds have such a strategy. There are also some differences in the prevalence of competence needs analysis. About 60 percent of firms in Slovenia report that they use such methods, whereas in the UK virtually all firms in the sample do.

Table 2 compares the results of two separate logistic regression analyses. As some difference in item non-response across countries could be observed, we conducted a weighted analysis. This supplementary analysis (not shown in tables) confirmed that the results in table 2 are robust. We note that size, in terms of the number of employees, clearly predicts the existence of formal strategies. Firms having a formal HRM strategy are on average about twice as large as those without such a strategy. Corporate subsidiaries tend to have both policies and practices in place to a greater extent than independent firms. The presence of an HRM department within the organization also positively affects the use of elaborate practices. These findings support hypotheses 1 through 3 and consequently our assumption that resource constraints are important determinants of investments in more advanced HRM.

Table 2: HRP practices, logistic regression analyses.

Variable (hypothesis)	Analysis of competence needs[d]	Formal HRM strategy[d]
HRM department[b] (H1)	0.74 ***	0.76 ***
Number of employees[a] (H2)	0.00	0.20 ***
Subsidiary[b] (H3)	0.48 ***	0.19 *
Professionals (%) (H4)	0.00	0.01 ***
International market (H5)	-0.04	0.00
US corporation[b] (H6)	0.68 *	0.18
Unionization (H7)	-0.25 ***	0.07 **
Employers' association[b] (H8)	0.45 **	0.08
Firm age (years)[a] (H9)	0.07	-0.05
Model chi-square	74.47 ***	117.91 ***
-2LL	1428.88	3192.67
McFadden pseudo R^2	0.05	0.04
Nagelkerke pseudo R^2	0.07	0.06

[a]Logarithm, [b]Dummy variable, [c]Percentage of employees, [d]Regression coefficients
*p<0.05 **p<0.01 ***p<0.001 (one-tailed), N=2451

The proportion of professionals seems to increase the firm's propensity to implement a formal HRM strategy (hypothesis 4b). We also reasoned that firms disciplined by exposure to global competition would be willing to invest in more costly HRP. The results do not support this latter assumption (hypotheses 5a and 5b). Taken together these results lend limited support to our hypotheses about cost-benefits considerations as the drivers of firms' implementation of formal methods.

Membership in an employers' association also tends to increase the propensity to carry out needs analysis (hypothesis 8a), but the corresponding hypothesis 8b is not supported. According to these results, US-owned companies do not differ from other companies with regard to HRM strategy (hypothesis 6b), but they do have a greater tendency to use competence needs analysis in conjunction with performance appraisals (hypothesis 6a). The age of the firm is apparently not related to HRP as measured in this study and we do not obtain support for hypotheses 9a and 9b. Surprisingly, unionization is negatively associated with the propensity to carry out competence needs analyses (hypothesis 7a), while being positively associated with the inclination to develop a formal HRM strategy (hypothesis 7b). These findings lend weak support to our expectation that institutional processes are involved in the decision to implement formal policies and practices. It should, however, as discussed above, be noted that the presence of an HRM department might also create institutional pressure. Taken together there is some support for the assumption regarding institutional pressure.

Discusion and Conclusions

Contrary to the basic proposition that firms converge towards a common set of best practices, the data show that there are notable variations across countries. Our analyses revealed that this variation to some extent can be attributed to the institutional environment in which the firm is embedded, for instance affiliation with an employer association or with a US corporation.

The implementation of formal HRM strategies is more common in highly unionized companies, while the opposite is true for the use of competence needs analysis. Unions generally favor collective, rather than individualized arrangements. A formal HRM strategy is likely to improve the predictability for employees since company policy is made public and in writing. In this way, a formal HRM strategy is more a collective arrangement than an individualized one, and may even be an issue in scheduled negotiations between unions and employers that are common in many European countries. Analysis of training and development needs, on the other hand, is tailored to the individual employee, particularly when carried out in conjunction with performance appraisals. This type of individualized arrangements may not after all be in the interests of the trade union (Ng/Maki 1994), which can be illustrated by the union opposition against the introduction of individual performance appraisals and rewards in for instance Norway (Røvik 1998) and France (Hegewisch/Larsen 1996). Our results do, however, contradict Ng/Maki's findings that unions oppose the use of performance appraisal in general and particularly with regard to salary and promotion decisions, but unions do not oppose the use of appraisal results for developmental purposes.

