



THE ROLE OF HUMAN RESOURCE MANAGEMENT IN STRATEGY MAKING

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Among the strategy scholars, there is general consensus that responsive-integrative strategy making is essential for ensuring a competitive advantage in contemporary dynamic environments. What is the role of HR in this process, and how can HR support responsive-integrative strategy making? To answer these questions, we use illustrative experiences from Chr. Hansen, a global supplier of bioscience-based ingredients to the food, health, and animal feed industries. We argue that HR's strategic role lies in providing support for both centralized and decentralized strategy making by offering aspirations for strategic decisions and by gathering various sources of inspiration for strategy discussions. © 2013 Wiley Periodicals, Inc.

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Introduction

Our new owner has clearly stated that Chr. Hansen will be the platform for further growth in a consolidating market. This means that the Chr. Hansen brand will continue, the headquarters will remain in Denmark, and we will basically follow the strategy as it is laid out today, although we will focus more on growth—organic growth and, perhaps, growth through acquisitions. That makes me a very proud new CEO! However, we still have one important thing to do. I would claim that Chr. Hansen never had a real HR department. Yes, there was some

sort of “hiring/firing” unit that made some attempts at “organizational development,” but it had no clear strategy. This bothered me for a long time. We are an international company with 2,500 employees of many nationalities. We work in teams. We work on joint projects. Letting people “run around” without any clear direction is not the most efficient way to strategically manage human resources of a global company.

—Lars Frederiksen, CEO,
Chr. Hansen, May 2005

Much has been said about the potential strategic role of human resource management (HRM). Yet, demonstrations of concrete HRM activities that can enhance the effective

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execution of corporate strategy are lacking. To address this shortcoming, the following explores how HRM relates to a responsive-integrative approach to strategy making, demonstrates how specific HRM tools can be adopted to facilitate this strategy process, and explicates the role of the corporate HR function.

In this study, we suggest that responsive-integrative strategy making is critical for a firm's ability to achieve its full business potential and gain a competitive advantage in turbulent environmental conditions. This strategy approach assigns importance to dispersed strategy-making agents who can discern opportunities and turn them into strategic advantages for the firm, guided by a central strategic direction.

In this study, we suggest that responsive-integrative strategy making is critical for a firm's ability to achieve its full business potential and gain a competitive advantage in turbulent environmental conditions.

In this regard, the orchestration of specific HRM policies and programs can facilitate the execution of responsive-integrative strategy-making processes. To illustrate the operationalization of HRM's strategic role in practice, we analyze how a company operating in the knowledge-intensive, dynamic global pharmaceutical industry (Chr. Hansen A/S) transformed itself in order to actively use the response capabilities of its employees to create a strategic advantage. In this transformation process, the company uncovered HRM practices that facilitated responsive-integrative strategy making.

In the following, we first synthesize relevant parts of the strategic management and strategic HRM literature streams to show how HRM is linked to responsive-integrative strategy making. We then present the company case in order to show how HRM has

been applied to improve strategic outcomes. Finally, we offer a discussion of our findings and their managerial implications.

The Strategy Perspective

From a conventional point of view, strategy making is an analytical process that rationally determines an appropriate future strategic

direction with clear goals and objectives. This process entails a sequence of comprehensive environmental analyses, the evaluation of strategic options, the detailed planning of actions, and the subsequent implementation of these actions in accordance with the plan (e.g., Ansoff, 1988; Schendel & Hofer, 1979). This view of strategy making implies that it is possible to monitor outcomes associated with the execution of planned actions and control performance so that it meets the expectations implied by the strategic plan (e.g., Anthony, 1965; Lorange & Vancil, 1993; Richards, 1986). However, in reality, such efforts are difficult to control due to the high complexity of market conditions and uncertainty about the effects from corporate actions (Goold & Quinn, 1990, 1993; Simons, 1995). Furthermore, this view reflects a top-driven strategy-making process with little room for ongoing deliberations among the line, functional, and specialist managers who deal with the organization's operational challenges. Although a formal planning approach can be used to determine the firm's general strategic direction, it lacks mechanisms to help the organization respond to unexpected changes arising during the strategy execution between planning cycles.

In view of this limitation, continuous learning through active communication among managers across hierarchical and functional barriers about ongoing changes is arguably a better strategy-making approach in turbulent environments (Mintzberg, 1990). Hypercompetitive market conditions with frequent changes and unknown effects create a need for responsive initiatives by the people in those business units who are close to the observed changes (e.g., Child & McGrath, 2001; Illinitch, D'Aveni, & Lewin, 1996). However, in the extreme, such an approach could lead to a "garbage can" of dispersed initiatives without common direction (e.g., Cyert & March, 1963). Or, in the words of Chr. Hansen's CEO Lars Frederiksen: "Letting people 'run around' without any clear direction is not the most efficient way to strategically manage human resources of a global company."

So, it is argued that the complex strategy-making process must embrace both intended

(planned) and emergent (responsive) strategies (Mintzberg, 1978; Mintzberg & Waters, 1985). There is a need for central strategic planning activities to drive the general strategic direction and decentralized strategic responses adapting to local circumstances and conditional changes. We refer to the simultaneous emphasis on central direction and decentralized responses as *responsive-integrative strategy making*. In Chr. Hansen the corporate strategy was quite clear, as the company wanted to pursue global organic growth and create value in local markets around its core products. This would require people involvement in a more customer-focused organization supported by career and talent management. Hence, the company wanted to enact an ambitious strategy through the engaged intervention of corporate employees in what can be interpreted as a responsive-integrative strategy process (we will discuss this in more detail later).

The central planning activities and decentralized initiatives in responsive-integrative strategy making are complementary. Strategic plans need flexibility to accommodate responsive actions, and decentralized initiatives need coordination and direction provided by strategic planning (Brews & Hunt, 1999). Notably, firms that master multiple strategy-making modes, such as undertaking decentralized initiatives while engaging in planning activities, display significantly better economic performance (e.g., T.J. Andersen, 2004; T. J. Andersen & Nielsen, 2009; Hart & Banbury, 1994; Miller & Dess, 1993). Hence, the empirical evidence indicates that responsive-integrative strategy-making processes are associated with more effective outcomes, particularly in turbulent environments. Therefore, we suggest that firms able to pursue responsive-integrative approaches combining both centralized and decentralized strategy making will generally perform better than their industry peers (Figure 1).

