



PERSONNEL STRATEGY IN CORPORATE GROUPS – EMPIRICAL INVESTIGATION

Dominika Bąk-Grabowska, Agnieszka Jagoda and Katarzyna Grzesik

Wroclaw University of Economics, Poland

The growing importance of multi-entity business organizations results in the need to consider the specific nature of their functioning, both as a whole and in terms of their particular components. It is also possible by means of analyzing the individual functioning areas of corporate groups, including e.g. the personnel function, which unfortunately is not reflected either in the subject literature or in the performed empirical studies. The article discusses problems of personnel strategy construction and implementation, as well as its relations with the global strategy in corporate groups. Based on the theoretical material collected following subject literature studies the analysis was conducted regarding personnel function evolution towards the strategic management of human resources, which resulted in this function being assigned a high rank. Therefore it constitutes the background for personnel strategy creation the relations of which with the global strategy can have a different dimension. The article also presents the results of quantitative research conducted in 101 corporate groups located in the area of Poland, focused on the process of personnel strategy construction, its subject matter and its relations with the global strategy followed by the studied entities.

Keywords: Personnel function, Personnel strategy, Global strategy.

Introduction

A corporate group represents a specific entity characterized by the phenomenon of so-called double entrepreneurship. On the one hand, it is a group of capital related enterprises and on the other enterprises cooperating in order to achieve mutual economic objectives and thus, apart from capital ties, additional issues occur such as personnel, property and contractual relationships which “merge” group entities and, in fact, identify them with one economic entity. Such approach is presented both in the subject literature and in the conducted empirical studies. Their analysis indicates that the processes occurring in corporate groups are analyzed from the perspective of the entire group, its particular entities in the context of relations with other entities, or selected aspects of its functioning (such as e.g. personnel function implementation). The latter perspective constituted the initial stage for the hereby article content presentation. It should, however, be emphasized that the nature of this content also corresponds with the first above-mentioned standpoint. It was also assumed that the subject literature output in the area of corporate groups functioning and management remains abundant enough and allows for refraining from its presentation in this article.

The purpose of the article is to discuss the strategic role of human resources in corporate groups in the context of their personnel strategy construction. The presented discussion is of both theoretical and empirical nature.

Personnel Function Evolution – Towards Strategic Human Resources Management

The problems of human resources management can be discussed starting from Paleolithic era when people experienced such issues in their lives as the division of work, leadership and other organizational roles, improvement of skills, evaluation and remuneration of people. The personnel function has repeatedly changed its nature – from a typically bureaucratic role relegated to a subordinate position it continued to evolve towards the strategic partner of other organic functions within an enterprise.

In the course of recent 25 years the current personnel function structure was primarily influenced by technology transformations, relatively significant in the 80s of the previous century, which in many enterprises resulted in multiplied production and reorganized workplaces. It affected the demand for workers presenting different skills. Therefore, in the 90s the approach of entrepreneurs to human resources gained importance. It was manifested in the implementation of personnel function in an enterprise – in the available literature references it is even referred to as a chameleon function (Hope – Hailey, Graton, McGovern, Stiles, Truss: 1977, p. 5). The subject literature published in that period focused on the concept of Human Resources Management (HRM) defined as a strategic, consistent and comprehensive approach to problems related to personnel management and development within the framework of enterprise structures, whereas each aspect of the discussed process constituted a vital component in the cross-section of the entire organization (Armstrong 1996, p. 9). Such approach towards the personnel function implementation is focused on strategy related problems. Hence, one can even claim that strategic orientation is ingrained in HRM concept itself. At this point attention is paid to feedback between organizational culture and the general strategy of an enterprise, as well as its personnel strategy which justified yet another reorientation in the area of personnel function and the emergence of Strategic Human Resource management (SHRM). The essence of the latter is to move Human Resources Management from the strictly administrative role exhibited in its “personnel” days to one that may be seen as critical in facilitating firm success (Dutch: 2013, p. 9). Turbulent changes in the environment of organizations affected by globalization processes, rapid technological progress and innovations, short life cycle of products and services resulting in the changeability of consumer preferences are listed among the reasons for assigning a strategic dimension to human resources. Strategic Human Resources Management is defined as the pattern of planned human resource deployments and activities intended to enable an organization to achieve its goals (Wright and McMahan: 1992, p. 298, Huselid, Jackson, Schuler: 1997, p.171-187). Numerous publications discussing SHRM based on empirical studies confirm that the concept implementation may result in organizational performance and competitive advantage (Huselid, Jackson, Schuler: 1997, p. 171-187, Collins and Clark: 2003, p. 740 – 751, Purcell and Hutchinson: 2007, p. 3–20). Hence personnel function importance grows to the role of a strategic partner.

