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A CRITICAL APPROACH

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and Leslie T. Szamosi

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To Dad. The best pal a guy could wish for.

D.G.C.

To Vicky, Alice and the Labradors.

G.T.W.

To my dearest wife, Katerina, my three angels, Maria-Lorna, Margarita and Dimitris, Dad (Gabor), and Giagia (Maroula). You give me wings to keep flying.

L.T.S.

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1 Human resource management

A critical approach

David G. Collings, Geoffrey T. Wood and Leslie T. Szamosi

Introduction

In recent years, many countries – most notably the US and the UK – have had to contend with much economic and political turbulence and uncertainty. Bound up with this has been the issue of how firms employ, manage and reward their people. On the one hand, systematic failures to generate and maintain occupational and employment security and to provide decent livings in either employment or retirement for a significant proportion of the population have been blamed as one of the principal causes of populist backlashes (Wood and Wright 2016). Despite almost three decades of debate in the mainstream literature around the nature of human resource management (HRM), its intellectual boundaries and its application in practice, the field continues to be dogged by a number of theoretical and practical limitations. On the other hand, exponential increases in managerial pay, and a dislocation between pay and organizational well-being and sustainability, have been blamed on failures in managing and governing the reward systems aimed at senior managers. This book is intended to provide students with a relatively advanced and critical discussion of the key debates and themes around HRM as it is conceptualized and operationalized in the early part of the twenty-first century. Thus, the current contribution is intended to be in the tradition of Storey (2007) and Legge (1995) and aims to provide students with a well-grounded and intellectually rewarding critical overview of the key issues surrounding HRM from theoretical and practical perspectives that combine theory with practice. In doing so, we draw on contributions from leading scholars in the field who provide detailed discussions on key debates in their respective offerings.

In this introduction, we provide the context for the book though considering a number of overarching themes within which key debates in the field of HRM are situated. Specifically, we provide a summary discussion of the theoretical and intellectual boundaries of HRM, consider its emergence in historical context and identify some of the pervasive contradictions and limitations which prevail in the literature. Finally, we provide a short outline of the structure and content of this volume.

HRM defined

Our discussion begins by considering what HRM actually means. Although in the broadest sense it may be taken to denote all aspects of recruitment and hiring, planning, development and reward, the human side of the organization of work and of the employment contract, HRM has also been taken to incorporate a strategic dimension. In other words, it is not just about the choice and implementation of particular policies and practices towards the management of people but also the adoption of a dynamic and adaptive (as adverse to purely administrative) purpose, in line with wider organizational strategic choices (Wilkinson et al. 2014). Others have argued that HRM has an ideological dimension; recognizing people are an active resource may be superior to one that simply sees them as passive subjects. However, it also suggests that, as with any other resources, they should be deployed and dispensed with in line with perceived organizational priorities, rather than as individuals who should be treated with a degree of empathy, in both their interests and for the longer-term sustainability of the organization. Given the importance of definition in understanding the boundaries of a field, this issue is clearly an important point of departure. However, this question is more difficult to answer than one would expect, since from its emergence HRM has been dogged by the still largely unresolved ambiguity surrounding its definition. As Blyton and Turnbull (1992: 2) note, ‘The ways in which the term is used by academics and practitioners indicates both variations in meaning and significantly different emphases on what constitutes its core components’.

One of the dominant definitions (in the UK at least) has been to see HRM as a contested domain, with rival soft and hard approaches. The soft approach to HRM is generally associated with the Harvard School and in particular the writings of Michael Beer and colleagues, and with a later tradition of UK scholarship, associated with the *Human Resource Management Journal* (see Beer et al. 1984; Beer et al. 2015; Beer and Spector 1985; Walton and Lawrence 1985). As with the hard school, the soft school emphasizes the importance of aligning HR policies with organizational strategy, but it also emphasizes the role of employees as a valuable asset and source of competitive advantage through their commitment adaptability and quality, rather than being treated simply in instrumental terms (Legge 1995; D’Art 2002; Wood and Vitai 2014). It stresses gaining employee commitment to the organization through the use of a congruent suite of HRM policies. Soft HRM may itself be divided into two sub-strands. The first strand, soft HRM, draws on behavioural sciences in particular, building on strong resonance with the Human Relations school. The latter emphasized the importance of communication and recognizing the need to give employees the opportunity to grow while the concept of human growth, which is central to its theory, echoes ‘all-American’ theories of motivation, from McGregor’s *Theory Y* to Maslow’s *Hierarchy of Needs* (Legge 1995). Hence, it is sometimes conceptualized as ‘developmental humanism’ (Storey 1989; Legge 1995). HRM is operationalized in terms of strategic interventions designed to develop resourceful employees and to elicit their commitment to the organizational goal (Storey 1992). Critics have charged that it assumes that a lot of problems can be solved by good communication and through reducing the space for misunderstandings, and discounts the impact of pay on productivity and motivation and, indeed, any benefits that might flow from giving employees a genuine say in the running of the enterprise (Wilkinson et al. 2014). HRM is operationalized in terms of strategic interventions designed to develop resourceful employees and to elicit their commitment to the organizational goal (Storey 1992). However, sceptics have conceptualized soft HRM as the 'iron fist in the velvet glove', suggesting that it could be argued that this theory of soft HRM

> reduced . . . the complex debate about the role of people in work organizations to the simplistic dogma of an economic model which even its 'creator' Adam Smith would probably not have wished applied in such an indiscriminate manner.
>
> (Hart 1993: 29–30)

Another uncharitable definition of soft HRM is that it constituted a desperate rear-guard action by liberal academics and practitioners, mostly writing in the United States, to sell more humane forms of managing people to essentially conservative owner interests that have in increasing numbers ruthlessly pressed for a maximization of short-term profits, regardless of the cost to both employees and the long-term good of the organization (Wilkinson et al. 2014; Mellahi et al. 2010). In other words, soft HRM is about trying to encourage firms to be 'nicer' to their people, on the basis that such 'niceness' is likely to translate into greater commitment and productivity and, hence, even more profits. As such, moral issues are ignored. A second sub-strand of soft HRM has been one associated with a body of scholars rooted in the industrial relations tradition (which, in turn, focused on the employment contract, the inherent tensions around the amount employees are paid and how the contract is enforced) (Wilkinson et al. 2014). This strand is inherently pragmatic; rather than rejecting the notion of HRM on the basis that it is management (rather than employee) centred, it accepts that HRM has become the main broad framework through which firms manage and engage with their people. This approach seeks to synthesize the traditional industrial relations tradition (with its interest in the nature and extent of workplace tensions and imbalances, the role of unions and the interplay between conflict and compromise) with the insights provided by empirical research on other aspects of people management, for example, human resource development and planning (Brewster et al. 2012). The result is an analytical framework that seeks to draw connections between different areas of HR policy and practice (for example, between the degree of training and employment security provided). This approach would recognize the possibility of providing solutions to particular issues and challenges, without denying inherent tensions and imbalances.

Soft HRM stands in contrast with the hard variant. Hard HRM is generally associated with the Michigan School (Forbrun et al. 1984). Its emphasis is on the use of human resource (HR) systems to 'drive' the attainment of the strategic objectives of the organizations (Forbrun et al. 1984). While soft HRM emphasizes the human element of HRM, the emphasis of the hard approach is very much on the resource as a means of maximizing shareholder value over the short term. The duty of managers is quite simply to make money for owners, and a focus on other issues such as employee rights is simply a distraction: rather, by focusing on returns, the organization will perform most efficiently, which ultimately is in the interests of all.

