

*STRATEGIC HUMAN RESOURCE MANAGEMENT
MODELS: A REVIEW AND A PROPOSAL FOR SOUTH
AFRICAN COMPANIES*

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In die lig van die onsekere omgewing waarbinne ondernemings in Suid-Afrika moet funksioneer, is dit wenslik dat die belangrikste hulpbron wat die onderneming besit, naamlik sy mannekrag, optimaal benut moet word. Ten einde hierdie doelwit te bereik, is 'n proaktiewe ingesteldheid van die mannekragbestuursfunksie noodsaaklik. Die metode wat in hierdie verband toegepas moet word, vereis die integrering van die mannekragbestuursfunksie met die strategiese bestuursproses van die onderneming en die ontwikkeling van mannekragstrategieë om die ondernemingstrategie te ondersteun. Verskeie strategiese mannekragbestuursmodelle om die proses te vergemaklik is reeds ontwikkel en in die literatuur beskryf. Die meeste van hierdie modelle slaag egter nie daarin om alomvattende riglyne vir die integrering van die mannekragbestuursfunksie met die strategiese bestuursproses te beskryf nie. 'n Model is vervolgens in hierdie artikel ontwikkel wat in dié behoefte sal voorsien.

1. INTRODUCTION

The important role of strategic human resource management (i.e. the linking of human resource management (HRM) practices, systems and policies with the strategic initiatives of the company) as an effective mechanism for coping with environmental change has been widely reported in the literature (Alpander, 1982; Devanna, Fombrun & Tichy, 1981; Dyer, 1983; Dyer & Holder, 1988; Hall & Goodale, 1986; Kydd & Oppenheim, 1990; Miller, 1987; Miles & Snow, 1984; Rothwell & Kazanas, 1988; Schuler, 1992; Stumpf, 1988; Tichy & Barnett, 1985; Tsui, 1987).

Although additional benefits, such as increased productivity, larger profits and a more effective workforce, will result from the adoption of the strategic approach (Misa & Stein, 1983; Nkomo, 1988), the strategic use of human resources (HR) frequently remains an afterthought.

A recent survey of companies in the manufacturing industry in the Pretoria/Witwatersrand/Vereeniging area (Grobler, 1991) showed that, while eighty-four percent of the HR Managers indicated that they were part of the team responsible for strategic decision-making, their involvement only applied to the labour relations component. It was obvious therefore that most companies were relying on short-term isolated responses to an immediate crisis rather than employing an integrated HRM strategy.

Although the traditional personnel management tasks will continue to be of value in the future, these alone will not assist a company in achieving a competitive advantage - having better strategies, products and human resources than its competitors. To achieve this goal will require more than merely the basic personnel management skills of the past.

This article offers guidelines on how the HRM function should be linked to the company strategy in order to gain the desired competitive advantage.

2. STRATEGIC HUMAN RESOURCE MANAGEMENT (SHRM) MODELS - A REVIEW

With regard to the foregoing introductory remarks, it is necessary that HR executives at all levels within the company should be active participants in the formulation and implementation of its strategies for dealing with a turbulent environment. This would consequently involve the development of HR strategies that are consonant with the organisation's strategy and culture.

According to Lengnick-hall and Lengnick-hall (1988:454) it is desirable to integrate HRM with the company strategy because:

1. Integration provides a broader range of solutions for solving complex organisational problems.
2. Integration ensures that human, financial and technological resources are given consideration in setting goals and assessing implementation capabilities.

3. Through integration organisations must explicitly consider the individuals who comprise them and must implement policies.
4. Reciprocity in integrating human resource and strategic concerns limits the subordination of strategic considerations to human resource preferences and the neglect of human resources as a vital source of organisational competence and competitive advantage.

Several SHRM models have been developed which prescribe how the company strategy and HRM should be linked (Baird, Meshoulam & De Give, 1983; Dyer, 1983; Dyer & Holder, 1988; Kelleher & Cotter, 1982; Nininger, 1982; Nkomo, 1988; Rothwell & Kazanas, 1988). However, few offer prescriptions for global HR strategies (Baird & Meshoulam, 1988:116).