In empirical studies, centralized strategy making is typically measured as the organization's emphasis on the rational, analytical elements of the strategic planning process (i.e., mission statement, long-term goals, environmental analysis, controls, and action

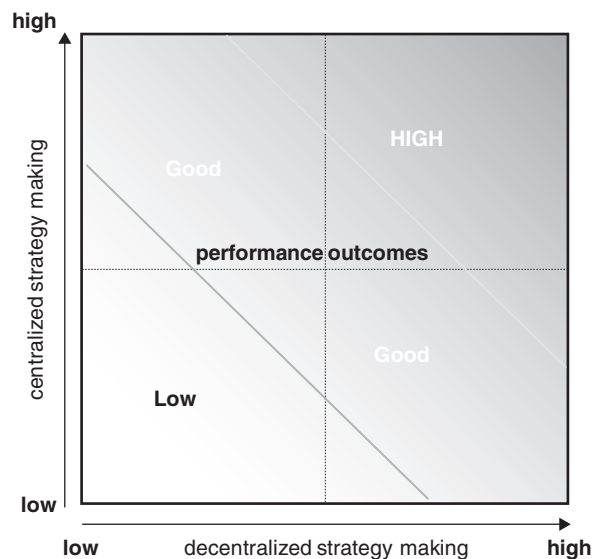


FIGURE 1. The Performance Implications of Integrative Strategy Making

plans). Decentralized strategy making is measured as the extent to which an organization distributes decision-making power so managers across the organization can exert influence and act in response to emerging threats and opportunities. These responsive actions could include modifying product and service offerings to fit new customer requirements; engaging in new, promising customer segments; developing new operating competencies; and adopting new practices and technologies. Although each of these strategy-making modes is associated with improved performance (measured in terms of sales growth and economic return), organizations that are able to combine the two in responsive-integrative strategy making outperform their industry peers. Hence, a recognized case-based literature illustrates the importance of conjoined processes of centrally planned (induced) strategy and decentralized (autonomous) strategic initiatives (e.g., Bower & Gilbert, 2007; Burgelman & Grove, 1996, 2007).

Adherence to central planning does not necessarily imply that all resource-committing decisions are made in this way. Instead, it suggests that analytical deliberations can help stipulate a general direction for future strategic activities. Hence, centralized strategy making may refer to a discourse in which

managers across the organization engage in systematic analytics-based discussions about the future strategic development of the corporation (Hendry, 2000). The outcome can be a formalized plan where the underlying discussions help form a common understanding about the competitive situation and create commitment to future strategic actions. The centralized strategy-making process can thereby provide insights and aspirations that guide subsequent actions taken by managers throughout the organization. The HR function can play an important role in this process by communicating the corporate strategy to key people in the field and discussing the implications of that strategy in their local business areas.

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Conversely, central planning activities may serve as a backdrop for the reevaluation of strategic moves when unexpected events happen in the competitive environment. In a decentralized decision-making structure, power is dispersed to specialized local entities, and managers can engage in responsive initiatives within their areas of responsibility. They can, therefore, react to observed threats and opportunities *when* they are observed, and they can experiment with new business approaches that could become rewarding strategic options for the firm. The new business propositions that are tested in decentralized responses can, in turn, become important inspirational sources for the periodic strategy discussions that are part of the central planning process. Here the HR function can be a facilitator of important information to

corporate headquarters about new responsive business initiatives in the field for general consideration in the central planning discussions.

The dual emphasis on central planning and decentralized responses resembles “semi-structures” that combine a limited structure of priorities and responsibilities with

extensive communication and freedom to improvise current product offerings (Brown & Eisenhardt, 1997). In effect, it describes a model of strategic responsiveness where observed changes in the environment induce local actions that allow the firm to exploit new opportunities and adapt (T. J. Andersen, Denrell, & Bettis, 2007). It also captures essential dimensions of the dynamic capabilities concept where local sensing of new developments in the surrounding business system inspires development of new opportunities (Tece, 2007, 2009). The dynamic capabilities can be concrete manifestations of operational routines, such as new product development and reconfiguration of corporate activities (Eisenhardt & Martin, 2000) or, by extension, integrative-responsive strategy-making processes.

The Role of HR in Strategy Making

What is the role of the corporate HR function in this process? It could be that of an active liaison function ensuring the dynamic interaction between the central strategic aims of corporate headquarters and decentralized initiatives taken by local managers to execute the strategy in complex and diverse global markets. Clearly, the line and local functional managers involved in the decentralized strategy-making process constitute essential human resources in the organization. The challenge in this respect is to better understand HRM’s involvement in the intricate relationship between the experiences gained from the activities in the organization’s local operating entities and the outcomes of the central strategy discussions. Subsequently, we need to describe the characteristics of basic HRM policies and the practices that can effectively facilitate these processes. In this context, one HRM function can provide line managers with analytical concepts and tools that support the responsive-integrative strategy-making processes. These concepts and tools might facilitate strategic insights and leave room for managers to *improvise and experiment* with new business activities as well as assist in *lateral cross-functional coordination* among managers.

By adopting HRM tools that support interactive strategy-making processes, top management can furnish strategic understanding, insight, and aspirations to organizational members on all levels. The new initiatives taken throughout the organization as a result could be seen as trial-and-error experiments that test the effectiveness of alternative ways to pursue organizational activities. The new activities and supportive capabilities derived from these initiatives eventually constitute a portfolio of alternative business opportunities available to the firm. Another HRM role, then, can be to ensure that the experiences, capabilities, and strategic insights derived from these initiatives are brought to the attention of top management for further *consideration* and as *inspiration* for the periodic strategy discussions that are part of the centralized strategy-making process. These intertwined top-down and bottom-up processes are illustrated in Figure 2.

Top and line managers are involved in centralized strategy-making discussions, where analytics-based deliberations can create a common understanding about the competitive situation. These deliberations may help to form a strategic direction that *provides aspirations* for emerging decisions and responsive initiatives taken throughout the organization as local managers work to execute the corporate strategy. The corporate HR function can serve as a facilitator in this process of instigating responsive strategic initiatives across local functional entities as part of the decentralized strategy-making process with a view to the overarching strategic intent (top down, Figure 2a). Simultaneously, the HR function can observe dispersed decisions and responsive initiatives taken by line and functional managers, and facilitate ongoing reporting on their effects. These reports, in turn, can serve as inspirational input for subsequent strategy discussions in the central strategy-making process (bottom up, Figure 2b).