Personnel Strategy vs. Business Strategy

Conventionally, strategy making is an analytical process that rationally determines an appropriate future strategic direction with clear goals and objectives (Torben, Minbaeva: 2013, p. 810). The process of business strategy construction covers defining goals, an enterprise and its environment analysis, identifying possible directions for development and the selection of an optimal variant. The role of a strategic partner played by human resources offers their participation in this strategy construction and implementation. The latter necessitates breaking it down into smaller, manageable components – various functional and divisional units within the organization develop responses specific for their activities (Bird and Beechler, 1995, p. 26). It results in the construction of functional strategies, also including the human personnel strategy (human resources, human resources management).

It has been recognized that personnel strategy constitutes a consistent and comprehensive set of long-term principles and action plans focused on establishing and taking advantage of human capital in an organization, which is supposed to ensure achieving lasting, in its nature, competitive advantage. Therefore, in terms of its application dimension, the construction of personnel strategy is identified with

action plan forming in the area of personnel function, as well as determining the goal and direction of these activities for both personnel unit and line management. Personnel strategy should be clear and transparent, practical and innovative – it has to concentrate on company priorities along with preserving its flexibility, i.e. capacity for swift adjustment to changes, it should also be created as a result of ongoing company situation analysis and follow the direction in which the company is heading (Armstrong: 1996, p. 68).

Business strategy and personnel strategy integration offers several advantages for an organization. Firstly, it results in an extensive spectrum of possible solutions to company problems. Secondly, such integration points to human resources along with financial, technical and technological resources as key factors in the course of determining strategic objectives in an organization. Moreover, people who create an organization are assigned a comparable or higher rank than other resources. Mutual integration of human resources with the strategy of an organization means partial subordination of strategic issues to human resources and facilitates approaching people as the basic source of an organizational competitive advantage (Juchnowicz M., p. 30). Until recently personnel strategy was observed as the resultant business strategy of a company. Today, however, in the times of Strategic Human Resource Management it is claimed that there occurs mutual dependence between these strategies. Human resources constitute an initial point for presenting reasons and assumptions of the global strategy in an organization. Therefore, the relationship between personnel strategy and organizational strategy is of feedback nature.

In practice three model presentations of business strategy and personnel strategy dependence can be distinguished, namely (Pocztowski, p. 64):

- reactive approach,
- active approach,
- interactive approach.

Following the reactive approach personnel strategy is observed as subordinate against the general strategy, i.e. a unilateral human resources adaptation to the previously defined strategy of company operations is assumed. Such approach favors referring to employees as the source of costs. It seems that the indicated approach is closer to Human Resources Management concept.

Active and interactive approaches reflect relationships between the general and personnel oriented strategies closer to Strategic Human Resource Management.

Active approach is characterized by the assumption that the capital ingrained in employees remains the source of winning the lasting competitive advantage by a company. Human resources are observed not only as the source of costs, but also as the component of company assets.

The final identified approach is an interactive one, which assumes mutual overlapping of business and personnel strategies and thus the need for their integration. It means that the general strategy constitutes the basis for specifying goals in the sphere of human resources.

To sum up, regardless of the above discussed models' choice, personnel strategy remains an indispensable management tool in the contemporary conditions of enterprise operations.

Methodology and Results of the Conducted Research

The empirical material presented in the article was obtained in the process of nomothetic (quantity-specific) approach realization, based on surveys conducted between February and September 2013. Following the analysis of literature references, covering the problems of corporate groups' management, human resources management and the methodology of social studies, a survey questionnaire was prepared and addressed to human resources departments of holdings and the subsidiary corporate groups performing operations in Poland. Each time the survey was carried out by means of a telephone conversation. It was assumed that the interview is to be conducted in 100 randomly and intentionally selected corporate groups. In the course of random selection the adequate database was used, in particular the report published by Polityka [*The Politics*] magazine: The 500 List of Polityka – The Ranking of the

