

A review of the learning and growth perspective: a new approach to labour climate

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Abstract. The purpose of this paper is to establish, devise and verify empirically a model which, from an analysis of labour climate, enables feedback to be obtained on management performance with regard to motivation practices and policies in human resources. Failure to build linear models for linking employee satisfaction and human resources policies has led to delays in identifying management tools. Our study renounces linearity-impossible in human resources- and opts for other statistical instruments like classification trees. The variables or dimensions of the model connect employee involvement and satisfaction with motivational policies proposed by the Management, providing feedback. It is a tool for Argyris and Schön's double loop, which brings out current management theories and compares them with the theories put forward by the management, obtaining a diagnosis for strategic learning and growth of Kaplan and Norton.

Keywords: climate, feed-back, learning perspective, motivational policies, navigator

1 Introduction

Kaplan and Norton^[22] introduced the strategic perspective of organizational learning and growth into company Balanced Scorecards. This approach is based on Argyris and Schön's management learning cycles and it is an emerging perspective yet to be developed^[17]. However, more than 40% of large companies use the BSC, but only 17% of them include the learning and growth perspective, while the rest of them consider it excessively ambiguous or do not find indicators^[36].

The purpose of this paper is to develop and validate empirically a labour climate model able to measure the performance of the managerial Human Resources policies from the organizational learning and growth perspective within the Balanced Scorecard framework. Human Resources (HR) policies are key tools for capacity building, which in turn are the basic substratum of the learning and growth perspective, and the learning and growth perspective is the foundation for the strategic performance of the organization^[20, 39].

The proposed model links employee involvement and satisfaction with Management motivational policies, providing feedback on the deployment of the policies. The analysis has been performed using a qualitative and quantitative methodology.

Finally, although the relationship between strategic performance and HR performance is almost a tautology for academicians^[8], managers distrust the principles that support HR practices, for they do not have the necessary tools for establishing and measuring the relationship between those practices and the results^[13]. Failure to build linear models for linking employee satisfaction and HR policies has led to delays in identifying management HR tools. Our study renounces linearity, impossible in HR^[35] and opts for other statistical instruments as the classification trees^[12] to correlate individual satisfaction with their perception of the HR policies. It is a tool for Argyris and Schön's double loop, which brings out management theories in use and

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compares them with the theories put forward by the management (proclaimed theories, e.g. what they intend to implement) obtaining a diagnosis of management efficiency and data for strategic learning and growth.

2 Review of the literature

The BSC is used to describe and communicate strategies, and not to formulate them^[23, 29]; its goal is to align the organizational performance to the strategy, and its scope is the execution of the strategy^[34]. The authors of BSC reached the conclusion that “new marketing and organizational concepts, inter alia, fail when implemented because they do not take the human factor into account”^[19]. “Only by taking the human factor into account, can managers understand how the pieces of the strategy fit together”^[19]. But theories to manage human resources are implicit for the most part and not comprehensible out of context^[3, 37]. To understand how the pieces of the strategy fit together, the managers need to explicit the theory they state that govern their performance and compare them with the rules that make sense of the actual organization behavior^[20].

Managers learn by doing, by observing other people and by experimenting. This trial-error process implies uncertainty^[42, 43]. Scoreboards attempt to reduce uncertainties because they connect different line levels^[5] and they monitor the chain of relations which lead to results^[3].

Mintzberg^[28] has developed a correlation between strategic positioning of organizations and the basic learning strategies which they use for building competencies.

Capelli and Crocker-Heffter^[7] have researched on the correlation between human resources practices and the strategy the company adopts, reaching down “to the specific practices, and their effectiveness for the development of the organization in defined strategies”. Starting from this author, this paper reviews the BSC as a tool for aligning human capital with business processes through human resources practices^[22, 29]. HR practices that align processes and human capital are specific to the values of those processes and, therefore, to the strategy they serve, this alignment results in labour values, or specific labour climate^[22, 29].

2.1 Labour climate as an organizational diagnostic tool

The theoretical foundations of Human Resources that underlie our work rest upon four basic principles that govern the behaviour of these resources, though combined in a novel manner. Firstly, the principle established by March and Simon^[41] is that decisions depend on the perceptions of the individuals.

The second principle is based on Argyris^[2] and states that for an individual to perceive a fact he has to be attentive to the tasks performed by themselves and their implication, that is, involved. Moreover, being involved is one basic principle of learning^[14].

The third principle can be expressed as people learn and develop their work roles in groups and the group creates lateral or environmental pressure on individuals^[3].

Finally, the impact of motivated actions by a company creates context. Harmony of this context with individuals’ abilities and informal organization is translated into an environment, or climate, which influences individuals and their performance^[1, 5, 8]. The concept of climate has its roots in social psychology and is determined by the way the incentive structure or the perceived support of superiors and peers affect the employee’s motivation and behaviour^[22]. Based on this last concept, Campbell et al.^[6] developed a diagnostic performance model of an organization. Subsequent developments to these authors state that:

- The labour climate reflects the alignment between HR practices and business processes leading to financial results^[22].
- The climate is the perception that employees construct of events, practices and procedures within the organization, identifying behaviours they understand which are reinforced and those that are demotivated^[1, 5, 15].
- In turn, HR policies affect employee satisfaction^[15], because they affect the perception of fairness, a deep-rooted component within the climate.

Consequently, for labour climate analysis to be useful as feedback on executive performance, models with variables which reflect management motivational policies and informal organization must be used. Measurement of these variables or dimensions must be capable of comparing the design of HR policies carried out by the Management, with the perception that employees have of the policies which affect their satisfaction^[1, 5, 6, 22].