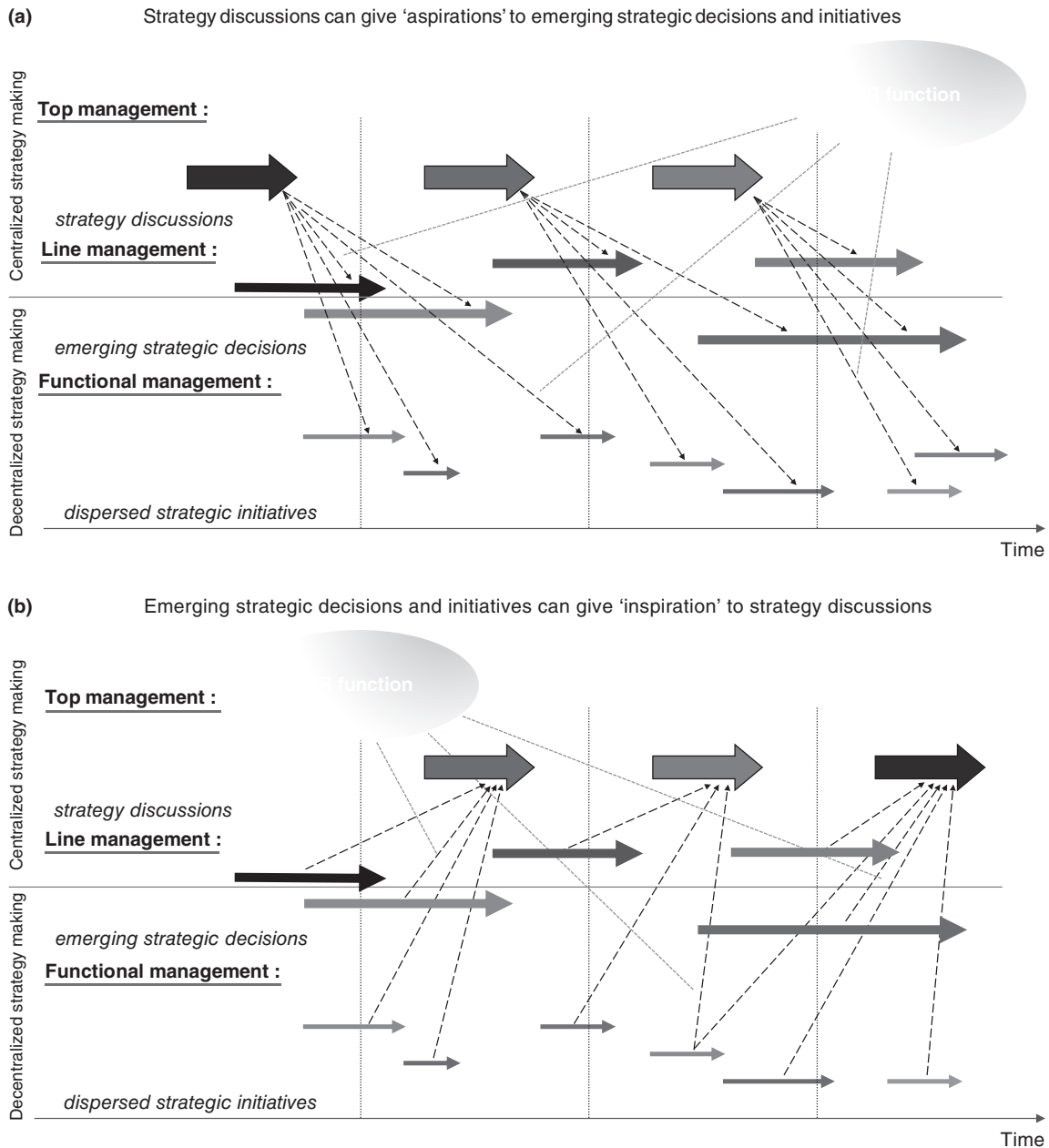
We therefore perceive a responsive-integrative strategy process that involves three managerial layers (top management, line management, and functional management) with sequential activities that interact over time. Top management drives the

central strategy-making process through periodic strategy discussions involving line managers. The goal of these discussions is to foster a common understanding and develop a general strategic intent for the organization. This process constitutes an inspirational backdrop for subsequent decisions and initiatives across the organization's functional entities. The line and functional managers drive the responsive actions that constitute the decentralized strategy-making process, the outcomes of which may serve as inspiration for subsequent discussions in the centralized strategy-making process. In this way, the centralized and decentralized strategy modes are intertwined in a responsive-integrative strategy-making process where HRM can play the important role of facilitating interaction between the two strategy-making modes.

In the following, we identify the characteristics of HRM policies and practices that can support an effective responsive-integrative strategy-making process. To this end, we use Chr. Hansen A/S as an illustrative case study. The detailed insights about the HR activities in the company were obtained over a longer period of collaborative involvement with the Chr. Hansen's Global People and Organization department—the corporate HR function. We interviewed multiple informants, analyzed internal and external reports and policy papers, and participated in the international meetings and social events. One of the authors has been involved in the global HR strategy development and rollout.

The case demonstrates that the corporate HR function institutes HRM processes and practices that support both centralized and decentralized strategy making as key elements of a responsive-integrative strategy process. This is achieved by engaging managers across the organization in systematic, analytics-based discussions about strategic conditions and future business opportunities (top down, with the goal of providing aspirations),

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Source: Adapted from T. J. Andersen (2002).

FIGURE 2. The HR Function as Facilitator of Integrative Strategy Making

and by providing mechanisms to facilitate autonomous initiatives and report on their outcomes to top management (bottom up, with the goal of serving as inspiration).

The Company

Chr. Hansen A/S is a multinational company headquartered in Denmark (www.chr-hansen.dk). Christian Ditlev Ammentorp Hansen, a

Danish pharmacist, established the company in 1872 while developing a procedure to extract pure, standardized rennet enzymes. Chr. Hansen now develops natural ingredient solutions—such as cultures, enzymes, colors, and flavors—for the food, pharmaceutical, nutrition, and agricultural industries. In the 2003/2004 financial year, Chr. Hansen Holding A/S's net profit was DKK 76 million, and net profit including minority interests

was DKK 108 million. Until 2005, Chr. Hansen Holding A/S consisted of two widely different business areas: food ingredients (Chr. Hansen) and pharmaceutical treatment of allergies (ALK-Abelló).