It has been argued that, in the tradition of Taylorism and Fordism, employees are viewed as a factor of production that should be rationally managed and deployed in quantitative and calculative terms in line with business strategy (Tyson and Fell 1986; Storey 1992). However, rather different to classic Taylorism or Fordism, job security in the new hard HRM is seen as an unnecessary luxury, while pay rates are to be kept to the lowest level the external labour market would permit. There is little mention in the literature illustrating how hard HRM echoes Henry Ford's famous commitment to a (then very generous) 5 dollar/day wage (however hardline Ford was towards trade unions and, indeed, concerned with managing the personal lives of employees). In other words, hard HRM is far removed from past notions of paternalist management, which, while assuming that decision-making should be centralized in the hands of senior management, also acknowledged that the firm had long-term responsibilities to its workers. However, hard HRM also embodies an element of sophistication. For example, it would allow for quite sophisticated reward systems to ensure senior managers genuinely follow the interests of shareholders (Wood and Vitai 2014). Again, there is an implicit assumption of trickle down (a prosperous organization will be better equipped to provide jobs and have the capacity to pay genuinely hardworking and effective employees well), and there is a basis for enthusing employees around this (Brewster et al. 2011). Indeed, many employers associated with hard HRM – such as McDonald's and Walmart – set great store around collective employee expressions of enthusiasm, whether those marshalled are happy or not (cf. Smith 2011). In contrast, under the traditional sweatshop model, there would be no such underlying assumptions nor any commitment to developing or refining HR systems; rather, the main focus would be around ensuring the maximum amount of labour is extracted from employees, and pay is kept as low as possible.

Hard human resource policies in the hard variant are designed to be both internally consistent and externally aligned with the organizational strategy. These interventions are designed to ensure full utilization of the labour resource, not just in terms of physical output but also in ensuring that employees excel (Wood and Vitai 2014; Storey 1992). It is legitimized by and finds its impetus from a market-responsive frame of reference (Storey 2007). At the extreme, implicit contracts regarding pensions and tenure are seen as hampering effective management; these should, if possible, be jettisoned, with employee rights being pared back as much as possible. Critics of this point of view have argued that such a focus is likely to make for higher staff turnover rates, with the inevitable loss of job-specific skills and accumulated wisdom, low trust, low levels of organizational commitment and, hence, higher transaction costs (see Marsden 1999). Cascio's (2006) comparison of Walmart, an archetype of hard HRM, with Costco, a company defined by high ethical standards and a softer approach to HRM, confirms the limitations of the former approach. Walmart, a company that prioritizes shareholders as stakeholders and maximum amount of labour extracted from employees, has been consistently outperformed by Costco over the past number of decades (Blinn 2013; Cascio 2006; Ton 2014). This translates into significantly better sales and profit per employee and shareholder returns. Similar results are evidenced in organization such as QuikTrip, Mercadona and Trader Joe's, where investment in employees means larger labour budgets but translates into stellar operational execution and higher sales and profits. Employees also work more efficiently and find work more fulfilling while delivering improved customer service (Collings 2014; Ton 2014). In other words, hard HRM is likely to make organizations less efficient, and in practice, differences from the sweatshop model are not always clear-cut. It could be argued that most successful incrementally innovative high value-added manufacturing firms have shunned hard HRM. In contrast, hard HRM has been more widely deployed in more volatile areas of economic activity, such as financial services, and across the service economy, although, in the case of the latter, it often appears to degenerate towards the sweatshop model.

A second and simpler way of viewing things is that the soft/hard divide in the narrow sense can be defined as a strategic approach to managing employees, which came to the forefront in the liberal market economies, particularly the US and the UK, in the 1980s. While having both soft ('people friendly') and hard ('people as a resource to be deployed, utilized and, if need be, disposed of') variations, common to this approach was an emphasis on optimal shareholder outcomes, with enhancing outcomes for other stakeholders being at best a secondary objective and, at worst, an unnecessary distraction. This 'two sides of the same coin' point of view argues that, since the end of the long boom that lasted from the post–World War II period up until the 1970s, there has been a period of erratic and unstable growth and recession. This period has been characterized by employers gaining the upper hand over employees, on account of the very much weaker bargaining position of the latter (cf. Kelly 1998). Given this, managers – particularly in the liberal market economies such as the US and UK, where workers have historically had fewer rights under both law and convention – have taken the opportunity to fundamentally change the way they manage people. This has taken the form of systematic attempts to undermine collective bargaining with unions, replacing this with weak forms of consultation with individual employees. Collective employment contracts – where workers performing similar jobs are rewarded according to a pre-agreed pay scale – are replaced with individual ones, with employees being rewarded on the basis of regularly appraised performance and/or through pay rates simply being linked to outputs. In other words, the role of the employee in the firm is not a dynamic and, in some sense, negotiated relationship, but rather simply the deployment of a resource, in the same way a firm would deploy other physical resources such as raw materials.

A third way of looking at things is to simply conceptualize HRM as little more than a renaming of personnel management. In this vein, writers such as Armstrong (1987) describe HRM as 'old wine in new bottles', while Guest (1987) pointed to the fact that many personnel departments changed their names to HRM departments, with little evidence of any change in role. In practice, this would suggest that much HR work really concerns the administration of systems governing the administration of pay, promotion and recruitment procedures, etc. In turn, this would imply that HR managers are likely to lack power within the organization and have little say in setting real organizational strategies.

Finally, HRM may be defined broadly in terms of including all aspects of managing people in organizations and the ways in which organizations respond to the actions of employees, either individually or collectively. The value of this catch-all term is that it describes the wide range of issues surrounding the employment contract, situations where an employment contract has yet to be agreed on (recruitment and selection) and ways in which employees may be involved and participate in areas not directly governed by the employment contract to make working life more agreeable and/or to genuinely empower people. In other words, it goes beyond simply 'industrial relations' or 'employment relations'. The terms 'personnel administration' or 'personnel management' would not provide a totally accurate label, given their administrative and non-strategic connotations. Although this would be in line with the pragmatic strand of soft HRM, this approach is somewhat broader in that it does assume that any type of relationship between employers and employees is optimal.

Some insights into the different ways HRM has been conceived were provided by the Keele University affair in 2007–2008. A conservative university administration resolved to restructure business and management studies in the university through the simple device of making academics that had formally specialized in 'industrial relations' redundant. In many respects, this was a surprising decision, given robust student numbers and the fact that industrial relations research was one area where Keele had gained an excellent reputation. Backed up by the findings of a committee of external 'experts', university administration implied that industrial relations academics were likely to be less capable of teaching HRM, and, by implication, had skills sets not relevant to modern business education. Tellingly, a petition signed by many leading HRM and industrial relations academics in Britain in response to this decision included a statement that HRM could not be separated from industrial relations, and that the skills necessary to teach industrial relations could broadly be applied to understanding HRM. In other words, HRM was simply a collective noun describing work and employment relations in the broadest possible sense and was not really about special new skills or a new and different agenda (see www.bura.org.uk).

The preceding discussion highlights the ambiguity around the boundaries of HRM. These differences are summarized in Table 1.1. The tension around definition persists in the literature, and a central theme in this volume is highlighting the contradictions between these two broad understandings of HRM.

Table 1.1 Definitions of HRM

Definition	*Implication*
Contested domain	HRM is a contested domain, with two rival paradigms, hard and soft HRM
Two sides of the same coin	Whether hard or soft, HRM is about the management of people in a particular, new way. This may involve the use of strategy to manage people, or simply reflect structural changes that have strengthened management at the expense of employees
'New wine in old bottles'	HRM is little more than the extension of traditional personnel management
Collective noun	HRM is a commonly reflected description for a range of practices associated with managing work and employment relations

We argue that for ethical and sustainability reasons, more stakeholder-orientated approaches to people management are preferable, with shareholder-dominant approaches facing quotidian micro-crises at both firm (encompassing problems of human capital development and commitment) and macro-economic (encompassing problems of excessive speculation-driven volatility, industrial decline and chronic balance of payments problems) levels.

HRM and personnel management compared

As noted above, a key point of reference in definitions on HRM is through comparing it with its predecessor – personnel management. Although this debate is somewhat dated, it remains important. Thus, it merits summary discussion.

During the early days of HRM's emergence as a mainstream approach to people management, a number of commentators were sceptical about the extent to which it represented something different to its predecessor – personnel management. Over time, it has become apparent that there are substantive differences between the two, at least at a theoretical level. In illuminating these differences a brief discussion on personnel management is merited (for a full discussion, see Legge 1995).