2.2 Learning and growth perspective of BSC

The Balanced Scorecard is a tool for training management in the causal relations between performance perspectives leading to financial results. Kaplan and Norton^[18-20] build a strategic architecture scheme on causality relations between the four perspectives of their Balanced Scorecard (financial, customers, processes and learning and growth). They believe that “the learning and growth perspective” is the substratum and support for the other three, because it is the sphere where organizations build effective behaviours, based on their ability to coordinate employee capabilities^[17]. Feedback brings out “theories-in-use”. The Balanced Scorecard is configured so that the theories underlying management decisions can be checked against the explicitly formulated theories on causality relations between the four perspectives^[3]. Kaplan and Norton, however, do not give any examples nor an adequate theoretical proposal for the basic perspective (that of learning and growth), which diminishes the practical effectiveness of their tool^[33, 38].

The BSC is a tool that has four characteristics: (a) by means of relationship maps, the BSC helps managers to understand the relations among perspectives that guide strategy execution actions^[21, 23]; (b) the BSC provides a basis for dialogue and staff-line co-operation; as it is a tool for measuring the implementation of processes, the BSC builds its foundations by linking, through objectives, goals and indicators, the formulation of the strategy to its execution^[23, 24, 29]; (c) the BSC is used to align policies and processes with the strategy; once the processes being critical for the success of the strategy have been identified, this tool allows correlating those processes with the intangibles on which they rest^[23]; and (d) the BSC is a tool that can be used for communicating values associated to the strategy^[3, 17].

In the Kaplan and Norton perspective, learning may be defined as detection and correction of errors^[3]. It connects the theories on organizational learning with HR Management practices, as first instance subjects of organizational learning. These practices are developed in four levels:

- The learning and growth perspective aims to be a mean of introducing and spreading new organizational concepts^[17]. In fact, the BSC arose from the need to integrate the different indicators powered by new TQM practices^[17]. The Balanced Scorecard attempts to match these new concepts to theories in use which gave rise to the problem, enabling the emerging theories to have access to management and be disseminated throughout the organization^[17]. The feedback structures of the BSC are conceived to provide continuous information on the validity of the assumptions that support the execution of the strategy^[24].
- Team building is promoted by the perspectives of the Balanced Scorecard as they guarantee that the feedback from strategy implementation problems reflects their across-the-board nature, stressing the need for cooperation between areas for the analysis and solution of problems^[3, 19]. Due to its construction methodology and its configuration, the BSC is a tool for the unification of staff and line cultures^[17, 22, 24, 29, 34].
- Feedback shows new opportunities for learning. Both within the organization and, especially, in its environment, opportunities arise and new theories must be taken on board by the Management. The Balanced Scorecard will show not only the need for new processes, but new employee capabilities. By relating processes to intangibles based on the competencies of certain jobs in the organization, the BSC allows to build up profiles of the skills and knowledge of the employees in relation to the key strategic processes^[22]. Staff involvement policies will be critical for teams to decide to match their learning to processes^[3].
- The fit between the people and the processes of the organization results in values, and in a climate as a organizational system perceived by the employees made up of meanings, suppositions and values^[22]. Therefore, the BSC communicates the essential values to the group of people who make things happen, focusing efforts toward the critical elements of each perspective^[5, 29]. In the learning processes necessary for linking the critical processes to the intangibles, we can identify distinctive values which are communicated to human resources through their implementation policies^[7, 28, 39], such as: (a) efficiency and sense of work; (b) creativity and sense of risk; and (c) empathy and customer service.

As can be seen from the previous four levels of the learning and growth perspective, a model of TQM is implicit in the BSC^[17, 23, 29, 32].

2.3 Fit of the strategy to HR values

Kaplan and Norton^[21] agree with Mintzberg^[28] on the view of strategy as a fit between product and market^[32–34]. The causality chain which leads to the creating of competitive advantage is implicit in the decisions for resource organization. According to this view, the position or fit between products and markets creates loyalty between brand and customers, and acts as a predictor for learning required for building particular competences. According to [22, 28, 30] and [34] the basic strategies are:

- Strategy based on massive provision to the market of standardized goods (commodities).
- Segmentation strategy.
- Niche strategy.

However, in practice the fit is usually imperfect, so reinforcement measures are needed to improve it. These measures are summarized in three learning strategies^[28]:

- Learning to improve the experience curve.
- Learning to know customers' needs better.
- Learning to obtain an advantage from the complementarities that come from the different parts of the strategy.

These learning strategies may be recognized in distinctive values, which are communicated to human resources by the policies^[28, 39] as: (1) efficiency and work sense; (2) creativity and risk sense; and (3) empathy and customer service.

The learning perspective is based on the usufruct of intangibles (such as human capital) by means of the processes in which they are involved^[5, 22]. The alignment between the performance perspective and the learning perspective is carried out by means of performance drivers; and for the alignment between HR and processes, the performance drivers are human resources practices^[32].

The set of intangibles that create value is the idiosyncratic context of a specific strategy (for example, HR practices and information technologies which coordinate them)^[22]. A system of management interfaces between perspectives is created, linking the intangibles, the resources on which they are based, and their management policies^[22]. The relationship between HR practices and critical processes, made explicit by the BSC, focuses the values and culture of performance necessary for the alignment between the learning and growth perspective and business processes^[21]. Research have revealed correlation between human resources policies and values associated with the strategy; we highlight the work done by Capelli and Crocker-Heffter^[7] on several packaging, insurance, consultancy and sports organizations. Tab. 1 is based on this work.

Table 1. Correlation between policies and organizational values, according to [7]

<p>Management support (procedures, instructions, communication systems, training, security etc). When this set of practices is dominant in management it will be associated with:</p> <ul style="list-style-type: none"> ① Paternalism or management control. ② The pioneering character of the creation of a new company. ③ Centralization to cope with crisis situations. <p>Reward (salaries and incentive schemes, careers, etc) is easily associated with:</p> <ul style="list-style-type: none"> ① Efficiency standards. ② But also, with the achievement of objectives. <p>Initiative and scope of decisions allowed by the organizational design, which are associated with:</p> <ul style="list-style-type: none"> ③ Expert independence. ④ Risk taking. <p>Lateral opening of the organization, support from peers and supervisors, solidarity and informal communication, is associated with values of cooperation and team work.</p>

2.4 Recent studies on the fit of the strategy to HR policies

According to the increasing importance of the intangibles management and the supporting HR policies, managers will need tools for the selection and control of the motivational policies on which to focus their efforts^[7, 10, 12]. In this perspective, Mc Duffie^[10] argues that the formulation of contingencies associated with the strategy prescribe a particular design of the business processes, which are linked to a specific set of human resources policies^[10].