In 2003, Chr. Hansen's growth rate fell, as it did for many other major food ingredient producers. The disappointing growth reflected the stagnation in the ingredients industry resulting from inventory adjustments and the negative trend in the global economy. By the end of 2004, however, the situation had improved; revenue for the full year was DKK 3,420 million, which reflected a growth rate of 8 percent. Although growth was evident across all regions, it was particularly strong in Asia.

Chr. Hansen's ongoing innovation and development efforts have resulted in a corporate slogan of "130 years of innovation." The core competencies of the corporate research center lie within food starter cultures, enzymes, and health-promoting characteristics of probiotics and functional foods, as well as natural colors and dairy flavors. These product markets have different dynamics, as the market for cultures is characterized by high gross margins and entry barriers, whereas the market for colors has lower margins and entry barriers; thus, they require different responses. About 6 percent of the company's revenue is spent on R&D and the application of knowledge. Development centers are situated in Denmark, the United States, France, and Germany, while application centers are found in 21 countries.

At the beginning of 2005, Chr. Hansen employed 2,600 people in 32 countries. The majority of employees were based in Denmark (820), the United States (442), France (253), Germany (186), and Brazil (117). This extensive global presence obviously spans over a range of quite unique market conditions that must be understood and exploited in the strategic drive for corporate growth around the core products. Chr. Hansen has always been viewed as "a nice place to work." At that time, the organization was decentralized and relatively flat, with high trust relations and high levels of cooperation between managers and employees. In general, employees

were satisfied with their jobs, their growth opportunities, and the organization's general attitude toward employees. Corporate human resources functioned as a traditional personnel department and focused almost exclusively on individuals (hiring/firing and employment contracts), although it was involved in some intraorganizational processes (management training and employee appraisal interviews). Although an employee satisfaction survey was conducted regularly, there was no follow-up on the results. HR was also responsible for regularly redefining the set of competencies that applied to all Chr. Hansen managers, regardless of where they were based.

Knowledge-intensive, service-oriented, and high-tech companies like Chr. Hansen are an essential part of the Danish economy. Their competitive strength is associated with the ability to attract and develop highly qualified and flexible human resources within the Danish "flexicurity" model. This model combines three essential elements of the labor market: easy hiring and firing, relatively generous unemployment benefits, and active labor market policies. These labor market traits serve to ensure high mobility of human resources and that employees develop required skills and are kept motivated (S. K. Andersen & Mailand, 2005; Bredgaard, Larsen, & Madsen, 2008; Madsen, 2008).

The relatively small size of Danish companies, combined with their emphasis on knowledge-based global competitiveness and the flexicurity system, has made many Danish companies the targets of foreign takeovers. In fact, many companies—including Chr. Hansen—have been acquired by foreign hedge funds. In April 2005, Chr. Hansen Holding A/S signed an agreement with PAI Partners,¹ a leading French private equity fund, to divest Chr. Hansen Holding's food ingredients business. The selling price

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was DKK 8.2 billion on a debt-free basis, and the divestment was DKK 4.2 billion. At the time of acquisition, the revenue of Chr. Hansen Holding's food ingredients business (hereafter Chr. Hansen) totaled DKK 3,420 million.

Although PAI calls itself "an active partner," it typically leaves much of the acquired company's management team in place to handle the day-to-day running of the business. PAI's tactic is to appoint a capable strategic management team and then "keep an eye" on the key strategic decisions. In this regard, Lars Frederiksen, Chr. Hansen's vice president of sales and marketing, was asked to take on the position of president and CEO, and to form the new corporate leadership team. At the time, he had been with Chr. Hansen for 27 years.

PAI wanted a fresh, strong professional management team "to develop and implement the *new* strategy for the *new* company." In the summer of 2005, corporate management conducted a strategic evaluation of the company, which was seconded by two renowned consulting companies (Egon Zehnder International and BCG). Their analyses pointed toward the pursuit of a growth strategy based on expanded geographic market coverage within the core product areas. The consultants found that the company had been "historically undermanaged," had "no performance culture," and lacked "accountability," but also repeatedly pinpointed the "enormous Human Capital potential" and strong willingness among senior management to do things differently.

One major concern was the absence of a strong professional HR organization to support the ambitious corporate growth strategy of core products in the global markets. According to Frederiksen: "Chr. Hansen . . . never had a real HR department. I could not blame the employees in the HR department. They were highly qualified, but they were doing no more than they were told to do." Although the previous management team had tried to impose a global strategy across the company as a whole, HR had never been involved. Corporate HR was only responsible for employees in Denmark, and country

managers had the freedom to handle their personnel issues as they saw fit. Frederiksen envisioned a more visible HR organization that would "change the way we think about HR," "align HR processes with the global organization," and "integrate HR with business strategy." As Frederiksen stated, "This is what I told those who applied for the position: I believe Chr. Hansen has Denmark's best personnel department for 1965. I want you to turn it into the best professional, world-class HR organization for 2005." So, the intent was to anchor the HR functions around the global business activities and thereby support the execution of the corporate growth strategy.

HR in Strategy Making at Chr. Hansen

In January 2006, Jesper Allentoft joined Chr. Hansen. His task was to head the HR department. After some major staffing changes were implemented, the new organization was in place by August 2006. Its mission stated: "Our aim is to optimize and link business, people and organization." To accomplish this, new positions were created with the title of "HR business partner" and they became a cornerstone in the new structure. Each executive vice president was paired with an HR business partner, and the two were to act as sparring partners. Each HR business partner was made responsible for all HR issues in one product division. Allentoft desired "strong HR generalists and real team players" to ensure interacting practices around the strategy execution in the different corporate entities. Three very experienced HR professionals had joined Chr. Hansen as HR business partners by June 2006:

- Susanne Parfelt, HR business partner for colors, flavors, finance, IT, and other staff functions. She came from a position as HR divisional director at Lundbeck and had more than 20 years of general HR experience.
- Marianne Smedegaard, HR business partner for cultures & enzymes and corporate research. She came from a position as HR business partner for biopharmaceuticals

product supply at Novo Nordisk and had more than 15 years of HR experience.

- Lisbeth Kirk, HR business partner for global sales. She came from a position as senior HR specialist for the global sales organization at Lundbeck and had more than 12 years of experience.