Largest Polish Enterprises, database provided by the Chambers of Commerce, the Classified Directory and the Internet. In case of the intentional selection personal contacts were used. In the course of the conducted research telephone calls were made to workers of human resources departments in companies of 458 Poland's corporate groups. 101 of them responded. Such selection scheme of holdings implied two intentions: the choice of diverse research objects (in terms of the sector, size, age, type and complexity of the group) in order to open the possibility for distinguishing particular characteristics of human resources management process in the discussed entities. The majority of enterprises included in the research sample represented the subsidiaries of Polish corporate groups (73%), 17% the subsidiaries of international corporate groups with the parent holding abroad and 10% the subsidiaries of international corporate groups with the parent holding in Poland. The majority of entities represented operational corporate groups (84%), 15% strategic and 1% the financial ones. 4 enterprises were most frequently pointed to in the group (15%), whereas an average number of subsidiaries in a group amounted to 8,4.

The collected responses provided empirically abundant material, which in the authors' opinion allows for the development of multidimensional characteristics, typical for the human resources management process with reference to corporate groups. In spite of the difficulties resulting from sample selection, in terms of its representative nature, as well as partial desirability of sampling, it was decided, following the suggestion made by E. Babbie [Babbie, p. 507], to submit the obtained results for statistical analysis - statistical significance tests. It was assumed that even if the conditions of the listed tools for statistical analysis are not fully met their usage is justified since they facilitate better understanding of empirical data. It seems, however, that the obtained results interpretation will allow for extending knowledge regarding human resources management in holdings, in the light of both domestic and international literature gap in this domain.¹

The comprehensive data, collected in the survey covering 101 corporate groups, were subject to percentage analysis and to basic tools of inductive statistics – statistical test (chi-square) and correlation coefficient (contingency coefficient). Nominal measurement scale was applied to measure the variables under statistical analysis. The statistical analysis was conducted at $\alpha=0,05$ significance level. On the other hand, the correlation strength between variables was assessed using contingency coefficient. Its value was normalized within the range [0-1] – the closer the coefficient value to unity the stronger the correlation between the measured variables.

The conducted research confirmed that 92% of the analyzed corporate groups followed the global strategy, whereas only 41% developed the personnel one. In order to review the correlation between the existence of a business strategy and the construction of a personnel one chi-square test of independence was performed. The test $\chi^2 (1,101)=0,034$, $p= 0,853$ indicated that there is no correlation between the above-mentioned strategies and thus the fact that corporate groups have business strategies does not determine their construction of a personnel one. The statistical analysis did not confirm any dependence between a business and a personnel strategy establishment. Based on further comparison with a percentage analysis a conclusion can be drawn that in the studied corporate groups human resources are not approached as strategic ones. Even if holdings have developed a personnel strategy the nature of its relations with the global strategy is reactive.

In the process of empirical research it was also decided to check the form of personnel strategy in corporate groups. In the course of identifying correlation between personnel strategy existence and its version in the form of a formal document chi-square test of independence was also applied. The test $\chi^2 (1,101)= 39,833$, $p= 0,000$ – since in this case p statistical significance is less than 0,05, it should be assumed that the correlation between variables does occur. The value of contingency coefficient equals $C=0,532$ which means that this correlation remains medium strong.

Moreover, it should be observed that the personnel strategy range covers all holding subsidiaries in only about 1/3 of corporate groups with the developed personnel strategy. In the remaining cases (85% of

¹ More information about the conducted research methodology is presented in the article Bąk-Grabowska D., Jagoda A., Zajac Cz.: The empirical research on personnel function realization in Polish corporate groups, *Actual Problems of Economics*, National Academy of Management, No. 6 (156), 2014, pp. 329-338

the analyzed economic entities) personnel strategy is constructed only for the purposes of particular enterprises or several subsidiaries in a group. In cases when personnel strategy covers all subsidiaries in a group it is prepared by:

- personnel unit employees of the parent company – 37%,
- team made up of the selected personnel unit employees in the parent company and personnel units in its subsidiaries – 34%,
- management board members of the parent company – 22%,
- team of selected management board members in the parent company and board members of its subsidiaries – 7%.