Mc Duffy's approach is consistent with the strategic architecture proposal for the BSC of Kaplan and Norton^[19, 21, 22]. In the learning perspective, the human resources motivational policies play a critical role in the fitting of behaviours to company strategy (external fit)^[12, 30, 34].

Consequently, the policies drawn up by the management are based on hypotheses of human behaviour and perception^[7, 29]. These hypotheses are assumptions of correlation between policies and behaviours, also called as management navigators; these hypotheses enable BSC learning and growth perspective indicators to be built and allow feed-back and feed-forward^[29, 32]. The BSC provides a very appropriate container for the hypotheses on HR policies obtained from the theory, for it contains the three tools for strategic control^[29]: (1) it carries out a performance diagnosis; (2) allows to establish indicators that raise the alarm among the management when the degree of uncertainty reaches the defined limits; and (3) provides learning on the three performance perspectives, emphasizing the implementation indicators.

The deployment of the implementation maps of the BSC strategy helps to understand the process by which the intangibles relate to the process and customer perspectives, yielding financial results. Human capital, which is a heterogeneous resource^[16], fits the processes through HR practices^[22, 23].

Finally, studies carried out by Rayton^[35] have shown that employee satisfaction correlates with customer service and that involvement does so with self-learning. Both elements, in turn, depend on the influence of external factors, implicit in HR policies, the learning perspective (as an appropriation of knowledge by the company and by the employees) establishes a sound base for involvement^[39].

3 Proposals

Our proposals seek to build a tool to obtain a diagnosis of management effectiveness and also guidance for management on actions for change. Our methodology is based on a comparison between the theories in use, driving HR the actual motivational policies, and management objectives, which supposedly guide organizational strategies and the motivational policies. Usually we talk about motivational policies and not about HR policies because our research does not encompass organizational factors, such as personnel selection, which are components within the HR management toolbox^[35].

3.1 Proposal 1: The climate may inform on the in use HR motivational policies, through the perception that employees have of the proclaimed policies

The in-use policies are the implicit rules that make sense of the managers' behaviour. As Argyris^[3] states, organisations do not base their performance on employee satisfaction, but on the type of involvement which is specific for each particular business strategy^[7]. Obviously, involvement lays on the satisfaction of some of the needs of these employees, but should not be confused with them. Specific tools for analysing involvement must use climate models based on motivational practices and informal organization. These climate models provide a scheme for classifying motivational policies^[1, 21]. In this paper only four dimensions are put forward:

- Management Support (M).
- Expected reward (R).
- Empowerment (E).
- Lateral support (L) from the rest of their colleagues and supervisors.

This model can be shown as a tetrahedron (Fig. 1) where: (a) each of the vertices represents one of the four climate dimensions, (b) the pyramid rests on the exercise of management or leadership (M, R and E); and (c) the final vertex represents the correlation between formal and informal organization (L). We have developed a questionnaire, shown in the Appendix, to measure the labour climate dimensions.

3.2 Proposal 2: HR motivational policies can be correlated with learning and growth activities of the organization

As we have seen below, the BSC is based on TQM processes: Knowledge is raised from intuitions about inconsistent actions, is shared in groups, is included by line cooperation and staff and ends up as management learning crystallizing in news ways of doing things.

Fig. 2 represent a simple learning model, based on TQM, which shows concisely and in a handy way the set of common activities for the majority^[11] of organizational learning models:

- In practice people find problems they need to solve, even questioning the rules on which the activities are founded or the services provided. People discover in their environment new opportunities to solve these problems, or to undertake the activity in a more efficient way, thus creating implicit expert knowledge.
- People, in groups or in teams, discuss and share experiences of problems and solutions, sharing know-how which is implicit knowledge to a great extent.
- Organizations, via their supervisors and experts, evaluate achievements and disseminate those they deem valuable. They can draw up performance models derived from knowledge acquired from their members. They use existing explicit knowledge to do this, creating procedures understandable to those people who have not participated in the discussion and problem-solving process.
- Finally, when existing procedures are changed because of management decisions, the new knowledge becomes routine through practice.

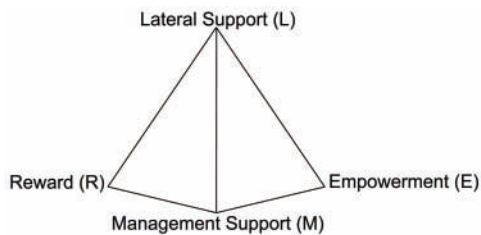


Fig. 1. Labour relations pyramid, based on [6]

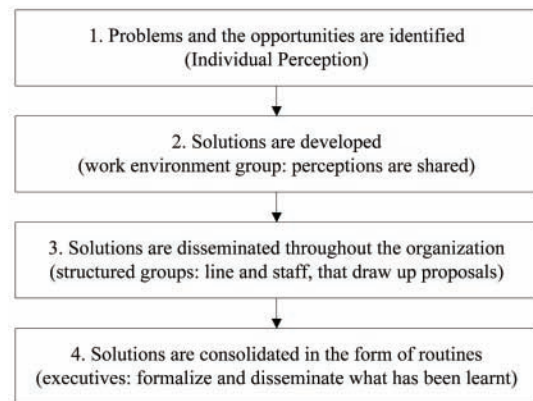


Fig. 2. A simple learning model based on [31] and [9]

HR practices are found in the substratum that allows the performance of the strategy, since they serve to align human capital with processes^[22]. These are the drivers of the alignment between learning and processes^[32]. Tab. 2 summarises the influence that motivational policies exert on HR behaviour in learning activities.