Two predominant approaches to integration are found in the literature. The first is a reactive role for HRM in which strategy dictates HR policies (Ferris, Schellenberg & Zammuto, 1984; Miles & Snow, 1984; Smith, 1982; Walker, 1981 and 1988) and the second is a proactive role in which HRM is involved in the strategy formulation process itself (Alpander & Botter, 1981; Dyer, 1984; Tichy, Fombrun & Devanna, 1982).

In order to understand the SHRM models found in the literature, Dyer's model was used to classify the different types of models. Dyer (1985) suggests that two dichotomies are important to consider. The first is to separate the organisational from the functional level strategic human resource concerns and the second, to differentiate between content issues and process elements.

According to Lengnick-hall and Lengnick-hall (1988:456), content concerns specific choices such as policies and practices in SHRM, whereas process focuses on the means by which these policies and practices are derived and implemented. It became clear that content versus process distinctions prevail throughout both streams of research.

After reviewing the different models the author will propose an integrated model that is directed towards the organisational level of analysis and the process of SHRM.

According to Dyer's classification, four groups of SHRM models can be distinguished: organisational SHRM content models, functional SHRM content models, organisational SHRM process models and functional SHRM process models.

2.1 ORGANISATIONAL SHRM CONTENT MODELS

Two important models are found here, namely those of Labelle and Wils. In his investigation Labelle (1983) found that company strategy was the determining factor for the content of the organisational HR strategy and that both the content of the organisational HR strategy and the company strategy, were influenced by internal and external environmental factors. Various types of HRM practices and goals to fit company strategies were identified by Labelle. Unfortunately, however, the investigation was limited to only eleven companies from diverse sectors. A similar investigation was carried out by Wils (1984) in the USA. He identified a strong correlation between the content of the company strategy and the content of the organisational human resource strategy. However, this investigation was limited to only one company consisting of twenty-two business units. Although both studies made an important contribution to the content theory of organisational HR strategy, they did not explore the relationship between companies with a stable strategy and others with an unstable strategy to determine whether the company strategy is a stronger contributing factor of the content of organisational HR strategy in turbulent or normal times. There is also a need to investigate companies with the same company strategy but different organisational HR strategies.

2.2 FUNCTIONAL SHRM CONTENT MODELS

A number of diverse models are found in this group. As the purpose of this article is not to discuss each model in detail, only a representative number will be evaluated. In their model, Baird and Meshoulam (1988) are of the opinion that two strategic fits must be managed. The one is an external fit, where HRM practices fit the development stage of the organisation and the other is an internal fit, where the components of HRM complement and support each other. The content of the HRM practices are thus determined by the development stage of the organisation. Some of the shortcomings of this

approach are that Baird and Meshoulam (1988) see the classification of an organisation into a specific phase as too simplistic and the fact that the determination of a specific phase is also largely based on subjectivity. In their model, Miles and Snow (1984) identified three company strategies which according to them can be found in every company namely "defender" "prospector" and "analyzer". By using these strategies, Miles and Snow (1984) identified various types of HRM practices that could support them. These practices were based on information gathered throughout various types of companies in Canada. One of the biggest drawbacks of this approach is the idea that strategies are rigid and that the only flexible aspect is human resources. The last group of models found in this category are those based on the life cycle concept. Here development occurs in relatively predictable discrete building blocks of birth, maturity, decline and death. Authors like Smith (1982) and Stybel (1982) have used these building blocks to identify the content of various HRM practices. One of the drawbacks of these models is that organisations do not follow a cycle which includes death, but constantly reform and renew themselves to fit the environment.