While there are a number of accepted definitions of personnel management, some of which in the US context are closer to accepted definitions of HRM (see Kaufman 2001; Strauss 2001), there is a degree of consensus as to its key characteristics. First, personnel management is largely conceived as a downstream activity with a limited strategic role. And, despite the rhetoric, HRM is often not that strategic: after all, both hard and soft HRM ultimately depict HRM as a transmission belt, passing down an agenda of shareholder value. Further, personnel management is generally considered to be reactive and piecemeal with little integration between its various elements. One of the greatest management thinkers – if popular management writing can be considered thought at all – of the last century, Peter Drucker (1961: 269), neatly summarized the personnel role as

> a collection of incidental techniques with little internal cohesion. As personnel administration conceives the job of managing worker and work, it is partly a file clerk's job, partly a housekeeping job, partly a social worker's job and partly fire-fighting to head off union trouble or to settle it.

This limited role is alluded to by Legge's (1995: 88) observation that 'in the UK "personnel management" evokes images of do-gooding specialists trying to constrain line managers, of weakly kowtowing to militant unions, of both lacking power and having too much power'. Indeed, it has been argued that the perceived welfare role of the personnel function was one aspect of it that limited its credibility as a managerial function. It also resulted in females playing a key role in personnel in its formative years in the UK context (Legge 1995). A scrutiny of the gender composition of classes at many Chartered Institute of Personnel and Development approved training centres provides some corroboration for the gendered nature of much HR work.

A further dimension of the broad personnel role in the UK was its key role in negotiating with trade unions, a characteristic which points toward the fire-fighting role of personnel. Indeed, it was this element of the role that bought increasing numbers of males into the profession (Gunnigle et al. 2006). However, more recent evidence in the UK points to a shift in the balance towards a greater feminization of the HR function (Kersley et al. 2006: 69). This engagement with trade unions points to a collectivist orientation and, owing to the historical prominence of trade unions, particularly in the UK and Ireland, personnel management became infused with a pluralist frame of reference (Flanders 1964). Given the importance of bargaining, managing the industrial relationship gained a distinct identity: it is worth noting that the divide between basic personnel management and industrial relations persists in the academic literature, with, as a general rule, those academic journals focusing on the former having low prestige, and the latter high prestige. Newer, explicitly HR journals represent something of a crossover and incorporate aspects of both, as well as insights from, other disciplines.

The preceding discussion suggests that HRM and personnel management – and industrial relations – may differ in a number of substantive ways. The first is that HRM is conceived as having a more strategic role and hence elevated to the top management table, suggesting a more upstream role, even if, in practice, this has been little more than wishful thinking. For example, researchers at the University of Southern California found little difference in how HR practitioners spent their time between 1996 and 2016 (Lawler 2017). HR practitioners continued to be overwhelmed by managing poor performers, implementation of HR policies and supporting change initiatives. This meant they spent less than 15 per cent of their time on strategic issues. Nonetheless, HRM does concern attempts to develop an integrated and congruent set of HR policies as opposed to the piecemeal approach apparent in the traditional personnel role. Furthermore, HR policy and practice are also targeted at the individual level. This is reflected in the preference for individual performance-related pay, individual communication mechanisms, employee opinion surveys and the like. A final key distinguishing factor is that, reflective of the individualist orientation, HRM is premised on a unitarist understanding of conflict. Unitarism suggests that there are no intrinsic conflicts of interest in the employment relationship as all within the organization are working toward a common goal for the success of the organization. The common goal is reflected in the idea that there is a single source of authority within the organization – management. Given that there are argued to be no conflicts of interest within the organization, conflicts are caused by breakdowns in communication or by troublemakers. Conflict should be suppressed by improving communication or removing troublemakers from the organization. Unions are opposed on two grounds: (1) there are no conflicts of interest within the workplace and thus they are unnecessary and (2) they would represent an alternative source of authority. Alternatively, unions may be co-opted to the managerial agenda, through 'partnership', with unions trading off militancy for continued recognition and the benefits that would arguably flow from greater organizational competitiveness. More critical strands of the HR literature suggest that this focus is mistaken, that employees often retain a collective identity, and that managerial power will inevitably continue to be challenged in ways that would make new accommodations necessary if the organization is to work in the most effective way.

HRM enters the mainstream

It is generally agreed that human resource management gained mainstream acceptance as an approach toward people management, particularly in the UK and the US, in the 1980s. However, it should be noted that the roots of the HRM approach can be traced some 20 years earlier in the US context (see Strauss 2001). It was during the 1980s, however that HRM became widely embraced by practitioners and academics alike. For practitioners, it offered a new agenda to replace the lacklustre image of personnel management and the adversarial rhetoric of industrial relations; not only did it hold out the prospect of less conflictual ways of resolving workplace issues, but also that of a more professional status for its adherents. For academics it represented an opportunity for rebranding and reorientating careers away from industrial relations and personnel management, topics which many feared were losing their import as academic subjects (Guest 2001; Strauss 2001). The emergence of HRM is generally traced to a confluence of factors. The impact of the external context on HR function is reflected in Beer et al.'s (1984: 34) observation that 'HRM policies and practices are not and cannot be formed in a vacuum. They must reflect the governmental and societal context in which they are embedded'; it is generally recognized that a number of political, economic and social factors prompted the emergence of HRM at this time.

Guest (1990) argues that perhaps the most significant of these factors were external pressures on industry, of which the most important were increasing competition – and the UK and the US's decline of industrial competitiveness – in the US and international marketplace combined with concerns over the retarded rate of productivity growth in the US. The greatest competitive threat, to the US and the UK in particular, at this time came from the rise of the Pacific economies, most notably Japan but also South Korea, Taiwan and Singapore, who competed through technological advantages and initially cheaper labour costs, but also from the increasingly outward orientation of German manufacturing. These trends and, notably, Japanese firms' entry into the US market threatened traditional strongholds of US industry, in particular the auto makers who had previously enjoyed an oligopolic position in the US marketplace; the same could be said for Germany auto makers in the case of the UK. Japanese competitors could provide high-quality products at a very competitive price. In the UK, similar threats were experienced from other large European economies and the shift from 'command' to 'market' economies in central and eastern Europe (Legge 1995). This increasing competition was reflective of the growing globalization of the marketplace, a trend which was facilitated by improvements in information technology and transportation, and free trade agreements, meaning that the barriers traditionally created by national borders were being broken down. Concomitantly, levels of technological differentiations became blurred as technological advances limited the potential of technology as a source of competitive advantage. There was a gradual recognition that part of the recipe of German and Japanese success were highly skilled and motivated workforces. Thus, as indicated above, firms were subject to far greater competitive pressures than they had been historically accustomed to. These factors influenced the shift in emphasis towards employees as a source of competitive advantage. This view was very much consistent with the 'excellence literature' in the US (Peters and Waterman 1982). Their work traced the success of high-performing companies to the motivation of employees through involved management styles which were responsive to market changes (Beardwell 2001). This excellence literature was very influential and also influenced the shift toward HRM in organizations.