Table 2. Correlation between motivational policies and learning process activities

Learning Activities	Motivational Policies			
	Management Support (M)	Reward (R)	Empowerment (E)	Lateral Support (L)
Identify opportunities for improvement	+	++	++	+
Development of solutions	++	++	++	++
Dissemination throughout the organization	++	+	+	++
Consolidation into routines	++	+	+	++

The very need to achieve will drive people to identify solutions to problems^[26]. We can say that once the guidelines and instructions for the job are provided, the person in the position will respond to:

- Rewards, which confirm individual initiatives.
- Initiative granted, which restricts the performance of activities enabling learning.

The development of solutions to problems closely correlates with policies for motivating work in groups^[9]:

- Management support, which provides time and resources for teamwork activities.
- Cooperation loops for finding solutions, which prescribe the levels, both individual and organizational, for learning activities.
- Reward, which provides an incentive for group work.
- The risk-taking option and experimenting with solutions.

And dissemination of new knowledge through line and staff collaboration responds positively to the following stimuli^[9, 31]:

- Resources which management provides (time and others).
- Lateral predisposition of the Organization (formal and informal).

Consolidation or institutionalization of organizational learning is a prerogative of Top Management^[9, 40]. On the other hand, the informal organization may put up resistance to new rules, but not implement them^[40].

3.3 Proposal 3: Objectives of the learning and growth strategic perspective may be expressed in the form of HR motivational policy packages

We can postulate that there is a functional correlation between HR policies and employee satisfaction. Rayton^[35] defines employee satisfaction as the degree of a feeling of loyalty to the organization which an employee has, and postulates that we cannot know its particular form or even its nature. However, based on numerous studies^[35] we know that the function exists, so we can state that:

$$S = f(M, R, E, L)$$

Feedback obtained from labour climate analysis, set out in this way, tells us of a link between the satisfaction of individuals and a combination of motivational policies (M, R, E, L). These policies should be designed to motivate the members of the organization to increase the performance of learning activities.

As a sample, Tab. 3 points out different pairs of motivation policies that are consistent with each of the basic learning strategies.

Table 3. Correlation between policies and basic learning strategies, based on [7] and [28]

<p>Learning to improve the experience curve: Operators of standardized activities in the production of mass consumption items and services must learn simple, well designed tasks, and respond to financial efficiency incentives:</p> <ul style="list-style-type: none"> ① M: management support. ② R: reward for efficiency. <p>Learning to understand customer needs: People suitable for providing home help services need to learn to take decisions, follow rules and become involved in their duties:</p> <ul style="list-style-type: none"> ① M: management support. ② E: empowerment for risk-taking and involvement. <p>Learning to take advantage of complementarity arising from different parts of the strategy: Activities which require close cooperation between people in different parts of the organisation will respond to:</p> <ul style="list-style-type: none"> ① M : management support. ② L: lateral support.

The combination of factors will show us something about the in-use strategic objectives, and about consistency with proclaimed strategies. In accordance with research by Capelli and Crocker-Heffter^[7]:

- Human Resource Management supported by Management Support (M) and Reward (R) matches well with efficiency orientated values.
 - ① Management support is manifested in the form of work procedures and instructions financial incentives will boost efficient learning. Initiative allowed in operational posts will be restricted to the improvement of a few activities.
 - ② Learning in post will be restricted to a small group of direct operatives and supervisors. These latter will channel the improvements to the staff and the line, which will improve existing routines. Management support will confirm its consolidation in existing procedures and will close the process in Fig. 2.
- Human Resource Management founded on Management Support (M) and Empowerment (E) will match better an organization in which customer service values predominate.
 - ① Rules and resources made available to employees will define the limits and specifications of the service. However, a direct relationship with customers forces initiative to be shown to find solutions.
 - ② Customer needs and solutions applied to problems are channelled from the service operatives to the line. The process continues as in the previous case, but the direct operative remains in possession of a piece of knowledge which staff needs to consult.
- Human Resource Management founded on management support (M) and lateral support (L) would encourage teamwork values. In general, every activity involving connecting different parts of the organization, or sharing knowledge generated by different activities, needs time and other kinds of resources which can only be obtained with management support. In the two previous cases we have seen that collaboration between the line and staff is necessary for the improvements in one case, and new solutions in the other case, to become organizational knowledge.

As a norm, the mix of HR policies will be simpler in the strategies aiming at efficiency (costs leadership) and more complex in those ones based on differentiation or on customer service^[34]. The combination of the three basic strategies will enable us to manage usually more complex realities. For example, Management Support (M) will provide objectives and resources, Reward (R) and Empowerment (E) will match a situation in which experts dominate, for example on projects. In this last case, Lateral Support (L) will be essential for the performance of multidisciplinary projects^[27]. Performance indicators must reflect the characteristic nature of a particular business strategy^[18]. This means that, in accordance with Capelli and Crocker-Heffter [7], Mintzberg [28] and Guest et al. [13] that we deem the difference between service and production important in the formulation of HR policies. The same must be considered when dealing with flexibility strategies in relations with the environment, as opposed to strategies which basically seek efficiency.

3.4 Proposal 4: Some quantitative tools for analyzing labour climate may be useful

Although a satisfaction analysis is used as an indicator in many Scorecards, this tool is only really useful when it provides information about specific motivational variables which drive the learning of basic competencies needed for business strategies^[7].

Studies carried out to try to establish functional correlations between motivational policies and organizational performance have failed to identify any particular policy packages which are more efficient than others^[13]. Our opinion is that they have tried to avoid the problem of contingency, the basis of Capelli and Crocker-Heffter's^[7] study and have tried to drastically reduce its complexity, in search of linear relations by means of regression analysis, giving rise to very partial or null and void results^[12].

Some covariance studies that have been carried out prove that there are external factors influencing satisfaction, involvement and performance at the same time, and that this correlation is idiosyncratic. These external factors are implicit in HR policies. The analysis of specific HR packages regarding organizational strategy can be carried out using suitable techniques that avoid the existing type of specific relation which remains unknown^[35].