The HR business partners were integrated into the divisional management teams and participated in all management meetings and thereby were close to all ongoing strategic and business control discussions. Smedegaard explained this situation: “Our mission is to partner with the organization. To me, this means being very close to the managers, talking to them on a continuous basis, and knowing their challenges and their needs. It is about coaching them, mentoring them, being there for them when they need it, and being their close partner.” The new view on HR was also described by Kirk: “We were building a new HR organization, which was not a support function but a part of the day-to-day divisional management.” The HR business partners’ main task was to develop the “new concepts and tools” (HR processes and HR practices) necessary to support strategy execution in their respective divisions. According to Smedegaard’s interpretation, this meant: “Everything we do should be related to the needs of the organization and closely linked to our overall business strategy.”

Top Down: Aspirations for Emerging Strategic Decisions and Initiatives

“Concepts and tools” were developed by the HR business partners to ensure that the mission and planned strategic intent were clearly outlined and communicated and provided aspirations for the ongoing efforts to execute the corporate strategy. At the same time, various experiences from new initiatives were collected and fed back to inspire the central strategic-planning activities. As illustrated in Figure 2a, one group of HR processes and practices drew on the strategy discussions to provide aspirations for subsequent strategic decisions throughout the organization. In some instances, this led to immediate actions

(e.g., high-performance workshops; see Sidebar 1). In other cases, it merely served as an informative roadmap for ongoing strategic search (e.g., C-Way; see Sidebar 2).

One main purpose of the high-performance workshop was to enable managers to create the best possible development opportunities in their units. As an integral part of the management program, all participants had to establish a development plan for their individual units. The purpose of this exercise was to provide managers with opportunities to improvise and experiment with new business ideas that could become effective strategic responses. As Allentoft explained, “Lars Frederiksen is involved in the teaching of every single workshop. Local managers are often astounded when he shows up for three hours at the beginning of the course, regardless of where it is organized, to talk about the basics of the overall business strategy—what and why are we doing what we are doing.” All core HR staff took part in these training activities. Frederiksen saw his direct involvement as a way to instill strategic direction while at the same time getting a much better feel for the strategic challenges in local markets.

This part of the centralized strategy-making process served to create a common understanding of the competitive situation and outline the strategic options available to the firm by involving business-unit managers directly in the process. Through such tools as the annual performance development interview (PDI) (see Sidebar 3), management could communicate the strategic intent developed from the strategy discussions, clarify the roles of each unit and of the individuals within them, and secure alignment between individuals and business units in pursuit of corporate goals. Hence, all company employees were to complete the PDI once a year together with their immediate superiors and produce an individual development plan. The purpose of the PDI was to ensure that every employee knew

One main purpose of the high-performance workshop was to enable managers to create the best possible development opportunities in their units.

SIDEBAR 1 High-Performance Workshops

The high-performance workshops focus on HRM from three perspectives:

1. Identification of performance drivers (e.g., How do I identify the activities that drive strategy execution? How do I set and follow up on significant, measurable, ambitious, realistic, time-bound targets for my unit?)
2. Optimization of development places (e.g., How do I improve the integration of development plans with the organization of work? How do I focus the business and motivate development plans?)
3. Leading change process (e.g., How do I create motivation results and development opportunities for the employees in a change process?)

The high-performance workshop's main objective is to equip managers with the knowledge and skills needed to handle these challenges. Leadership development is accomplished using various learning methods, as learning takes place in many different ways and as different people have different preferred approaches to learning.

The approaches used at the high-performance workshops include:

- introduction of a range of leadership theories, tools, and models;
- knowledge sharing, exchange of best practices, and mutual inspiration;
- networking;
- discussions and reflections on leadership and necessary leadership competencies; and
- clarification of leadership challenges and discussions of how to handle them.

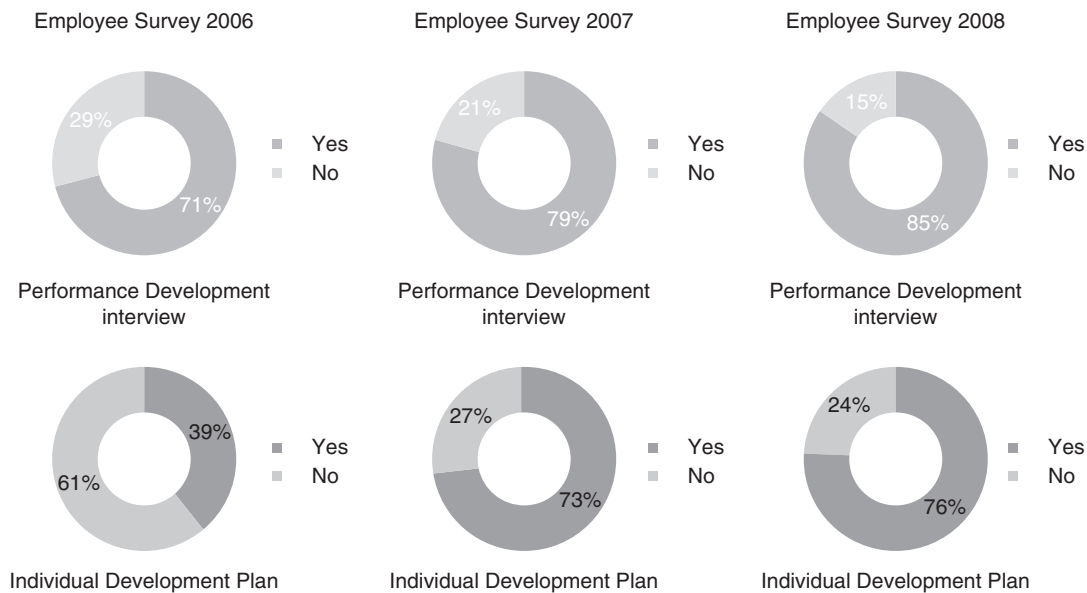
Source: Internal documents.

SIDEBAR 2 C-Way

We operate within the framework of our vision and values, policies, and positions regarding business integrity and responsible citizenship. We call it C-Way—The Chr. Hansen Way of Management. Launched in 2008, C-Way links our vision and values to the business strategy and to everyday operational tasks throughout the company, streamlining our policies and procedures and ensuring global alignment. In this way, we create transparency in the organization and set the framework for building and running a sustainable business.



Source: Chr. Hansen (2008).



In 2008, 85 percent of our employees completed a PDI and 76 percent have an individual development plan. This is a major increase compared to 2006, where only 39 percent employees completed a development plan.