The increasing competition should also be considered in the context of the difficult economic conditions of the early 1980s. Specifically, the oil crises of the latter part of the 1970s and early 1980s precipitated a global economic recession which further influenced the climate in which organizations operated. At a political level, the Reagan government in the US and the Thatcher government in the UK certainly facilitated the emergence of a new individualist approach to management of employees, which gave impetus to the declining role of trade unions in these countries. The free market ideology of these governments was most visible in Reagan's showdown with the air traffic controllers in the US, which ultimately resulted in the dismissal of the striking employees. In the UK, Thatcher's high-profile standoff with striking miners had broadly similar connotations. This led to mine workers being defeated, but also the wilful destruction of much of the mining industry, over-exploitation of North Sea oil and gas reserves, the frittering away of revenues to support tax cuts and various ideological projects, and an overvalued currency (with, in turn, seriously adverse consequences for manufacturing), reflecting the extent to which breaking organized labour – and the pursuit of a broader, right-wing ideology – was prioritized over basic economic logic and the well-being of the country at large. Indeed, it has been argued that the policy of privatization of elements of the public sector, combined with a raft of anti-union legislation under Thatcher's Conservative government in the UK, 'encouraged firms to introduce new labour practices and to re-order their collective bargaining arrangements' (Hendry and Pettigrew 1990: 19). The unitarist underpinning of HRM certainly resonated more closely with these ideals compared with pluralist industrial relations traditions, with its focus on understanding and managing industrial conflict. The developments have left an enduring legacy in the UK context. While union rights have increased under the New Labour governments of the late 1990s and 2000s, the government has been reluctant to extend comprehensive employment rights to the growing body of agency workers, and has ruthlessly privatized, partially privatized or otherwise outsourced the provision of public infrastructure and services to politically well-connected private contractors, who have generally tended to practice far tougher HR than their public sector counterparts (Dibben et al. 2007). This is not to suggest that the UK has turned into an island of sophisticated HRM, even if of the hard variety. Rather, it appears the sweatshop model is gaining ground. For example, efforts to reign in the gangmasters that supply cheap (and, in alarmingly many cases, coerced) labour to agriculture, catering and frontline service industries – and, indeed, to properly enforce labour law in the latter – have been half-hearted at best. Although commentators in the popular media suggest that robotics have been a threat to jobs, it is telling that wages have become so low that in some areas of the economy, previous automation has been abandoned in favour of manual labour; the most obvious example would be the case of carwashes.

A final factor which facilitated the emergence of HRM in mainstream management practice was a fundamental restructuring of economies in the UK and US. This shift was reflected in a decline in significance of traditional industries and a rise in new industrial sectors such as high-tech industries and a significant shift in employment towards the services sector. Many of these industries were less tied to the established patterns of traditional old-style industrial relations (Beardwell 2001); although there have been islands of success in organizing some workers in these areas, in most instances, unions have been unable to make significant inroads (Dibben and Wood 2011). More critical accounts have, as noted earlier, suggested that all these economic and industrial changes represented one of many historical periods where the relative power of management vis-à-vis employees had disproportionately increased; in time, this will be reversed, with employees fighting back, clawing back some of the gains of previous decades (Kelly 1998). In this regard, HRM is conceived to be the current incarnation of management's ongoing search for the 'best' method to manage the employment relationship (D'Art 2002).

Thus, while the precise antecedents of the emergence of HRM can be very dependent on the analyst's interpretation of events (Beardwell 2001), it is clear that a range of factors combined to facilitate the emergence of HRM as a mainstream approach to the management of employees. Notwithstanding the aforementioned examples of factors in the UK environment which facilitated the emergence of HRM there, for some HRM as a concept is rooted in US traditions (Brewster 2007; Guest 1990) and hence may have limited applicability abroad. We now consider this perspective.

HRM: an American concept with little applicability abroad?

As we have demonstrated, HRM as an approach to people management is generally seen to have its roots in the US context. In this regard, much of the heritage of HRM in the US context long predates the mainstream emergence of HRM in the 1980s. Particularly prominent in the US context has been the dominance of non-union industrial relations, which clearly resonates with HRM. This anti-union ideology is generally attributed to the development of American industry. Most notable in this regard is, as Leidner (2002) notes, the fact that the balance of power in the US workplace favours capital more than in most other countries. Arguably, this is most apparent in terms of the doctrine of 'Employment at Will' which underscores all aspects of the employment relationship in American industry. This widely accepted doctrine means that, in the absence of contracts or legislation, employment contracts are 'at will' and thus can be terminated by either party without explanation or cause; thus, workers have no ongoing right to employment and no legal obligation for fairness is placed on employers (Leidner 2002). The evolution of the power relationship alluded to above can be traced to the evolution of US industry. In this regard, the lack of legislative support of worker collectives prior to the 1930s resulted in non-union practices prevailing for the majority of US employees (Kochan et al. 1986). Guest (1990) posits that at this stage individualism became ingrained in US culture. This individualism is often characterized in terms of a meritocracy, where ambition predominates (ibid.). This is reflected in articulations of the 'American Dream', which Guest (1990) posits was first formally articulated in the context of the New Deal in the 1930s. While different variations have been presented over the years, Guest (1990) postulates that a number of common themes emerge. Most significant in terms of our consideration of the industrial relations context of US industry is the view of America as a land of opportunity, where through self-improvement and hard work anyone can become a success. Thus, the emphasis in US culture is on individuals grasping opportunities as they present themselves and making the most of them, with government and employers aiding simply in terms of providing a context (Guest 1990). This is significant for a number of reasons. First, it intensifies managements' perceived right to manage, and second, it amplifies individualistic tendencies and notions of meritocracy ingrained in US culture. Leidner (2002: 27), examining the nature of employment relations in the US fast food industry, highlights this cultural idiosyncrasy thus:

> The American values of individualism and meritocracy suggest that workers should improve their lot by moving out of fast-food jobs rather than by improving the compensation and working conditions of the jobs.

Thus, from a cultural point of view at least, the obligation is placed on the individual to improve their situation by exiting the unsatisfactory working situation and moving on to a more rewarding or satisfactory job. This highlights the individual focus in HRM theory and is consistent with the shift away from collective employment relations.

Clearly reflective of this ideology is the welfare capitalist movement which developed during the late nineteenth century. This involved America's large corporations developing a uniquely American response to the 'labour question', which was private and managerial as opposed to governmental and labourist (Jacoby 1997). This movement viewed the industrial enterprise as the source of stability and security in modern society, as opposed to government or trade unions (Jacoby 1997). These firms emphasized job security (achieved through an emphasis on internal labour markets), good rates of pay, a variety of welfare benefits and non-union forms of employment relations (ibid.). Clearly these characteristics, combined with the later influence of 'all-American' theories of motivation, from McGregor's *Theory Y* to Maslow's *Hierarchy of Needs* (Legge 1995) referred to above, were also influential in the emergence of HRM in the US context.

For some (Guest 1990; Brewster 2007), the US heritage of HRM thinking and practice means that its application in practice in other countries may be questionable. As Brewster (2007: 771) notes, 'Whether the US-derived visions of HRM apply everywhere in the world is an important question for both theory and practice'. On the basis of a large body of empirical work, Brewster (2007) concludes that many aspects of HRM practice are different in the European context. It is worth noting, for example, how many UK employers chose *not* to get rid of unions in the 1980s, when they certainly would have enjoyed much government support: hence, to a degree at least, pluralist ways of doing things remain surprisingly embedded in many UK workplaces. The comparability of HRM systems across countries is a key theme in the literature, and this is taken up by Chris Brewster and Wolfgang Mayrhofer in their contribution to the current volume.

The credibility gap?

A final theme which we explore in this introduction is the challenge which HRM has long since faced with regard to establishing its value as a managerial activity. In Legge's (1995: 9) words, this 'obsession with [establishing] their credibility' has dogged personnel, and more recently HRM, practitioners throughout their history. In this regard, Tyson's (1985: 22) oft-cited comment is illustrative of this credibility gap:

> If all the managers were to write in their diaries each day 'What have I done today to make the business successful?' would the personnel manager have an embarrassingly short entry to make?