Classification trees have been used recently in HR^[12]. We have applied this technique in several studies since 1999 as a consultancy tool. The objective was to obtain organizational performance indicators in the learning and growth strategic perspective, as understood by Argyris^[3] and Kaplan and Norton^[19]. This statistical tool avoids the formulation of the relation between the HR policies and the employee satisfaction, opting

for classification techniques and criteria. As a result, it is possible to predict the employee satisfaction based on the HR policies and using the fraction of misclassified cases as a measure of the goodness of the fit. Hence, we postulate that:

- There is a correlation between satisfaction (S) and HR policies (M, R, E, L).
- Conclusions can be drawn about the factors which vary in relation to discrete, positive and verifiable values of S, and factors whose correlation is negligible.

Our model does not postulate a priori form of the function, it only sets out that the variables (M, R, E, L) have positive, verifiable values, and that one or some of them vary according to satisfaction S. Subsequently this classification technique is illustrated in the examples in Section 4.

3.5 Proposal 5: Climate analysis provides feedback for the development of the learning and growth perspective of the BSC

Norreklit^[33], in his criticism of the BSC methodology, explains how Kaplan and Norton's formulation is only useful for extrinsic motivation. However, these two authors, together with Argyris^[3], accept that the involvement of the employees is obtained through intrinsic motivation. Our tool, which is based on the analysis of the climate, corrects this weakness through the diagnosis of the internal perception of HR policies.

We want to state that "some jobs have a much greater impact on strategy than others. Managers must identify strategic job families, and define their requirements as job profiling, or competency profiling. If the strategy adds value to a company's intangible capital, the investment in intangibles not related to the strategy becomes an expense that does not add value"^[22]. This approach allows a considerable saving in the deployment of HR policies and an improvement in their effectiveness, since the set of critical jobs does not exceed 10% in most companies^[22]. This segmentation of job families allows focusing on policies aimed at those families critical for the functioning of processes that have strategic value.

Study of feedback provided by labour climate analysis is based on:

- Once the organizational strategy has been devised, the mix of HR policies must be consistent with it^[7, 10, 21-23, 34]. Management will devise policies (proclaimed policies) to motivate performance, based on the potentiality of a specific policy mix for motivating employees^[4]. This mix acts as a navigator for HR management.
- Measurements of labour climate will provide us with the relative importance, perceived by members,. In other words, the operational importance of each HR policy within the whole of them, or the in-use policies mix^[4].
- The segmentation of employees by job and position within the organization allows an important economy in the deployment of HR policies, focusing them on job families that are critical for the strategy^[22, 24]. Likewise, it allows the selection of different policy packages depending on the values that are desired to be transmitted to each family.

In-use policies may or may not match proclaimed policies. Comparison of both will provide valuable feedback for management learning^[3, 17]. A policy which is not perceived by the members will be an inefficient policy and spending on it will be have no effect^[22]. For example, let us consider a strategy aimed to obtain profits by large-scale supply of goods from the different perspectives:

- Market perspective: to be price leaders in an extensive, poorly differentiated market.
- Organizational perspective: efficiency and procedure standardization.
- Learning and growth perspective: management support with clear, simple standards (M policy), and productivity bonuses (R policy).

The labour climate analysis shows a good fitness between the HR policies and the postulated navigator if exists a positive perception of M and R policies by the employees. Any other perceived policy would result into an expense increase and would be pointless and inefficient.

3.6 Obtaining feedback on HR policies deployment

The proposals stated above are the basis of the model shown in Fig. 3 where the strategy, the HR policies and the labour climate interact and provide feedback on the fitness between the in-use HR policies and the proclaimed ones.

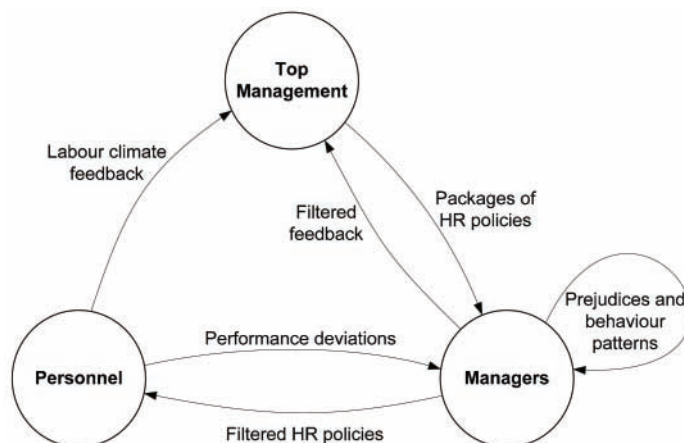


Fig. 3. A model of feedback on HR policies based on [4]

Top Management communicates to the managers the packages of HR policies defined to support the strategy of the company. These packages actually are an HR navigator, managers apply these policies according to their prejudices and behaviour patterns. Argyris and Schön^[4] stated that people are often unaware of the disparity between their intentions and their actions; additionally, Korh^[25] explains that defensiveness and patterns of reinforcing behaviour serve as obstacles to people's awareness of that incongruity.

While the results are not too far away from the forecasts or if deviations can be justified by prejudices and defensive routines, daily feedback reaches Top Management filtered by in-use policies and the organization does not react. However, when adverse deviations are maintained the organizational climate deteriorates, the filter fails and the news on problems on the organization itself reach Top Management.

The use of the climate to obtain strategic feedback on the deployment of the HR policies let management to avoid previous errors and uncover the underlying mental models related to the deviation on managers' performance. The feedback provided by the labour climate is really useful when it is able to point out the discrepancies between the proclaimed and in-use HR policies. Therefore, it becomes into a first order strategic tool able to assure that the HR policies established by top management are properly deployed.