2.3 ORGANISATIONAL SHRM PROCESS MODELS

A very large number of models can be found in this category. However, a noticeable limitation of work in this area has been the failure to take a more comprehensive view of matching the HRM function to strategic or organisational conditions. Nininger's (1982) model, for example, provided a framework to enhance organisational effectiveness through integrating the strategic planning and management function with human resources. Golden and Ramanujam (1984) adopted a similar view. Apart from these a few other studies (Baird, Meshoulam & De Give, 1983; Cassell, Hervey & Roomkin, 1985; Dyer & Holder, 1988; Dyer, 1983; Galosy, 1983; Gould, 1984; Kelleher & Cotter, 1982; Manzini & Gridley, 1986; Nkomo, 1988; Rothwell and Kazanas, Walker, 1978), little work taking a comprehensive view of the HRM function at the strategic level has been done. Although these authors provided steps for the integration and implementation of HRM in the organisation, one of the major drawbacks of these models is that they do little to overcome the problems of identifying and analysing the appropriate

information either to characterise the strategic situation or to clarify the HR manager's role under a specific set of conditions. Nor do they consider the inevitable need for change as new products and technologies enter the market place.

2.4 FUNCTIONAL SHRM PROCESS MODELS

Where the research regarding the organisational SHRM process models concentrated on the wider organisation, the emphasis in this category is narrowed down specifically to the personnel function. Odiorne's model (1984) was the only one found in this category. It seems that no large-scale systematic attempts have thus far been made to study the ways in which personnel functions determine their strategies, the factors to which they respond during this process or the quality of results obtained. In his model, Odiorne recommends a process by which the company's human resources can be evaluated and classified into four different groups: "stars", "problem children", "cash cows" and "dogs". To classify the workforce, use is made of a matrix with the vertical axis indicating performance and the horizontal axis indicating potential.

The performance capability of an individual is determined by a management by objectives (MBO) approach and the potential by assessment centres. The matrix is then used as a basis for the development of various human resource management practices. One of the drawbacks of this approach is that an average individual cannot easily be classified into one of the categories. Subjectivity also plays an important role in the process and the impression is created that it is a very static and rigid short-term model. So it is thus not very future orientated.

2.5 AN EVALUATION OF THE DIFFERENT MODELS

When examining the various groups of models described above, it appears that not much attention is given to content models. Process models, on the other hand, especially the organisational SHRM models, have reached a more advanced stage of development. This is a logical development as the process of any system must first be implemented before the content can be identified.

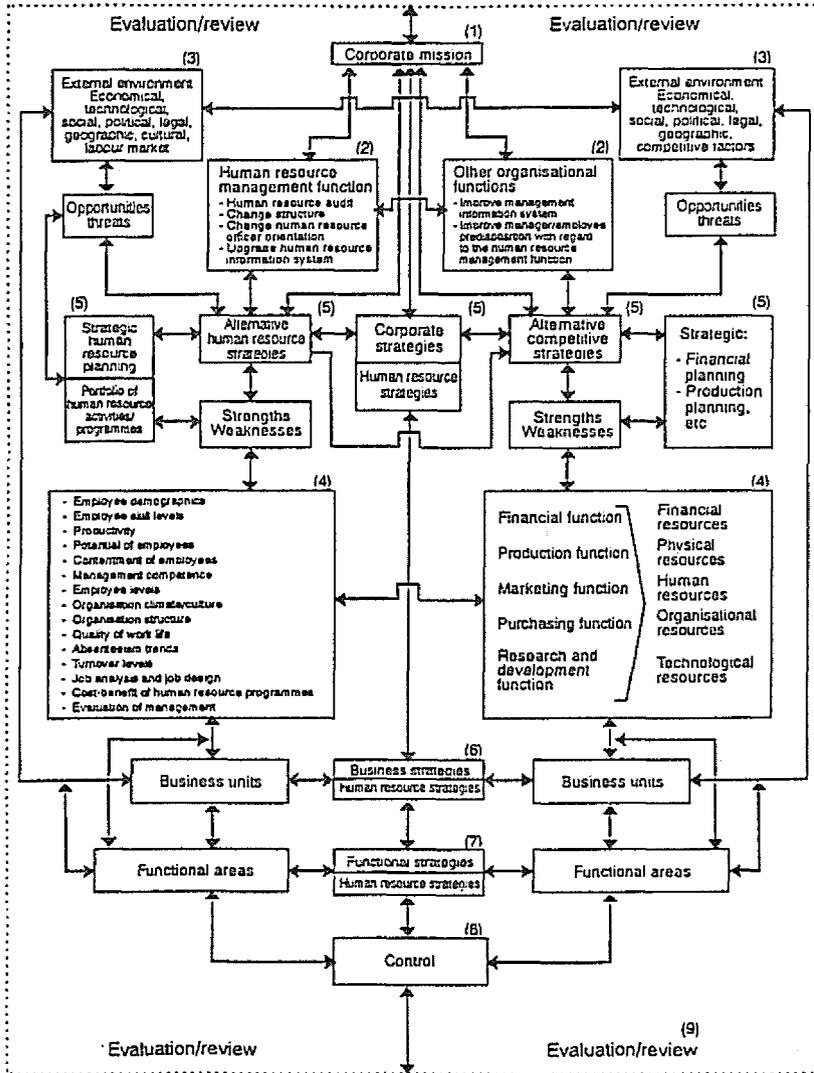
Although various types of models are found in the literature, it is clear that there is no overall all-embracing model that explains how HRM practices and procedures can be managed to meet present and future business needs. In the following paragraphs an SHRM model, devised and structured on the various concepts available in the literature, is proposed.