To a degree, these credibility challenges relate to the traditional downstream role which personnel management occupied in firms, combined with the established welfare role which the function performed in many organizations. Thus, as we noted above, practitioners were quick to embrace HRM as it offered the potential to replace the uninspiring image of personnel management. Further, rhetorically at least, it offered the possibility of bringing HRM to the top management table and a role in developing corporate strategy. In the UK context, the Workplace Employee Relations Surveys (WERS) have provided key insights into the changing role of the HR profession over recent decades. Some earlier surveys in the series (WERS 2004) concluded that 'HR managers are a new breed of managers, and that the increase in their numbers is not the product of a re-labelling exercise' (Kersley et al. 2006: 70) as some early critics of HRM purported. Thus, the WERS studies provide evidence of substantial differences in role between those with HR in their job titles and their counterparts who retain personnel. The former tended to spend more time on employment relations issues, were more qualified, were more likely to have responsibility for pay and pension and tended to have been in their posts for a shorter period than the latter. HR professionals also appeared to have a greater degree of autonomy, particularly in relation to pay (see Kersley et al. 2006: 70). However, the picture presented by the WERS data with regard to the influence of the HR/personnel function at board level is less optimistic. Specifically, personnel representation at board level displayed a marked decline in the private sector from 1984 onwards – from 76 per cent in 1984 to 71 per cent in 1990 to 64 per cent in 1998 (Millward et al. 2000: 76). Similarly, the 2004 study found that HR managers were even less likely to be involved in the development of strategic business plans than in 1998 (Kersley et al. 2006). This trend did not abate in the 2011 data, with a decline in HR representation at board level to 56 per cent (van Wanrooy et al. 2013). However, it would be wrong to suggest that HR does not have a strategic role in any organizations; in the UK, the decline of the strategic role of the HR function was largely confined to smaller firms. Board level representation remained relatively stable in UK-based multinational corporations (MNCs), while it actually rose in the largest organizations and those recognizing trade unions (Millward et al. 2000: 77). Indeed, large MNCs such as Yahoo, Procter & Gamble, Pitney Bowes, Goldman Sachs and General Electric are often cited as truly embracing the potential of HR as a strategic partner within the organization (see Hammonds 2005). However, it is important to note that global data suggest a more pessimistic landscape on this question. As noted above, researchers found little difference in how HR practitioners spent their time between 1996 and 2016 (Lawler 2017). HR practitioners continued to be overwhelmed by managing poor performers, implementation of HR policies and supporting change initiatives, meaning they spend less than 15 per cent of their time on strategic issues.

Notwithstanding the positive examples cited above, some feel that there is a significant gap between the rhetoric and reality of HRM in terms of its strategic contribution. As Hammonds (2005) neatly summarized in his recent provocative contribution, *Why We Hate HR*:

> After close to 20 years of hopeful rhetoric about becoming 'strategic partners' with a 'seat at the table' where the business decisions that matter are made,

> most human-resources professionals aren't nearly there. They have no seat, and the table is locked inside a conference room to which they have no key. HR people are, for most practical purposes, neither strategic nor leaders.

Over almost a decade later, Lawler (2014) came to the same conclusion:

> Unfortunately, my data suggest that HR rarely plays a major role in the development and implementation of business strategies. They are most active in helping design the organization for change, and least active when it comes to working with the corporate board. When I look at whether their role has changed in the recent years, the answer is, 'No'. HR seems to be about as involved in business strategy today as it was a decade ago.

Perhaps this outcome has something to do with how performance is conceptualized in the modern firm. This is illustrated in the tension between the hard and soft variants of HRM in the literature: a central theme in this volume is highlighting the contradictions between these two broad understandings of HRM. We argue that for ethical and sustainability reasons, more stakeholder-orientated approaches to people management are preferable, with shareholder-dominant approaches facing both quotidian micro-crises at firm (encompassing problems of human capital development and commitment) and at macro-economic (encompassing problems of excessive speculation-driven volatility, industrial decline and chronic balance of payments problems) levels. As Stephen Wood discusses in his contribution to the current volume, this search for legitimacy of the HR function has long since been premised on the illumination of a link between HRM and the firm's financial performance, as evidenced by Mark Huselid and colleagues' seminal contributions (Huselid 1995; Huselid et al. 1997). While acknowledging the importance of the bottom line of financial performance, a broader conceptualization of the HR role in terms of, perhaps, social legitimacy (as advanced by Lees 1997; Boxall and Purcell 2008, etc.), emphasizing the moral legitimacy or ethical standing of the firm in the societies in which they operate (Paauwe and Farndale 2017, 04), or on governance, 'the establishment of appropriate "rules of the game" involved in successfully managing the employment relationship' (as advanced by Sisson 2007), may be more appropriate in establishing the credibility of the HR function.

The disciplinary foundations of HRM

Any introduction of HRM would be incomplete without some discussion as to its disciplinary foundations. Personnel management may have emphasized procedures, but it also emphasized processes and objectivity. The latter included formal mechanisms for selection and recruitment, and in the deployment of individuals within organizations that encompassed the use of tools and techniques from psychology such as aptitude testing, manpower planning formula, and the application of theories of motivation based on assumed human needs and concerns. The latter would include, of course, both Maslow's theories of motivation – including the infamous triangular depiction of his hierarchy of needs much beloved by intellectually challenged undergraduates – and more sophisticated developments, extensions and counter-developments. To its proponents, the use of scientific knowledge could ensure that the most suitable workers were allocated to the most appropriate jobs. To its critiques, the use of such tools often constitutes 'pseudo science', with very ambitious claims of universal applicability being constantly belied by organizational reality and applied research. Nonetheless, psychological approaches remain influential in serious debates by both academics and practitioners. Many concepts have also been appropriated by pop management 'gurus', whose works, linking bowdlerized theory with homespun wisdom and wilful stupidity, remain alarmingly well represented among the 'twit lit' to be found in any airport bookstore.

In contrast, industrial relations has tended to draw on industrial sociology (itself a synthesis of sociology and aspects of thinking from the discipline of engineering), a critical discipline that has sought to understand work and employment in terms of social group formation and dynamics, the role of institutions and the interface between humans and technology. Particularly influential political economy perspectives analyse work and employment relations from a basic starting point: that the employment contract represents an open-ended exchange with a readily quantifiable cash wage being exchanged for an ultimately indeterminate amount of labour power (Hyman 1989). Employers will naturally try and quantify the latter with a view to maximizing the amount of labour extracted, be it through structuring and routinization, measuring of the quantity and quality of output or and regularly reviewing performance, while trying to circumscribe wage rates. Employees will in turn naturally seek to maximize wages and try to limit and/or enhance the pleasure of labour time. To its proponents, such a perspective provides both a realistic assessment of what really goes on in organizations and critical tools for analysis.

However, aspects of the industrial relations literature – notably in the US – have also drawn on the tools and techniques of rational choice economics to understand dimensions of employment, such as the operation of labour markets. However, scientific claims are often belied by the complexities of social reality and the tendency of both managers and workers to view the world from both an individual and a communitarian (or social) perspective. Nonetheless, rational choice economics' emphasis on 'economic man', of society and organizations as being composed of rational profit maximizing individuals, has infused much of the thinking behind shareholder value conceptualizations of HRM. More recent developments in heterodox economics that take account of the effects of social collectives (associations) and institutions, have resulted in the application of what has been termed 'socio-economics' to studying people management. In practice, however, proponents of such thinking have tended to have close links to industrial sociology, with individuals often moving between such groupings.

It is worth noting that those approaching people management from these different perspectives are often antipathetic to each other, in theory if not in practice, and, with some notable exceptions, make little effort to engage with each other's ideas. A scrutiny of HR and related departments in the UK will find some predominantly composed of psychologists, others of industrial sociologists, and a few of rational choice economists. Each publish in their 'own' journals and are dismissive of the quality of others. For example, the *British Journal of Industrial Relations* is widely held by industrial relations experts and industrial sociologists as one of the finest academic journals – if not the finest – in the field but is routinely ranked as second flight in journal rankings listings compiled by psychologists.

The structure and content of the book

The book is structured in three distinct sections, each drawing on contributions from leading academics in the respective areas who engage with the respective topics in a critical way. Following this introduction, in Part I, the Context of HRM, readers are introduced to some of the key foundational concepts of HRM and the overarching issues which help to frame modern discussions on HRM and its implications within ever-changing, many times chaotic, situations.

The first chapter in this section, Chapter 2, by Phil Johnson and Leslie T. Szamosi, reviews the organizational context of HRM from bureaucratic through to post-bureaucratic forms. Issues related to economic crisis and changing organizational forms and are utilized to illustrate that there is an array of social and economic influences which influence HR practice in organizations.

In Chapter 3, Jaap Paauwe and Corine Boon begin the debate and analysis of strategic HRM through analysing the link between strategy and HRM, including different strategic approaches such as 'strategic fit'. The authors also present alternative approaches that seek to balance the implementation and dynamics of traditional approaches through a synthesis of two recent conceptual frameworks.