4 Empirical validation

In order to validate the model and proposals detailed above, a methodology for the organizational diagnosis has been developed using quantitative and qualitative techniques. This methodology and the related tools have been applied to five organizations following the next steps: (1) asking top and intermediate managers on their vision of the organization and its future so that required HR policies packages emerge and outline a strategic navigator of the HR policies; (2) asking all individuals in each organizational unit to fill up a questionnaire (see Appendix) devised to measure their perceptions on the four basic motivational policies using a 1 to 5 Likert scale; (3) analysing the responses using statistical analysis, first to assure the reliability of the surveys (computing Chronbach's Alpha) and later to uncover the in-use HR policies performing a classification analysis using binary trees; and (4) identifying discrepancies between in-use and proclaimed HR policies.

We have applied this methodology to five organizational units from different companies, summing up 42 interviews with managers and 306 filled questionnaires. Tab. 4 summaries the results on the reliability analysis of the survey using Chronbach's alpha and reveals that item M4 should be eliminated and the questionnaire is acceptable.

Table 4. Computed Cronbach's alpha

Organization	Cronbach's Alpha				Eliminated questions			
	M	L	R	E	M	L	R	E
Council	.76	.85	.80	.76	M4	-	-	E5
Piedra y Mármol	.89	.90	.95	.87	M4	-	-	E7
Mantas SAL	.76	.66	.89	.71	M4	-	-	-
Ingeniería	.81	.84	.92	.73	M4	-	R2	E2
Prefabricados	.91	.80	.88	.76	M4 M7	-	-	E5
Overall total	.83	.81	.89	.71	M4	-	-	-

The statistical technique called binary classification trees proposes a classification scheme based on the characteristics of the individuals. In this approach the satisfaction of the individuals is explained by the four motivational policies; for example, in Fig. 4 we can see that the 35 individuals whose response to the questionnaire gives a measure of R less or equal than 2.5 present a low satisfaction, while to reach the highest satisfaction level (5) it is also necessary to obtain a value of M above 3.58. When applying this simple classification tree, 67% of the individuals' satisfaction is correctly predicted (see Fit ratio in Tab. 5) while just 4% present a deviation higher than one point (see Discrepancy ratio in Tab. 5). The purpose of this analysis is not to obtain a perfect fit of the data but to understand their structure, so a low discrepancy ratio is a good measure of fitness.

Table 5. Summary of the Classification Trees analysis

Organization	Cases	Final nodes	Fit ratio	Discrepancy ratio	Significant factors
Council	55	3	.67	.04	R M
Piedra y Mármol	36	3	.83	.06	R
Mantas SAL	118	3	.46	.12	M L
Ingeniería	56	2	.79	.00	M
Prefabricados	41	3	.56	.10	E M

4.1 Case 1: Council

This is the Town Council of a small city of 15.000 inhabitants located in a growing industrial area. The incomes have risen during the last years and also the expenses and the total number of municipal employees. The Mayor and top managers consider that the deficiencies of the administrative process and the gaps in the implementation of information systems are obstacles to provide new services promised to the citizens. The main motivational policy should be Management support (M) as a primary basis for a bureaucratic administration being characterized by the development of procedures and information systems, training on the job and task supervision.

Responses obtained from a random sample of managers and members of the council staff reveal (see Fig. 4) that the dominant in-use HR policies are a mix of Reward (R) and Management support (M). The M policy is influential, but secondary and partial, in respect of the dominant R policy. Therefore, the fit is relatively unsatisfactory because of: (a) R seems to be the main policy but it is not a proclaimed policy; and (b) M policy appears just as a secondary policy. Personal qualitative interviews confirm this analysis.

Some improvement actions were suggested to clear these discrepancies such as: (a) review of the wages to assure equity; (b) strength procedures and information systems; and (c) implement bonuses for the managers to promote an effective supervision.

4.2 Case 2: Piedra y Mármol (Administration Area)

The organizational unit we are dealing with is the administration area of a world-class group focused on marble quarries and tile production. Top management has identified performance issues related to order

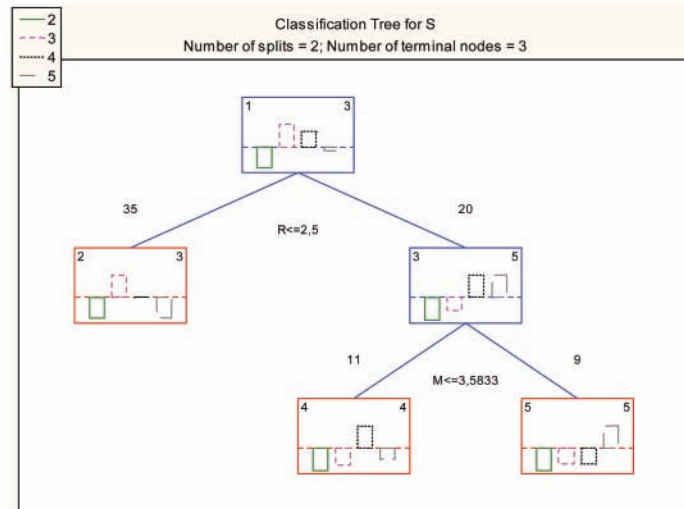


Fig. 4. Council Classification Tree

processing, customer risk management, order shipment and transportation and production planning. Consequently, Top management has set the following targets to be reached immediately: improvement of the procedures, effective supervision and more skilled employees. These targets clearly configure a HR policy dominated by Management support (M).

The analysis of the survey reveals that Reward (R) is the only in-use HR policy as shown in Fig. 5. This result is frankly unsatisfactory, reflecting the discontent detected in the personal random interviews, where the poor design of the procedures appeared continuously.