3. PROPOSED MODEL

Unless HRM strategies are redesigned to be both more comprehensive and more tightly coupled to business strategies, it will not be possible to create a viable and competitive organisation. The specially designed model illustrated in Figure I creates a framework for the inclusion of human resources as an integral part of the total strategy. The model which the author proposes is directed towards the organisational level of analysis and the process of SHRM. This approach is followed because the greatest need at present appears to exist within companies in South Africa in this area (Grobler, 1991, :357-358.) It identifies various stages in the planning and decision-making process from designing the company mission through to formulation and implementation of SHRM plans. At each step of the process, decision-making methods and guidelines are described which form the basis for the development of an integrated SHRM plan. The model is interactive and integrative and at each step permits both exchange of data and feedback.

Various elements establish the context within which HRM strategies are developed: the environment, the company mission, the overall company strategy and internal company constraints. These elements form the building blocks for the proposed model. The various steps in the process to develop HRM strategies will be discussed briefly by referring to the model. It is important to note that although the model might create the impression that human resources are a separate element to be integrated into the company strategy, that is not the case. There can be no company strategy without the inclusion of human resources. The model can be implemented by any type of company.

FIGURE 1
AN INTEGRATED MODEL FOR STRATEGIC HUMAN RESOURCE
MANAGEMENT



3.1 CORPORATE MISSION

The first step of the proposed model represented in Figure 1 deals with the establishment of a corporate mission. It is important that this mission should state the basic type of product/service to be offered, the primary markets/customer groups to be served and the technology to be used in the production/delivery process. It must also cover aspects such as the company's managerial philosophy and the self-image sought. A vital aspect of this mission is that it must not only be known to all within and outside the company, but must also contain an HRM component.

According to Nininger (1982:113), this component could be compiled as follows:

The people in the organisation will be managed in such a manner as to generate a climate of opportunity and challenge for each employee within which the individual can most effectively contribute to the fulfilment of his goals and those of the organisation. This will be accomplished by:

- having a clear understanding of all the qualities of each employee such as skills, knowledge, potential, aspirations and limitations
- setting standards of performance that challenge each employee and by ensuring that this performance is attained
- rewarding excellent employee performance in both material and non-material terms
- planning properly for manpower needs
- providing employees throughout the organisation with opportunities for promotion and for developing their job knowledge, skills and satisfaction
- practising a form of management that allows decision-making authority to be as decentralised as is practical; and
- being alert and receptive to new and productive developments in the field of human resources management.

It is important to note that to be successful as a company, this mission must form an integrated part of a well-established strategic management process.

This process entails a set of decisions and actions that result in the formulation and implementation of plans designed to achieve a company's objectives. The presence of a properly construed mission statement and a well-established strategic management process forms the framework within which the SHRM process can be integrated.