Chapter 4, by Stephen Wood, considers the linkage between HRM and organizational performance utilizing a number of students to assess whether they support claims that HRM can be decisive for organizational performance or that an HRM centred on employee involvement or development justifies the same.

Chapter 5, by Mick Fryer, analyses key debates around ethics and its implications for underscoring HRM, a topic often neglected by mainstream books. With a focus on participative HRM practices, the discussion is grouped according to three different ways of thinking about ethics: ethical absolutism, ethical relativism and ethical intersubjectivism.

In Chapter 6, Darren T. Baker and Elisabeth K. Kelan evaluate the topic of HRM practice and diversity management, which has become a mainstream issue in its evolution from legislative presence toward economic and individual concerns. The issues are explored through the rise of neoliberalism through to neoliberal ideologies that have given rise to workplace precariousness and precarity and the ethical question that must be addressed.

Chapter 7, by Fang Lee Cooke, discusses the ever-rising issue of organizational outsourcing, focusing on the less-often analysed aspect of its HRM implications. Its impact is viewed from both the domestic and offshore perspectives to look at the broader social and economic ramifications as a result of the restructuring of organizational activities

In Chapter 8 Phil Johnson, Geoffrey T. Wood, Pauline Dibben, John Cullen, Juliana Meira, Debby Bonnin, Luiz Miranda, Gareth Crockett and Caroline Linhares develop a unique interdisciplinary perspective (from HRM to global value and supply chains to employment relations) to evaluate, during times of economic crisis, labour repression down supply chains, how up and down supply chains have impacted HR practices and the impact of formal and informal regulation.

Chapter 9, by Claire Gubbins, analyses the various debates of the management of knowledge and organizational learning through HR practices. A variety of scientific and social paradigms and critiques and the convergence and divergence debate are evaluated with a critical evaluation of the role of individual, interpersonal or social and organizational HR practices for knowledge circulation and organizational learning.

The final chapter in this section, Chapter 10, analyses the increasing and evolving significance of SMEs in the global economy. Tony Dundon and Adrian Wilkinson evaluate the application of HRM inside such organizations. Following the analysis of the polarizing perspectives of 'small is beautiful' versus 'bleak house' in the literature, the key dimensions of HRM in SMEs are evaluated (e.g. recruitment, training).

In Part II, the focus of analysis and discussion moves more towards the practice of HRM. This section reflects the management of HR flows within organizations and looks at specific aspects of HR practice.

In Chapter 11, Rosalind Searle and Rami Al-Sharif introduce the key debates around recruiting and selecting employees within organizations. The aspects of attraction and selection and the associated tools and instruments are evaluated and three distinct paradigms for examining these processes are introduced along with emergent issues in the area, including demographic changes, global recruitment and selection and the role of trust.

Chapter 12, by Zsuzsa Kispal-Vitai and Geoff Wood, outlines the nature of HR planning in organizations and introduces the role of institutions in influencing HR activities within the firm. Two distinct areas are analysed herein: the meaning of HR planning and how it is applied in different contexts and locales, and the different applied tools and techniques of HR planning.

Chapter 13, by Anthony McDonnell, Patrick Gunnigle and Kevin R. Murphy, critically evaluates contemporary performance appraisal and performance management systems in organizations. An analysis of the various debates in the context of performance management in organizations is also provided.

Reward systems in organizations are considered in Chapter 14 by Suzanne Richbell and Geoff Wood. The concepts of motivation and reward are first analysed, followed by the focus on strategy and reward, and then the various approaches that can be used in contemporary organizations are evaluated.

In Chapter 15, Irena Grugulis engages with human resource development, which is often emphasized as a means of developing individual competence in organizations. The realities of labour market practice are culled from the rhetoric of enthusiasm in considering the way skills are changing and the differences in various work environments, drawing conclusions which are not always positive.

The final chapter in this section, Chapter 16 by Gilton Klerck, presents a useful counterpoint to the unitary underpinning of HRM through an industrial relations critique. The focus is on an assessment of the 'crisis' of IR in practice and the theoretical critiques of IR by various approaches. The chapter concludes with a discussion of the challenges of IR going forward.

The final section of the book, Part III, examines HRM in an international context. Today's HRM systems cannot be isolated into domestically focused systems. Competition for employees is now a global phenomenon not only in developed economies but also in developing and emerging economies and everything in between.

In Chapter 17, by Frank M. Horowitz and Kamel Mellahi, the increasing prominence of emerging markets in the global economy is considered in relation to the nature of HRM in these economies. Utilizing a number of comparative examples, a critical evaluation is undertaken in relation to the extent to which HRM practice is converging, its reasons and the limiting contextual factors.

Chapter 18, by Chris Brewster and Wolfgang Mayrhofer, engages with variation in HRM across national boundaries, considering the more general nature of HRM across national borders. The main focus revolves around comparisons between countries and addresses the foundations and explanators in diffusing HRM practices across different contexts.

David G. Collings, Hugh Scullion and Deirdre Curran in Chapter 19 consider the nature of HRM in multinational corporations. After introducing the topic through an ethnocentric view on international management, the issues of global staffing, standardization versus localization and the adoption of an industrial relations perspective are critically evaluated.

The final chapter in our book, from Mathew Johnson and Jill Rubery, Chapter 20, is an analysis of the way in which HRM has responded through the economic crisis. Understanding the responses of HR through downsizing, delayering and alternatives to layoffs (flexicurity), whether we are moving towards a new model of HR and how HRM is beyond the crisis is presented.

Conclusion

Whatever its meaning, it has become common practice for organizations to label their people management function 'HRM'. This may mean a wide range of things in practice; it could be argued that the term HRM should now be simply taken as a common noun to denote all aspects of managerial practice devoted to the management of employees and, indeed, encompass dynamic ways in which employees may respond to the latter. Although there is much evidence that different types of HRM are concentrated in different places, no national system is so effective as to impose a single uniform model (Wood 2013). Again, although investors tend to follow different time horizons in different settings, much of the diversity in HRM can be understood in terms of the latter's agendas and how effective they are in imposing them. By the same measure, there has been a growing recognition that what is good for short term activist investors is often not only bad for employees, but for sustaining the organization and, indeed, other investors with longer term horizons (Wood et al. 2014). Although HR managers often lack the power, ability and, sometimes, will, to impact on the manner in which the organization is governed, it is important that, at least, they retain an awareness of such issues and the manner in which this will impact on how they discharge their own roles.

Around the time of the emergence of HRM, many contributors were convinced that HRM was a 'fragile plant' which they predicted would not survive. However, within a short time the signs were that its position was more positive than such an interpretation would suggest (see Storey 2007); others were quick to dismiss it as a noxious weed. However, despite the unresolved issues around its intellectual boundaries, HRM has endured and gained an important place in managerial practice in organizations, even if as little more than a collective noun to describe many practices. For Keith Sisson (2007: 79), HRM 'appears to have firmly established its supremacy over personnel management'. Another key UK contributor, John Storey (2007: 17), eloquently summarizes the position of HRM in modern organizations thus:

> Clearly, HRM is no panacea; no set of employment policies ever will be. But, as a persuasive account (or narrative) of the logic underpinning choice in certain organisations and as an aspiration pathway for others, it is an idea worthy of examination.

We hope that the contributions in the current text go some way towards introducing students to some of the key debates in the field of HRM. Further, the leading-edge contributors advance debates in this key area of management practice.