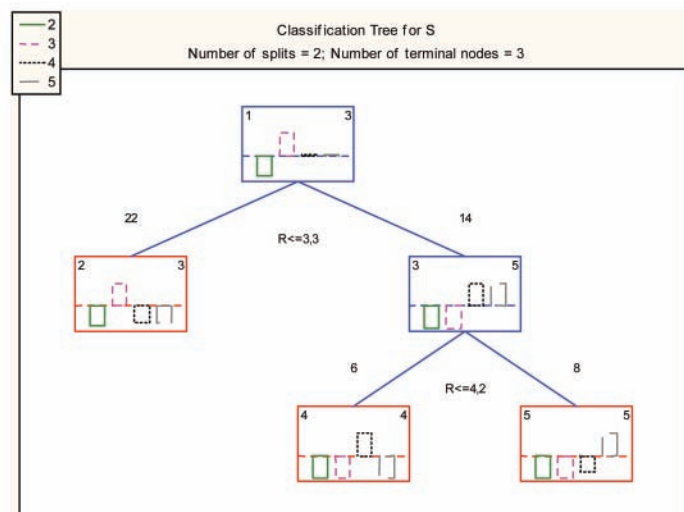


Fig. 5. Mármol y Piedra Classification Tree

The lack of perceived Management support (M) is originated by the recent decease of the founders of the company. The new Top management, basically composed by the sons of the founders, does not have the necessary experience or the leadership to manage the company; moreover, they have never trusted experienced managers to implement effective procedures and a suitable organizational structure. The dominant role of the Reward (R) can be interpreted as the last chance to retain employees in absence of any other policy.

Some improvement actions were suggested to strength Management support and reduce the worst effects of a low satisfaction with Reward: (a) review of the organizational chart to clarify responsibilities; (b) development of effective procedures; and (c) analysis of the positions to rationalize wages and bonuses.

4.3 Case 3: Mantas SAL

Mantas SAL is one of the most respected manufactures of bed clothes in an intermediate-high segment. This is a cooperative with expert top managers and medium aged skilled employees. The industrial facilities are modern and support a highly efficient integrated production process. Top managers point out the need of shorter customers lead time and order sizes to increase sales in certain markets; additionally it is increasingly important to integrate the quality into the management system and a broader distribution strategy. Therefore, the proclaimed HR policies are Management support (M) and Reward (R) and, in the future Empowerment (E):

- The first (M), based on the development of procedures and technical instructions, supervision and training; organization of supplies and maintenance activities, and dealing with personnel problems.
- The second (R) would be used as support for productivity policies and non-quality cost reduction.
- In order to carry out future strategies, sections related to customer service and distribution would require greater delegation of initiative and decision making (E).

The analysis of the survey shown in Fig. 6 reveals that M and L are the in-use policies. The main policy is the proclaimed one, so this is a relatively satisfactory fit. The absence of R reduces the available mechanisms to implement productivity and cost policies, but the presence of Lateral support (L) may offer an alternative way for their deployment. Finally, top management had not started yet the implementation of the new service and distribution strategies when the survey was run, so Empowerment (E) was not considered by the employees. These findings have been confirmed by random interviews with managers and employees.

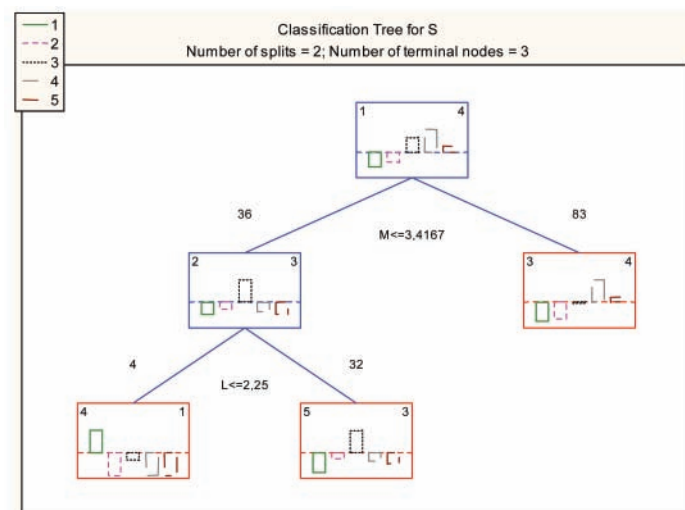


Fig. 6. Mantas SAL Classification Tree

Some improvement actions were suggested to strengthen Management support and promote Reward and Empowerment: (a) development of effective procedures focused on cost and time reduction; (b) deep review of the incentive and bonus system, in particular for intermediate managers; and (c) deployment of a continuous improvement system to foster managers to propose initiatives and assume the involved risks.

4.4 Case 4: Engineering

The primary business of this company is to design and calculate the structures needed in civil engineering and home buildings. The work is organized by projects within a matrix organization. Top manager has recruited every engineer and technician, his management style is paternalist and is about to retire. In order to prepare the organization to cope with this change in top management, it has been established the need of a strong Management support (M) based on tight professional rules, and Empowerment (E) and Lateral support (L) in order to improve the performance of the matrix organization.

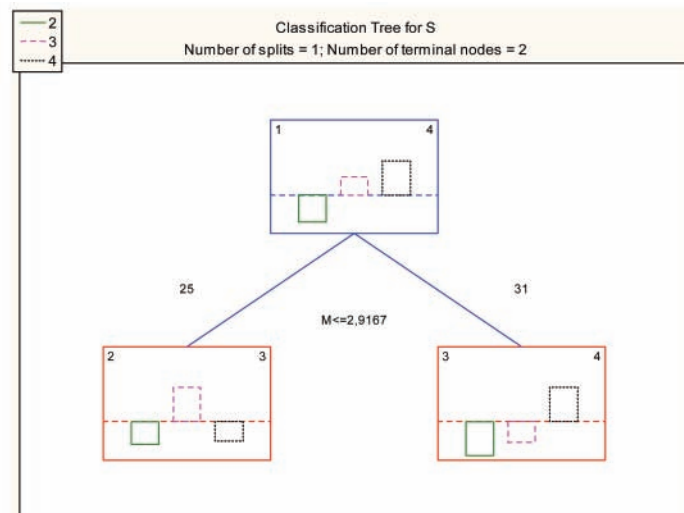


Fig. 7. Engineering Classification Tree

According to responses the survey shown in Fig. 7, the dominant HR policy has to do just with the Management support (M). This result indicates a clearly unsatisfactory fit. Personal interviews confirm a culture devoted to routine and little willingness to the risk-taking associated with innovation and achievement. Staff do not compete to increase their professional skills or proactiveness, but seeking for a close relationship with the top manager.