The respondents identified basic assumptions of the implemented personnel strategy. 24% of the respondents pointed to the strategy being based on the principles of “soft HR management” which was specified in the survey questionnaire by indicating such characteristics as investments in human capital, extensive social activities, preference for long-term employment, etc. In 3% cases only it was declared that the strategy was based on “hard HR management” principles and specified by such characteristics as employment costs reduction, minimizing training expenditure, preference for short-term employment, etc. In case of 73% indications the solution favoring a mixed model, based on both soft and hard HR management principles, was chosen (Bak-Grabowska D., 2015, pp. 24-32).

Conclusions

As it has already been emphasized in the first part of the study, it is the people who remain the only resource of all deciding about the level of activity and involvement in company operations and thus about its overall situation. Therefore, they are of primary importance for the company strategy implementation. Unfortunately, the presented empirical research results do not confirm such approach. They illustrate that human resources are not referred to as the strategic resource in an organization.

Having revised the subject literature in the field of strategic management it was decided that a corporate group strategy should be developed for:

- entire corporate group (global strategy),
- particular areas of its business operations (business strategies),
- specific functional areas (functional strategies – including personnel strategy).

The analysis of subject literature and comparing it with empirical research results allows for an observation that the solutions applied in corporate groups are not the optimal ones, since:

- in the majority of analyzed cases capital groups did not have any personnel strategies,
- unilateral – reactive type of dependence occurred between the general and personnel strategy.

However, only continuous interaction between the general and personnel strategy is considered an “optimal” solution, since it establishes bilateral relations between both strategies under discussion. It means that personnel strategy should not be referred to as secondary against the general one and that all issues related to human resources should be considered before the global strategy is constructed. The presented approach “forces” an organization to assign primary importance to human resources and to approach them as such in a long-term perspective. It is in opposition to passive adjustment of an organization to the changing environment – the “focus” on human potential guarantees success, people aware of representing the most important resource offer in return their flexibility ensuring its survival, development and implementation of business objectives.

Moreover, as the conducted research has indicated, the employees of human resources units in the subsidiaries of corporate groups covered by the research do not remain strategic partners in business and only in 1/3 of cases participate in personnel strategy development if such strategy has been prepared in a given group. In consequence, the particular heads of personnel units or company managers receive

just the guidelines for activities referring to management staff only, which are supposed to be executed in a given unit and the financial means (budget) which can be allocated to the implementation of tasks covering management of other employed groups. Having confronted the above-mentioned activities with the subject literature it is postulated to disseminate information about the group objectives, goals and strategy among its employees. It should make them aware of the need for their cooperation in carrying out huge challenges rather than reduce their role to just passive executors and “pawns in a game”.

In a traditional, single-level company it is the management, also functioning as management board, supervisory board and line management, which is entitled and obliged to develop both personnel and general strategy. Personnel manager should provide support and consultancy to company management in this process. This trend is worth adopting in the reality of corporate groups and allows persons responsible for human resources management in such groups to make strategic decisions for the benefit of the entire group.

The solution recommended for the analyzed corporate groups and attempting to recognize human resources as the priority component is the presented interactive approach towards personnel strategy construction. It implies that the organizational potential of an enterprise remains one of the most important factors determining strategic choices. It can be assumed that an interactive approach identifies human capital as the source of competitive advantage which decides about the entire group success. Therefore, human resources are considered fundamental for the future strategy, their analysis appears at the stage of strategic analyses and is included in the following stages of the general strategy development and implementation, which has been presented in picture 1.



Picture 1. The development of general and personnel corporate group strategy
Source: (Jagoda A., p. 127)

Personnel strategy in a group should be of synthetic nature, owing to the diversification characteristics for multilevel organizations, as well as remain clear and transparent. It has to concentrate on group priorities preserving its flexibility, i.e. capacity for swift adjustment to the occurring changes. It should be developed based on an ongoing analysis in a holding and follow the directions identified by a corporate group. In case of the corporate groups under analysis personnel strategy development should represent an integral part of the general strategy construction. In such system personnel strategy is supposed to, on the one hand, define the directions to be followed by an organization in which human resources are recognized as the key factor of success and, on the other, support the implementation of strategies in particular groups. It should also ensure active involvement of groups’ management in making strategic personnel decisions. In case of capital groups covered by the presented empirical research the position of HR managers should additionally be strengthened, since they should be treated as equal partners in the discussions concerning the group and should be involved in the development of both strategies: personnel as well as the general one.

The presented proposals, assuming primary strategic importance assigned to the analyzed corporate groups’ employees, can function as incentives for faster development of corporate groups.

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