3.2 REORGANISATION OF THE HRM FUNCTION

The second step of the model entails the reorganisation of the HRM function. Because of the traditional reactive approach adopted previously by the function, it will probably be well structured at the functional level. However, if a strategic approach is to be adopted, crucial components like the structure of the function, the HR officer orientation and the HR information system will have to be reorganised and upgraded. This can only be done after an audit has been performed within the company by means of a questionnaire. The information obtained will allow the HR officer to determine the present state of the function. Thereafter a strategy can be developed to upgrade the function to the business as well as strategic level.

3.2.1 HUMAN RESOURCES INFORMATION SYSTEM (HRIS)

To make a large volume of HR information accurately and expediently available to managers and other clients requires a well-developed database. For this purpose, a computerised HR information system must be available within the organisation. As indicated in the model, this system must form part of an integrated management information system. It must also be easily accessible to all.

3.2.2 HR PROFESSIONAL ORIENTATION

The change will require new skills and tasks for the HR professional. As Sears (1984:414) indicates, this requires not only more highly skilled HR professionals, but increased levels of power, access and influence within individual organisations as well as a systems perspective toward human resources. This can be attained by means of seminars for HR personnel in areas like strategic management as well as a better understanding of the other functions. It is also important that the HR personnel not only gain the respect and confidence of

the entire organisation, but also become part of the larger team within the company. As indicated in the model, this will require a better understanding by the other employees of the worth of the HR function to the company. This can be achieved by means of seminars where both parties are present.

3.2.3 REORGANISATION OF THE HRM FUNCTION

The first step in the reorganisation of the HRM function is to identify the different HR tasks to be performed on the strategic, business and functional levels for each of the HR activities, namely recruiting, selection, compensation and performance appraisal. The following may serve as guidelines of what is required in this regard. Take the HR development activity as an example:

- strategic level - develop characteristics of people needed to run businesses in the long-term
- business level - organise development programme
- functional level - provide job skill training

After the activities at the different levels have been identified, it is important that an organisational structure be drawn up for the function. At the functional level, a traditional HRM department will be required. At the business unit level, the separate functions as identified at the functional level must be integrated and at the strategic level, an elite HRM team is required to serve on the various top management committees.

3.3 EXTERNAL HR ENVIRONMENTAL SCANNING

The third step of the model entails the systematic identification and analysis of key HR trends and forces in the external environment. This must be done to identify potential threats and opportunities having an impact on the management of the company's human resources. As indicated in the model, changes taking place in the economical, technological, social, political, legal, geographical and cultural spheres and the labour market must be monitored for their impact on human resource strategies, policies and programmes. This scanning, which may be done formally by means of a properly constructed scanning team or informally by means of attending seminars, reading newspapers or other publications, may be undertaken in conjunction with the

other functions in the organisation as indicated in the model. Typical questions to be asked here are: How can the present economic situation influence the labour market? What social norms affect the behaviour of workers? What are the present government's policies? What labour relation laws are contemplated? What is the population growth rate, educational level or the mobility of the labour market?

According to Beeton (1988:12) in South Africa the HR function was, to a large extent, excluded from this process in the past. A special responsibility thus rests on the shoulders of HR managers to create such a process in the new HR department structure mentioned in the previous step. In order to generate realistic strategic alternatives from an HR viewpoint, it is proposed that the information obtained through this process be made available to other functions by means of interim reports, seminars or informal group discussions. It is important to note that not all aspects in the external environment need scanning. Only those of vital importance to the success of the organisation need attention.

3.4 INTERNAL HR SCANNING

The fourth step of the model involves the scanning of the internal human resources of the company. Such a scanning can help to identify current human resource strengths and weaknesses. Aspects to consider here include: employee skill levels, productivity, staffing levels, absenteeism trends, turnover levels and others mentioned in the model. This is an important step as the organisation must be sure of its capabilities and shortcomings if it wishes to capitalise on the opportunities in the external environment.