Source: Chr. Hansen (2008).

FIGURE 3. PDI and the Individual Development Plan

and understood the connection between their own operational tasks, the goals of the unit, and Chr. Hansen's overall strategic direction. "We are making sure that we properly align employee skills and individual needs with the company's strategic needs," said Allentoft.

Although the PDI concept was developed for the global organization, it was subjected to significant local adjustments. Kirk explained, "To succeed globally, we had to develop the PDI together with local HR managers. First, they received a draft, and were invited to give their comments and suggestions. We considered all of them and tried to incorporate the changes. For example, we used the US grading system, adjusted the PDI to the legal requirements of France, and linked it to the employee satisfaction survey carried out globally. We had to explain the purpose of PDI to managers in Poland and train them in its use. However, even in Denmark we discussed the PDI with our divisional managers during the meeting of the divisional management teams before we launched it." By 2008, the results of the annual Employee Survey showed a substantial increase in the level of participation in the PDIs and individual development plans (see Figure 3).

To balance the PDI, which is exclusively focused on relations within the department (between manager and employee), another managerial tool was developed by corporate HR—the Partner Feedback System (PFS). The PFS is focused on cooperation among internal partners across different departments, with the aim of systematically collecting feedback to improve work relations and processes across functional areas (see Sidebar 4). The fact that the PFS is indirectly linked to the PDI encourages knowledge sharing and innovation among individuals in the organization, as such exchanges occur when people interact—particularly within groups or teams that cross conventional functional boundaries.

Bottom Up: Inspiration for Strategy Discussions

Over time, the experiences line managers gather from various autonomous initiatives can be channeled up the organizational structure to serve as important sources of inspiration for the organization's periodic strategy discussions (see Figure 2b). In this context, HR needs to have processes and practices in place to ensure that the outcomes of autonomous

SIDEBAR 3 Performance Development Interview (PDI)**Purpose of the interview**

The purpose of the PDI is to ensure that every employee knows and understands the connection between their own tasks, the goals of the unit, and the overall strategy of Chr. Hansen.

Chr. Hansen attaches great importance to the development of its employees, as employees are viewed as key to the company's continued success. All employees must have a performance development interview and, as a result, an individual development plan. To ensure consistency worldwide, the global PDI form is used by all employees and managers in Chr. Hansen.

The interview consists of four steps:

1. Follow-up on last year's targets and performance evaluation

The basis of the PDI is an evaluation of the employee's performance relative to the targets agreed for the preceding year. Subsequently, the employee's performance is evaluated in relation to the performance criteria for Chr. Hansen.

2. Salary evaluation

The evaluation of last year's targets and the employee performance evaluation form the basis for the determination of the salary for the next period. Any changes in salary are communicated during the interview.

3. Determination of business targets for the next period

On the basis of the targets set for the area/department, the employee and the manager agree on business targets for the next period. Each manager is responsible for ensuring that all employees in the area/department are informed about the overall targets for Chr. Hansen and that they understand how they contribute to the department's targets.

The business targets must be well defined and realistic, and can advantageously be set in accordance with the SMART model, where S = significant, M = measurable, A = ambitious, R = realistic, and T = time limited.

4. Individual development plan

On the basis of the defined targets and the performance evaluation, the employee and the manager agree on future competence development initiatives for the short and long term. A number of elements go into preparing the individual development plan:

- the business targets and expectations for the next period,
- future job requirements,
- performance evaluations,
- professional and personal competence development needs, and
- possible future job opportunities.

After the performance development interview, the employee enters the agreed targets and the individual development plan for the next period into the forms, which are then signed by both parties. The manager and the employee are mutually responsible for implementation of the agreed targets.

Source: Internal documents.

initiatives are recorded, brought to the attention of top management, and made available as useful input into strategy discussions. In Chr. Hansen, the organizational audit (OA) and the organization review (OR) serve exactly these purposes. Formally, the OA and OR assess how the organization and its human resources support the present and anticipated future business requirements. They

do so by evaluating past performance and preparing follow-up action plans for the ensuing years.

Based on inputs from PDI and PFS, all executive vice presidents conduct an OA annually for their respective business areas. The OAs cover two main themes: "Linking Business and Organization" and "Succession Management" (see Table I). The former

SIDEBAR 4 Partner Feedback System (PFS)

Purpose:

The PFS is based on the idea that cooperation improves when people have a chance to discuss how they best work together. Chr. Hansen believes that in order to provide its customers with high-quality products, it needs well-functioning business flows. The company therefore focuses on continuously improving and developing its internal work processes to ensure product development, reliable delivery, and strong customer relations.

The purposes of the PFS are to:

- strengthen cross-functional cooperation through open and constructive feedback, and
- support optimization and development of cross-functional work processes.

Description:

The PFS was developed as a tool for systematically collecting feedback from internal partners in Chr. Hansen. It is based on interviews with important internal business partners. These interviews are conducted directly with the partners by the manager. During the PFS process, the manager is expected to:

1. Identify three important partners in Chr. Hansen. This should be done together with the employee's own supervisor.
2. Carry out interviews with each identified partner. The interview form should be used to ensure the same areas are discussed in all interviews.
3. Go through the interview material and clarify feedback—both positive and negative—and make suggestions for improvements and the development of future cooperation.
4. Write a summary of the feedback and suggestions for development and improvement. The summary should be distributed to the interviewed partners and to the employee's own supervisor.

The PFS summary can serve as a valuable input in the annual performance development interview between the employee and his/her supervisor, as it identifies focus areas, and provides suggestions for the development and improvement of future cooperation with internal partners.

Source: Internal documents.

TABLE I Structure of OA and OR

Present and Expected Business Requirements and Challenges

Linking Business and Organization	Succession Management
Organizational development (past years)	Corporate key positions
Future organizational development	Corporate key people (including successors)
Annual focus themes	Rising stars
Development activities and action plans	Development plans and management review

Source: Internal documents.

focuses on the link between the development plan for the business area and the business goals for the company as a whole. It also describes the main scenario(s) for future business development. In addition, selected areas for future organizational development are outlined, and considerations relevant to the annual focus themes are described. The second part—Succession Management—identifies: (1) key positions in the division, and evaluates

the ability of those holding these positions to take on increased managerial and/or professional responsibilities; (2) successors to key positions, and their readiness; and (3) “rising stars.”