In our discussion of institutional factors it was implied that these are merely constraints or taken-for-granted assumptions about business practices. This implies that more effective practices would be available if the company could ignore constraints or if the company could break out of the taken-for-granted straitjacket. Particular practices may, however, not be universally effective, but rather depend on congruence or compatibility with local context in order to be effective (Newman/Nollen 1996). These results by Newman/Nollen suggest that there may not be any universally best practices, but rather that the effectiveness of practices is contingent on the organization's external context. Viewed from this perspective, adaptation of norms and adjustment to institutions can be regarded as functional, as suggested by Newman/Nollen's study.

We argued that resource constraints could be key determinants of the firm's investment in developing its HRP. The size of the firm, measured as the number of employees, is a key determinant of firms' HRP practices. The findings reported here, including the positive effect of having an HRM department, lend support to this assumption. We also obtained some support for the assumption that cost-benefit considerations are involved.

However, the expansion of activities in relation to HRM departments might also be interpreted as a political-institutional phenomenon (Scott/Meyer 1994). Firms can acquire and maintain external legitimacy through hiring HRM specialists, whose task it is to monitor that legal and moral regulations are not violated. These specialists are in turn likely to seek to build their own internal power base in the firm by propagating the importance of human resources and by adopting and developing sophisticated HRM practices and policies (see e.g., Dobbin et al. 1993; Nordhaug 1994). The HRM specialists may extend their own power bases within their firms by emphasizing the importance of their work and expertise. Our findings are inconclusive in this respect. The most realistic answer may be that both mechanisms are operating simultaneously.

Our data include samples from a number of European countries as well as advanced economies beyond Europe. We therefore believe that the results reported here can be generalized to a variety of contexts. At the same time, however, the moderate heterogeneity of country contexts increases the risk of spurious relationships related to unobserved variables. While we are primarily interested in what happens within the individual firm, our sample is multinational and may thus include variation related to country. Our analyses uncover interesting patterns, but account for only a modest amount of the total variation in HRP practices. Some of this unexplained variance may be attributed to country-specific conditions, tradition for example -- what is customary and regarded as the standard way of doing things. Although an array of such factors may be highly idiosyncratic and rooted in the country's history (Gooderham et al. 1999), research can be advanced by identifying theory-based country-level variables.

Our data were collected through a self-report questionnaire. While this generally increases the risk of common method bias, all variables in our analyses concern factual and non-sensitive issues. The major threat to reliability is then the informants' ability to recall and accurately report for instance the number of professionals or the year of establishment. There is no reason to believe that information regarding for instance HRM departments or the parent companies is systematically unreliable. Our dependent variables do not cover the full extent of the firm's investment in HRP. We believe, however, that our measures to a notable extent are indicative of the firm's underlying propensity to invest in HRP. Future research might advance knowledge in this field by further developing specific measures of the firm's investment in HRP.

As there is no reason to suppose that superior HRM will cease to be among the most critical strategic assets in business organizations, there is clearly a need to provide a wider scope in the practitioner literature for a discussion of the degree to which firms' HRP efforts is a product of an interplay of strategic and institutional conditions. In other words, managers should be encouraged to reflect on the way in which institutional factors affect the investment in HRP. While HRM departments staffed with specialists clearly enable the company to develop and use more sophisticated policies and practices, such departments may have agendas that are not compatible with the business strategy. It may well be that closing down the central HRM department and decentralizing personnel functions to line managers generate fewer HRM initiatives, but those that are generated may be more strategically relevant. On the other hand, maintaining an HRM department may result in initiatives with greater consistency and momentum, and its specialists may provide an important link to the professional HRM community at large. Considerations such as these would represent an important supplement both to the current applied corporate strategy literature and the HRM literature.

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