As indicated in the model, this can be done in conjunction with the other functions in order to arrive at the drawing up of a company profile. This profile may then be compared with competitors to identify possible competitive attributes. It is important to do this for each business unit. Various sources, such as formal studies or the analysis of financial reports may be used for this purpose. The information obtained can be combined in the interim reports, seminars and informal group discussions used in the previous step.

3.5 ANALYSIS OF CORPORATE COMPANY OBJECTIVES AND STRATEGIES

Step 5 of the model entails the evaluation of the strategic choices of the company from an HR perspective and the formulation of HR strategies to support the company strategy. It is important to remember that the strategic choices of a company will be determined by the quality and quantity of its external/internal labour market, and the company mission. Having completed a scanning of the external and internal HR environment (steps 3 and 4), a clear picture will emerge in this regard.

To implement this step of the model successfully, the following guidelines are proposed:

- The chief executive officers of all the functional divisions (HR included) should meet at least once a year to determine the future long-term goals of the company.
- The HR executive must become actively involved in the formulation of the company goals - therefore a proactive approach is recommended.
- The HR executive must evaluate the proposed company strategies from a feasible (can the manpower be obtained?) and desirable (will there be a strike?) viewpoint.
- The HR executive must accept or reject the company strategies.
- The HR executive must use the approved company strategies to identify the quality (skill composition) and quantity (number) of people desired in the future. For this purpose, he must do a formal strategic human resource planning exercise.
- The HR executive must develop various HR strategic alternatives and evaluate them to choose the most appropriate one. These strategies must consist of a portfolio of HR activities and programmes. For example, on the staffing side, the HR executive should decide what type of people will be needed in the next five or ten years and how they are to be recruited, developed and promoted. For performance management, the HR executive must decide what kind of evaluation systems will be most effective for these employees.

- An organisation-wide HR strategy and policy to support the overall company mission must be developed and included in a grand HR plan.

3.6 ANALYSIS OF BUSINESS UNIT STRATEGIES AND OBJECTIVES

Step 6 entails the development of human resource strategies and policies tailored to meet specific product/market/customer segments. Although these strategies are of a more specific nature, they must relate to the corporate HR strategy developed in the previous step. To be effective, it is imperative that there be close interaction between the HR executive at the corporate level and the HR manager at the business unit level as well as the line managers within the business unit.

As indicated in the model, the business unit executives must also scan the environment, develop a mission statement and then, by interacting with the various functions, develop an integrated business unit strategy. To develop realistic HR strategies, there must also be an exercise in strategic human resource planning. However the focus here will not be on the entire organisation as in the previous step, but on the specific business unit level only.

An important aspect here is the development of the best HR strategies to serve the business unit. The following guidelines are recommended in this regard:

- Generate as many alternative HR plans as possible
- evaluate the HR alternatives
- choose the best HR alternative.

The ultimate choice made here constitutes the HR strategy at the business unit level.

3.7 ANALYSIS OF FUNCTIONAL STRATEGIES AND OBJECTIVES

Step 7 entails the development of functional human resource strategies, programmes and policies. Functional strategies are the operational plans for managing the subordinate activities within a business. As indicated in the model, aspects like environmental scanning and the development of mission statements for the different functional areas should again receive attention.

Functional strategies support the overall business strategy and consist of even more details and particularities of a business's strategic course. They are important because they indicate exactly how each major functional area (e.g. recruitment, staffing and compensation) in the business contributes to the accomplishment of the overall business strategy.

It is essential for these specialised functions to be integrated and related to the business strategy. It is also important, as in the previous step, for various HR alternatives to be developed and the most suitable one chosen. In addition, priorities must be given to the various programmes developed so that the HR budget can be allocated in the most effective manner.

3.8 CONTROL OF THE PROCESS

A company is only successful if it is able to achieve its short- and long-term goals. To make this possible, it is important that the executive managers (HR included) establish monitor and control measures. This is step 8 of the model. Because of the long time span involved in implementing a specific strategy, the traditional method of evaluating the results against a specific goal cannot be utilised. The reason for this is that during the implementation phase of the strategy, various changes may take place in the internal and external environment which could have a direct influence on the long-term HR strategy.