In addition to the main themes, “focus themes,” which reflect important issues across the organization, are included in the OA. These themes are defined jointly by the CEO and the vice president of human resources

every year to accommodate shifting strategic priorities, and to balance HR demand and supply. For example, the OA focus themes for 2007 were: follow-up actions on the results of the employee satisfaction survey; issues related to the attraction and retention of key personnel; and planned and conducted actions to reduce complexity and limit unnecessary work processes. In 2008, the focus themes were (1) linking business, people, and organization and (2) succession and talent management.

The ORs are conducted by the respective management groups for the product divisions, Finance and IT, and Corporate Research. The structure and the themes are identical to those

“The OA and OR ensure that the organization is alert and fit to handle change at any moment. For instance, if we are entering a new business area, we know instantly whether we have the necessary capabilities.”

of the OA. The OR and OA follow a common timeline, as the OA is a follow-up on the OR conducted in each division. The process typically follows this sequence:

- In June, an introduction, the guidelines, and the templates to be used for the OR and the OA are distributed to the corporate leadership team members.
- In July, the results of the Employee Survey are distributed.
- From August through December, ORs are conducted by respective executive vice presidents and vice presidents in cooperation with their HR business partners. For ORs, the respective executive vice presidents chair the meetings together with the respective HR business partners.
- In January, OR and OA reports are discussed during a full-day

meeting of corporate leadership team members. At the meeting, each executive vice president presents the results of the OR and OA for that division and is then drilled for 15 minutes by other corporate leadership team members. After the meeting, a summary of the agreed actions for each division and for the entirety of Chr. Hansen is produced. That document then serves as the action plan for the coming year.

Frederiksen discussed his view of these two processes: “OA and OR serve to ensure that we have an organization that is capable of fulfilling the requirements of our business strategy at all times. All potential and talents, as well as the problems and ‘red flags,’ become very visible, which allows us [the corporate leadership team members] to react quickly and facilitate any necessary adjustments in our business strategy or our organization. The whole process gives rise to extremely interesting and useful discussions among the corporate leadership team members about whether our business strategy is the right one, whether there are any unexplored opportunities, and whether and how we could do better in terms of strategy implementation.” Allentoft’s view on the processes is similar: “OA and OR are useful, but time-consuming, organizational exercises. When they were developed, they were meant to be implemented only once a year. However, both the corporate leadership team and divisional management groups were so enthusiastic about these exercises that they decided to make them biannual activities. The OA and OR ensure that the organization is alert and fit to handle change at any moment. For instance, if we are entering a new business area, we know instantly whether we have the necessary capabilities.”

Results

In 2009, the results of the employee satisfaction survey showed that “the level of employee commitment [had] never been higher” (Chr. Hansen, 2009). The high level of commitment was all the more remarkable given that the positive trend in employee satisfaction developed during a period of significant organizational changes (including some layoffs) designed to reinforce Chr. Hansen’s global market position. As Allentoft argued, “We can actually measure the positive impact in both the employee satisfaction score and the bottom line. This is the ultimate documentation that our strategy has been successful.”

According to Allentoft and the HR business partner team, the key to success was the maintenance of a tight alignment between HR activities and the business strategy by

maintaining a focus on employee development and by motivating employees with exciting job and career opportunities. For the corporate leadership team members and the CEO in particular, the process was supported by continuous feedback from the organization, which, Frederiksen said, “pushed us to never relax and to constantly question our way of working, wondering whether we could do things in smarter, more efficient ways.” Allentoft also provided a view on the importance of the system: “As head of global HR, it is extremely important that I have a good relationship with my colleagues in the corporate leadership team, and, in particular, with the CEO. We coach each other and make things work. The fact that the HR business partners are integrated in divisional management means that the corporate leadership team members have a common basic vision of how HR can contribute to value creation in the company.”

However, it would be naïve to assume that the process was easy, particularly in light of several developments. Allentoft and his team were facing several challenges. First, PAI’s exit was scheduled for the end of 2010, which created a lot of ambiguity. While maintaining performance culture was easier at the headquarters, the subsidiaries were left to wonder about the future of the company. Second, Chr. Hansen had been developing from a one-stop ingredient supplier into a focused bioscience company. That required changes in corporate branding and development of a new employee value proposition. Third, the organization had been trimmed through the divestiture of noncore businesses and the streamlining of all business processes, while acquiring some new businesses. In the Global HR Strategy for 2008–2010, it was stated: “Handling M&A and change processes are the most critical goal due to its high importance for business and low current HR capabilities. Clearly, managing change and cultural transformation are areas where HR could provide valuable support to businesses.” According to HR business partners, the big challenge was “how to preserve the old good Chr. Hansen spirit but at the same time make it workable in the future” under new business conditions.

Finally, the global implementation of HR initiatives did not proceed so easily as expected. Five HR coordinators were appointed in the largest countries in which Chr. Hansen was operating. The intention was to make them responsible for anchoring the global strategies on the *regional* level. However, some HR coordinators found it difficult to deal with this challenge because they had limited global/regional experience or were new to the organization. Some were not strong enough to move from an administrative role into a truly global/regional role focused on formulating regional HR strategies that reflected local needs while staying rooted in the global HR objectives. This difficulty was highlighted by Allentoft: “I am not quite satisfied with the global implementation progress. . . . While most of our concepts have become routine in Denmark, this is not necessarily the case in the international organization. The strengthening of the international organization will be an important focus area over the next few months. We will focus on such activities as recruiting stronger HR profiles in certain regions, shifting the role of corporate HR, and training regional HR coordinators.” At the same time, some regional HR coordinators were not satisfied with the role of “implementer” and expressed a desire to be more involved in the development of “concepts and tools” from the very beginning. One anonymous regional coordinator said, “We would like to move away from central development with local implementation towards central inspiration with regional development and local implementation.”

Despite the challenges, Allentoft was positive: “Fundamentally, if I had to do it all over again, I wouldn’t really change anything. For instance, regional and local HR coordinators must be personally involved in OA and OR in their regions, which allows them to become sparring partners for the country managers. That situation mirrors the relations between

According to HR business partners, the big challenge was “how to preserve the old good Chr. Hansen spirit but at the same time make it workable in the future” under new business conditions.

HR business partners and divisional executive vice presidents. The art of HR—when the music really plays—is when we gain the confidence of the functional managers, the people we are serving, so that we can be a true sparring partner. This is what strategic HR is all about from my point of view.”