Some improvement actions were suggested to reduce the gap between proclaimed and in-use HR policies: (a) review of the organizational responsibilities to increase the ones assigned to managers; (b) training plan on managerial skills devoted to managers; (c) training plan on techniques and tools devoted to line positions; and (d) review of the procedures applied in the matrix organization.

4.5 Case 5. Prefabricados (Manufacturing and maintenance sections)

The primary business of this family owned company is the manufacturing of structural concrete elements for civil engineering. This analysis was performed on the manufacturing and maintenance sections. The deployment of the strategy outlined by the top manager requires the following HR policies: (a) Management support (M) as a basis to foster the continuous improvement of procedures, quick assimilation of these improvements and cost reduction; (b) Reward (R) aimed at promoting productivity at the plant while satisfying quality standards; and (c) Empowerment (E) was promoted amongst maintenance staff because of the existence of very strict safety regulations.

The result of the survey shown in Fig. 8 indicates a satisfactory fit in the maintenance section, compatible with the responses obtained in the personal interviews carried out. The result is less satisfactory in the manufacturing section due to the absence of the incentives policy, which highlights some leadership problems in the implementation of productivity policies, which had appeared in the random interviews and which are manifest in a trenchant unionization of plant personnel.

The main challenge the managers have to cope with is the deployment of a well design and accepted salary system, including an incentive scheme. The presence of the desired HR policies, Empowerment (E) and Management support (M), must help to successfully reach this target.

5 Conclusions

The five proposals we have presented in this paper enable us to construct a theoretical analytical model of labour climate. Our model includes just four variables and is relatively easy to apply but still powerful. First, it

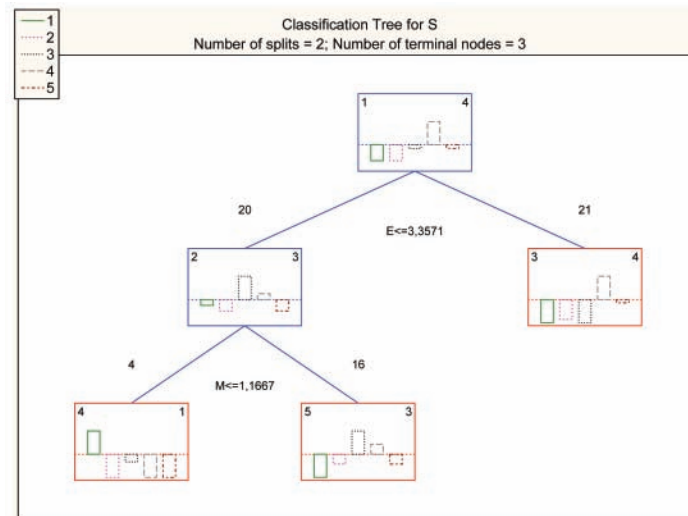


Fig. 8. Prefabricados Classification Tree

is able to characterize the labour climate of organizational units belonging to different economic sectors, company sizes, management styles and cultural environments. And second, this model provides feedback on the HR policies to evaluate the management performance in the organizational learning and growth perspective.

In Proposal 1, we see how labour climate, can reflect motivational policies with which management intends to achieve certain behaviours from its human resources.

In Proposal 2, the correlations matrix between HR motivational policies and learning process activities (Tab. 2) are given, in which we can see how: (a) Management support (M) correlates highly with consolidation and dissemination of learning; and (b) Lateral support (L) has a high correlation with dissemination, and is not indifferent to consolidation of learning as knowledge of the organization. In both cases, the idiosyncratic nature of the process must be observed. Therefore, Management support is, a necessary factor, but not sufficient, for the learning process to operate.

In Proposal 3, we have seen that organizations do not base their performance on employee satisfaction, but rather on a particular kind of involvement, which is specific to each particular business strategy and can be seen as a navigator (a specific mix of HR policies). For the strategy deployment to be successful, a specific package of HR policies is needed to foster the kind of organizational behaviour required.

In Proposal 4 we have outlined a quantitative methodology, based on classification trees, to correlate employee satisfaction with current motivational policies. This approach requires no previous assumption or knowledge on the functional relationship between the variables, which has so far been a significant barrier to research HR policies in this context.

The comparison between what managers intend to do (proclaimed policies) and what they actually obtain (in-use policies) provides information on the decisions that management should take, in order to fit the behaviour of human resources to the strategic requirements, as explained in Proposal 5.

Finally, applying the proposed methodology in different organizations, we have been able to analyse their HR policies in relation to the strategy, to make a diagnosis of management performance in human resources and establish the strategic gaps between planned and deployed HR policies.

Therefore, labour climate analysis may provide useful tools for the development of the learning and growth perspective within the Balanced Scorecard.

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Appendix. questionnaire used

Item	Question
M1	I know the objectives of the company.
M2	The management helps me to solve my problems.
M3	The company considers my ideas to be important for its proper functioning
M4	The company enforces the rules.
M5	The management takes my welfare to heart.
M6	The management considers each employee to be key to the success of the company.
M7	I feel secure.
E1	I think the company has confidence in its employees.
E2	I feel responsible for achieving company goals.
E3	They let me establish proper procedures for my work.
E4	The management clearly specifies what it expects of its employees.
E5	I am in control of my performance.
E6	I know what I contribute to the company.
E7	I learn how to improve my job.
L1	In this company it is seen as important to help others
L2	In this company the workers help each other to overcome their difficulties.
L3	Show how to work is the norm in this company.
L4	Lending a helping hand is well considered in this company.
L5	When I ask for help when facing a problem I get it.
L6	There is an atmosphere of comradeship
R1	My efforts are rewarded by the company.
R2	The company rewards quality work.
R3	My job is adequately paid.
R4	I have a good salary.
R5	My effort is valued.
S	It's a good thing to work for this company.