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Part I

2 HRM in changing organizational contexts

Phil Johnson and Leslie T. Szamosi

Introduction

The management of human resources (HR) in contemporary organizations is very often prescriptively presented as an interrelated set of activities aimed at systematically enhancing the task performance of employees in a manner commensurate with the strategic aims of senior management (e.g. Ulrich 1997; Wright and Snell 1998). Simultaneously, numerous researchers (Jacoby 1985; Langbert 2002; Townley 1989; Mueller and Carter 2005) have noted that how, and under what circumstances, these managerial practices are accomplished varies in response to an array of social and economic influences, of which one key source is the broader organizational context in which they take place. Today, one need only look at the economic crisis and the influence this has had on people management (Psychogios et al. 2014). Here we are immediately confronted by the often rather optimistically presented forecast that work organizations are progressively changing through the evolution of what are described as post-bureaucratic, flexible, high-performance forms of organization and management (Heckscher 1994; Osbourne and Plastrik 1998; Volberda 1998; Applebaum et al. 2000; Maravelias 2003; Hendry 2006; Josserand et al. 2006). These 'new' (Hastings 1993) organizational forms arise out of the recasting of roles, relationships and tasks within organizations at the expense of traditional bureaucratic modes of control related more directly to employee task performance, yet there continues to be conflicting evidence about its success (Dischner 2015).

In this chapter, we seek to explore the implications of these developments, with a particular focus on the economic crisis that has reshaped these for the practice of HRM. We first review the key characteristics of the bureaucratic form and the various conditions perceived as necessary for its successful implementation. We then evaluate the pressures faced by contemporary work organizations, which are often taken to be undermining the viability of the bureaucratic form and ostensibly encouraging the evolution of post-bureaucratic systems. Then, we outline the nature of the post-bureaucratic form of organization as presented by various authors before moving on to the possible implications for HRM praxis and conclude by considering alternative views of contemporary organizational change which cast some doubt upon the claims of this post-bureaucratic thesis.

The bureaucratic organizational form

It has been well documented that bureaucratic forms of organization arose on a large scale in Western Europe and the USA during the late nineteenth and early twentieth centuries as a means of replacing earlier forms of work organization (e.g. Clawson 1980; Littler 1982; Doray 1988). Weber (1947) suggested that one of the most distinctive features of such administrative systems was the development of a framework of intentionally established and impersonal rules to govern task performance. For Weber, this 'required' the subordination of workers to the precise calculation of the means by which specific ends may be achieved. Through the exercise of formal rationality, these rules (i.e. orders from above) were designed by superiors who occupied their posts based on merit (e.g. higher levels of expert knowledge, experience and/or expertise), and they possessed formal–legal authority. The creation of rules and procedures, supported by various means of monitoring, evaluating, rewarding and sanctioning compliance, served to pre-programme task performance, remove most if not all choice or discretion with regard to how work would be accomplished and increase the probability that perceived organizational requirements would dominate that behaviour. As Weber (1920: 355) stated, 'the performance of each individual worker is mathematically measured, each man becomes a little cog in the machine (sic)' (Weber 1920: 335). Dependency upon hierarchically imposed rules, grounded in rational–legal authority as an epistemologically legitimate means of command and control thereby posits bureaucracy as an 'ideal' type organizational form. The result is that

> the fully developed bureaucratic apparatus compares with other organizations exactly as does the machine with the non-mechanical modes of production. Precision, speed, unambiguity, knowledge of the files, continuity, discretion, unity, strict subordination, reduction of friction and of material and personal costs – these are raised to the optimum point in the strictly bureaucratic organization.
>
> (Weber 1947: 973)

While Weber thought that the development of bureaucracy was progressive given that it did away with earlier organization forms he regarded as irrational, he was fearful of its potential for creating an imprisoning 'iron cage' (1904: 1264) and the danger that people whose aims were not founded in the best interests of society as a whole could gain command and misdirect the purpose of the bureaucratic machine. In bureaucracies, the routine application of discipline, through members' mundane complicitness with the rules, becomes progressively sanctified and normalized (e.g. Bos and Willmott 2001), thereby causing various levels of organizational stagnation or systems which fail to comprehend the ethical severity of their actions. As such, the means become a way to dominate the ends and workers fail to morally evaluate the ends to which their everyday activities in organizations are working towards. For writers such as Bauman (1989), bureaucracies may enable, rationalize, distance and render banal engagement in horrific acts such as those associated with the Holocaust. In opposition to Bauman's portrayal of bureaucracy as dehumanizing, du Gay has pointed to how 'objectivity' required by the bureaucrat to follow rule-based frameworks can result in the virtuous 'trained capacity to treat people as individual cases. . . . so that the partialities of patronage and the dangers of corruption might be avoided' (2000: 42). As such, if bureaucracy evolves in step with society, this dehumanizing aspect can be somewhat downgraded.

As in the case of Taylorism, bureaucratic control processes resulted in various levels of job fragmentation and specialization as a means towards simplifying tasks in order to enable the measurement of effort expended and the administration of incentives to encourage greater effort (reward and punishment orientations). As such, it is closely associated with the development of modern forms of work–study and industrial engineering, which use a variety of scientific techniques for: deriving standard times and methods for undertaking tasks; planning and standardizing work flows with detailed divisions of labour; and creating precise job descriptions: the operation of piecework payment systems (Littler 1982; Hales 1993; Kamei 2017). As in Fordism and McDonaldization, bureaucratization entails the application and integration of technology into the organizational system (e.g. the assembly line and the use of single purpose machine tools) as a means towards simplifying tasks, pre-programming the pace and sequencing labour processes (e.g. Cooley 1980; Ritzer 2006), where the rules governing task performance are built into, and operationalized by, the technology in use.

Given the nature of today's work systems and the inherent reliance on technology-driven systems of production, bureaucratic principles may be seen as a key point of inflection. Yet, despite bureaucracy's dominance throughout much of the twentieth century as a form of control over labour processes, it is no longer considered as viable (e.g. Maravelias 2003; Becker et al. 2016). The underlying rationale for this presumed demise centres upon a key characteristic of bureaucratic superstructures, namely, that they are somehow dependent upon a hierarchical ordering of knowledge, in the form of 'task continuity', as the basis of rational–legal authority. Task continuity generally (see Offe 1976) refers to the requirement that in order to be able to write and administer the rules necessary for pre-programming and standardizing tasks, superiors must be able to conceptualize or rationalize what their subordinates should be doing, how, where and when, to achieve the required efficiency and effectiveness sought. This is only achievable when superiors have gained the knowledge required and then applied it through reconfiguring and standardizing the execution of those tasks by operatives; however, as argued by Perrow (1967), when tasks are complex, unpredictable and unanalysable, knowledge for acquisition, reconfiguration and regulation is not readily available (e.g. Kallinikos 2003). Thus, the complexities of such tasks do not easily adhere themselves to bureaucratic hierarchical ordering in order to identify the 'best' way of doing tasks and thereby enable the divorce of task conception from its execution. In today's 'creative' and open-innovation workplace environments, such bureaucratic systems would be highly problematic. In situations of task-discontinuity, it becomes necessary to develop alternative forms of control that leave task conceptualization and the identification of how best to undertake tasks to the discretion and intuition of the experienced operative by (re)uniting all aspects of task performance into a coherent whole.

This demand for de-differentiation of tasks is often seen to resonate with the motivational language of the job-redesign literature from the 1950s (e.g. Argyris 1957), where it was argued that in order to promote organizations that were congruent with the needs of employees, managers had to start treating them as if they were adults capable of active, independent decision-making rather than passive and dependent, yet potentially wilful 'infants' in need of constant surveillance and direct bureaucratic control.

In sum, it has been argued that the application of formal rationality to mould collective behaviour is primarily applicable in conditions of environmental stability where there is a relatively constant and homogeneous throughput of goods and/or services (e.g. provisioning of a standardized product such as cheese or a mobile phone or public services). In these circumstances, task requirements and transformation processes are already known and by their very nature predictable; therefore, it becomes possible to assert control through the use of hierarchically generated rules and procedures that standardize, pre-programme, monitor and enforce/reinforce the required task performance (Mintzberg 1979; Drucker 1993; Daft 1998). Regardless of the specific form of bureaucracy adopted, human resource management (HRM) or, given such circumstances more accurately termed Personnel Management (PM) (Guest 1991), is geared toward servicing such bureaucratic requirements. According to Guest (ibid.), in such circumstances, PM is primarily associated with external and instrumental 'compliance-based' systems of control, largely dependent upon collectively negotiated systems of extrinsic rewards, so as to ensure efficiency and cost minimization within a centrally focused and mechanistic organizational structure. Hence the management of personnel within bureaucracies is centred on the creation of detailed job descriptions and specifications; the negotiation and implementation of payment systems to support the effort–reward nexus; minimal operative training for undertaking de-skilled tasks; the administration of management development with a focus upon succession planning through the dissemination of requisite technical and the maintenance of related promotion and career structures; and the procedural regulation of industrial relations in concert with elected employee representatives.