Conclusion

In this article, our ambition was to show how HRM can enhance the corporate strategy-making process. Strategic responsiveness is generally recognized as essential for competitive advantage. The ability to respond and to adapt a strategy to changing conditions hinges upon the organization’s ability to facilitate autonomous initiatives among individual managers within the organization. Yet, general direction and coordination remain important for economic efficiency, which suggests a need for integrative strategy processes that combine decentralized emergent strategy making with centralized intended strategy making. We used the example of Chr. Hansen to illustrate HRM’s role in the orchestration of both autonomous and induced strategies.

The responsive-integrative strategy approach may sensitize managers on all levels to the complexity of the strategic challenge and instill a general awareness for adaptive strategic responses in the diverse

global competitive environment. Such awareness can help improve the organization’s ability to identify unique local market requirements and environmental changes that call for adjusted corporate actions. Furthermore, the responsive-integrative approach to strategy making clearly accommodates the role of HR in the complex strategy-making process. As such, the corporate HR function could be seen as the driver of an advanced form of *interactive management control system* where top managers “regularly involve themselves

in the decisions of subordinates,” which could comprise “human development systems” (Simons, 1991, pp. 49, 53). The broad involvement of managers across hierarchies and local functions can also be seen as a way to accommodate fruitful interaction between “big picture-conscious” individuals at headquarters and “detail-conscious” individuals in the local operating entities (Hodgkinson & Clarke, 2007).

Hence, the focus of the HR function should support both induced (centralized, top-down) and autonomous (decentralized, bottom-up) strategy making. In Chr. Hansen, the support for induced strategy making was done by engaging managers across the organization in systematic, analytics-based discussions about strategic intent and the future direction of the company via high-performance workshops, the C-Way initiative, personal development interview, and Partner Feedback System. In addition to facilitating strategic insights, these programs developed and initiated by the corporate HR function provided the line managers with *room to improvise and experiment* with new business activities as well as assist in *lateral cross-functional coordination* among managers. In addition, the corporate HR function at Chr. Hansen put in place mechanisms that facilitate autonomous initiatives and allow for the ongoing reporting of their outcomes to top management. Organizational review and organizational audit brought to the attention of top management the experiences, capabilities, and strategic insights derived from discussions about strategic intent and autonomous initiatives. These served as inputs for further *consideration* and as *inspiration* for the periodic strategy discussions that are part of the centralized strategy-making process.

Our work further clarifies the “strategic partner” role of HR professionals (Ulrich, 1987). Ulrich (1997, p. 27) wrote, “HR professionals become strategic partners when they participate in the process of defining business strategy, when they ask questions that move strategy to action, and when they design HR practices that align with business strategy.” To that we will add that the “strategic partner”

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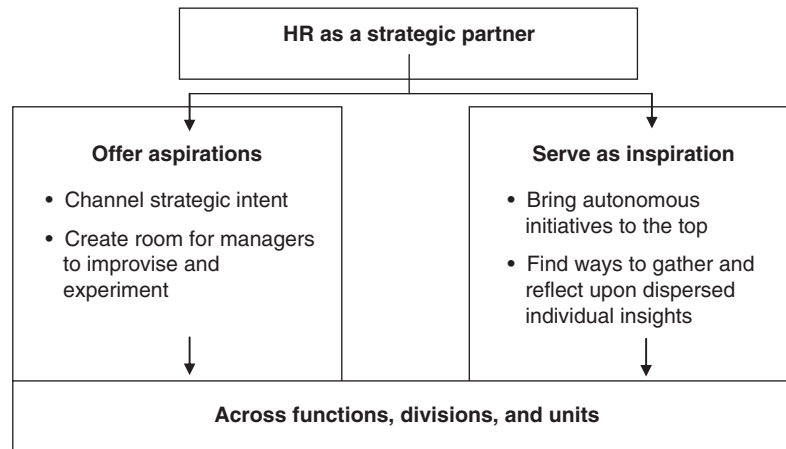


FIGURE 4. HR's Role as a Strategic Partner

role also includes orchestrating bottom-up autonomous responses adapting the strategic intent to local circumstances and conditional changes.

In contemporary dynamic environments, the understanding of the essential role of HRM in responsive-integrative strategy making is critical to the future development and direction of the HR function in organizations. In this regard, the experiences of Chr. Hansen suggest the following steps:

1. Create room for an effective integrative strategy-making process by:
 - establishing a centralized forum for periodic strategy discussions designed to coordinate and create direction, leaving room for decentralized initiatives to respond to emerging changes;
 - encouraging continuous responses to emerging events that are in line with an overarching organizational purpose and strategic intent; and
 - continually (or periodically) monitoring experiences with autonomous initiatives that can modify strategic insights and inform the periodic strategy discussions.
2. Use HR to integrate strategy-making processes.

HR's support for both centralized and decentralized strategy making (see Figure 4) can result in an HR architecture that provides

aspirations for strategic decisions and initiatives throughout the organization. It may also establish clear ways of channeling the strategic intent formulated by top management. In this regard, HR processes and practices can be put in place that provide line managers with opportunities to experiment and improvise with new business ideas. Furthermore, HR tools can be used to increase cross-functional lateral collaboration.

The corporate HR function can also collect insights from new decentralized initiatives that might inspire periodic strategy discussions at the top. The establishment of HRM processes and practices through which dispersed individual experiences can be gathered and reflected upon would allow the organization to gain new insights from autonomous initiatives. In addition, the HR function can work to find ways to help line managers develop new ideas across functions, which can then serve as sources of inspiration for the organization's periodic, centralized strategy discussions.

As for Chr. Hansen, on June 3, 2010, the company was relisted on the NASDAQ OMX Copenhagen exchange after five years of PAI private ownership. The successful transition into a public company was completed before the formal date of PAI exit. In August 2010, Frederiksen commented: "Our desire to continuously strive for improved performance has helped us create a high-performing culture throughout the organization. An important

part of this is the commitment and enthusiasm among all employees, and we are very happy that the employee satisfaction survey in 2010 showed the highest score ever—significantly higher than the benchmark.” In retrospect, two years later, he adds: “We would have never done it without HR.”

Note

1. PAI Partners is one of the oldest private equity firms in Europe, with origins in Paribas Affaires Industrielles, the historical principal investment activity of Paribas. Paribas, a pan-European merchant bank, merged with BNP in 1999.

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