When implementing the model, the following guidelines can be of assistance regarding the control of a strategy:

- Check systematically and constantly whether the premises forming the basis of the planning of the HR strategies are still valid;
- Check whether the overall HR strategy should be changed in the light of unfolding events and results;
- Check whether the annual HR objectives are being met.

The results of the above assessments can be used to make mid-course corrections in the implementation of short-run HR strategies or adjustments to the original long-term HR plans.

3.9 EVALUATION AND REVIEW

The final step of the model entails the evaluation and review of the whole strategic human resource management process. A formal evaluation and review procedure should involve the evaluation of the results of HR programming activities and the correction of any deviations identified. The vital question here is "How well is the HR plan working?" Aspects to be investigated here are how well the HR programmes are succeeding in the attainment of the HR goals and how easily the programmes are being executed. The ultimate goal of this step of the model is to establish the impact that SHRM has on the overall effectiveness of the organisational performance.

Guidelines that can be used for the evaluation of the HR programmes are:

- The programme proceeds without amendments.
- The programme is amended to enable it to reach the proposed goal.
- An alternative programme is accepted.

Phillips and Seers (1989:54-58) have identified various methods/tools to assist the company in this regard: Cost/benefit analysis; goals and objectives; process-oriented approach; human resource auditing; attitude survey approach; tracking HR costs; HR accounting; reputational approach; performance measures; index of effectiveness; profit centre approach and the case study approach.

As indicated in the previous steps of the model, HR decisions and activities differ at the various organisational levels. It is thus important that the evaluation objectives and criteria vary according to the organisational level at which the evaluation task is focused.

4. CONCLUSION

In this article a comprehensive model for strategic human resource management is proposed. The application of the basic principles of the model will result in HRM playing a valuable role as a proactive partner in the affairs of the company rather than being a mere reactive instrument. It should be emphasised, however, that the model includes several rather complex subsystems which will need a fair amount of effort to ensure that they function efficiently. It is also important to realise that all the elements of the model should

function harmoniously as a unit. One missing element could easily upset the final result thereby causing the underutilisation of the entire human resource component. The time has therefore come for South African companies to take stock of their position and to face the challenge of the future and adopt the recommended strategic approach to HRM. This is the obvious course if they wish to remain successful and viable in the long-term.

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*PRICE BEHAVIOUR OF THE JOHANNESBURG STOCK
EXCHANGE: AN INTERNATIONAL COMPARISON:
1984 - 1992*

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Die onvoorspelbare prysgedrag van internasionale effektebeurse en van die Johannesburgse Effektebeurs (JEB), maak dit moontlik om deur middel van korrelasie-analise die wedersydse invloed wat hulle op mekaar het te ondersoek. In 'n vergelyking van die JEB met ag van die wêreld se grootste beurse is vasgestel dat daar onder sekere omstandighede wel korrelasies bestaan. Die navorsing toon dat daar nie genoegsame rede is om in alle gevalle die nul hipotese te aanvaar nie. Interne en eksterne gedragspatrone is geïdentifiseer wat dien om die navorsingsresultate te staaf. Bepaalde tendense, situasies en belangrike gebeurtenisse is waargeneem. Hierdie unieke geïdentifiseerde faktore van die JEB, gee aanleiding tot onderwerpe vir verdere navorsing en bespreking.

1. INTRODUCTION AND BACKGROUND

Investors must be aware of the influence that stock exchanges worldwide have on each other. Not only the effect of trend and other changes on stock markets must be accounted for, but also the strength or weakness of the relationship between international stock exchanges. The nature of stock markets, coupled with inconsistent behaviour patterns, presents the ideal opportunity to statistically analyse the effect various phenomena have on international stock markets. According to Naidoo (1990:6), investors on the Johannesburg Stock Exchange (JSE) cannot ignore overseas market trends, most importantly those on the New York stock exchange. The question arises as to the extent of the influence exerted on the JSE by other international markets.

The issue can be addressed by determining the strength of the relationship between the stock exchanges, based on the movement of the relevant price