A wide cross-section of authors have argued that control through the monitoring of subordinate compliance with bureaucratic rules and procedures becomes increasingly difficult if tasks are, or become, non-routine (Perrow 1967), emergent (Mohrman et al. 1990) and differentiated (Clegg 1990), since the task-behaviour required for efficient and effective task performance becomes unknowable to and therefore not pre-programmable by (Ouchi 1979, 1980) those elevated in the meritocratic hierarchies of rational–legal authority. It is precisely the relatively recent emergence of these conditions that are thought to be threatening the viability and sanctity of bureaucratic forms of work organization today and hence changing the form that the management of HR should take.

Changing organizational environments and the development of post-bureaucracy

During the last 20 years, various commentators have claimed that the social, economic, political and technological environment in which organizations operate has fundamentally changed, more dramatically in some areas of the world than others (e.g. Annosi and Brunetta 2017; Innocenti et al. 2017). Here it has been argued that the production, distribution, exchange and consumption of goods and services have dramatically accelerated and become increasingly diverse, specialized and temporary: a destabilized 'casino capitalism' (Bluestone and Harrison 1988; Strange 2015) or 'hypercapitalism' (Rifkind 2000) of 'globalisation and relativisation' (Robertson 1992), of 'intensified risk and reflexivity' (Beck 2000a, 2000b), of 'heterogenisation' (Daudi 1990) and 'time-space compression' (Castells 2000a, 2000b, 2004). Commentators have also called this period the end of organized capitalism (Lash and Urry 1987), the age of unreason (Handy 1989), post-capitalist society (Drucker 1993) and a runaway world (Giddens 1999). Regardless of the label used, their uniting axiom is that we have entered an unstable socio-historical configuration which is by definition pushing organizations towards new designs as managers try to cope with irreversible dramatic changes which are thought to be gaining speed, characterized by volatility, uncertainty, complexity and ambiguity (VUCA) (Bennett and Lemoine 2014). According to this 'fast capitalism' thesis, the main casualties here are, or should be, bureaucratic organizations which are seen as incapable of efficiently coping with this new world order (e.g. Heckscher 1994; Castells 1996).

For instance, in his analysis of Western society, Beck (1992, 1997, 2000a, 2000b) argues that we now live in a risk-driven society because society has evolved into something inherently more complex, dynamic and uncertain (2000b), where with the continued accumulation of knowledge and its application through scientific and technological innovation comes an awareness of 'the incalculability of their consequences' (Beck 1992: 22). At the more macro level, Beck draws attention to the ecological implications of these developments and the unsettling consequences of globalization (2000b), while at the micro level concern rest with the need for individuals to reconcile themselves to an enduring sense of insecurity where individuals are required to create, live and take responsibility for their own lives (Beck and Beck-Gernsheim 2002). At the meso level, he draws attention to how institutions are developing in a society dominated by our collective awareness of the unintended consequences of institutions. This, in turn, calls into question the legitimacy of those institutions. His view is that social changes are occurring which are 'opening up Weber's bureaucratic iron cage' (Beck, 2000a: 222) through the requirement to balance and cope reflexively with risk that escapes bureaucratic control and to respond to a more chaotic and uncertain world. Beck is cautious here, however, as he suggests that these processes have not seen an end to bureaucracy through its replacement by more responsive institutional configurations. Rather, he sees the displacement and restoration of bureaucratic features as outcomes of ongoing internal struggles in which institutions attempt to gain and maintain trust in authority and hierarchy.

In contrast, much of management literature is less circumspect regarding the institutional outcomes of these processes. For instance, as Osbourne and Gaebler summarized it in their highly influential book, bureaucratic organizations 'increasingly fail us' because what is demanded are institutions that are extremely flexible and adaptable, 'that (are) lead by persuasion and incentives rather than commands; that give their employees a sense of meaning and control, even ownership' (1992:15). The reasoning behind such claims relates directly to the argument outlined earlier: that knowledge and information are no longer hierarchically ordered and distributed in contemporary organizations. This is because the destabilizing disturbances caused by what is classified as either late modernity (Giddens 1990, 1991) or post-modernity (Lyon 1994; Wagner 1992) make the world less comprehensible. Due to their top-down mode of command and control, bureaucracies are 'condemned' as being sclerotic, especially when faced with contemporary demands for constant innovation and change caused by unstable and unpredictable organizational environments and other disturbances such as rapid technological change. These destabilizing forces are now seen to be endemic and thus affect all organizations (Peters 1992; Quinn 1992; Savage 1996). Such an organizational situation requires employees who are capable of using their intuition, discretion and often superior local or international knowledge to creatively and flexibly deal with unpredictable variations in production and service demands, as and when they arise, rather than merely complying with pre-formulated rules and procedures or waiting for the direct supervisory commands or permission of managers. The result has been an emerging organizational literature couched largely in terms of post-bureaucracy, which has direct implications for how the management of human resources could be undertaken.

Although the language used does vary, a key argument has been to point to both the imminent demise of bureaucratic organizations and to celebrate their requisite replacement by an emergent alternative organizational form that goes 'beyond bureaucracy' (Laffin 1998), to even 'banish bureaucracy' (Osbourne and Plastrik 1998) to constitute an ostensibly 'new work order' (Gee et al. 1996) – the post-bureaucracy. This alternative organizational form is presented as a necessary response to conditions of continual change and uncertainty: a flatter, more networked and flexible organization, wherein 'empowered' employees are vested with high degrees of 'responsible autonomy' and self-management so that they can immediately respond to unpredictable demands in an efficient and effective manner.

This post-bureaucratic thesis has tacitly appropriated and redirected several important concepts previously deployed by organization theorists, including, for example: organic versus mechanistic structures (Burns and Stalker 1961); the implications of environmental uncertainty and instability (Lawrence and Lorsch 1967); the flexible firm (Atkinson 1984); flexible specialization (Piore and Sable 1984); adhocracy (Mintzberg 1979) and network organizations (Miles and Snow

1986). The relatively nuanced and contextualized theoretical use of many of the concepts by these theorists, usually under the aegis of a perspective derived from contingency theory, has been superseded by what sometimes amounts to universalistic prescription as it is assumed that conditions of uncertainty and instability now affect all organizations. Indeed, the term post-bureaucracy often signifies a perceived rupture with the organizational tenets of a bygone age. Here the bureaucratic 'paradigm' is (re)presented as something which is 'outmoded' as it is now judged to be obsolete and counter-productive rather than contingently viable according to circumstances (e.g. Barzelay and Armajani 1992; Heckscher 1994), sometimes encompassing the moral dimension. For instance the presumed defunct bureaucracies are often presented as also being oppressive and patriarchal, whereas post-bureaucracies are nuanced to be empowering and involving everyone in decision-making and hence are presumed to be inherently morally 'superior' as they are more likely to meet the needs of healthy adults through how they are organized (e.g. Block 1993; Savage 1996).

Implications of post-bureaucracy for HRM

The post-bureaucratic organizational form seeks to liberate employees from the increasingly dysfunctional hierarchical constraints engendered by bureaucracies and enhance their ability to deal with the requirements of an increasingly destabilized working environment (Adler 2001; Beneviste 1994). As Castells typically summarizes, post-bureaucratic organizations have to cope with uncertainty through a 'greater need for an autonomous educated worker able and willing to programme and decide entire sequences of work' (1996: 241). Thus the intention is to create a workforce capable of adaptation rather than dependent upon routinized repertoires (Stark 2001) and one which is customer-driven yet empowered to make judgements on how to improve customer service and value (Kernaghan 2000). This is achieved by the creation of functionally flexible high-performance workforces (Kalleberg 2003; Shin and Konrad 2017), where multi-skilled employees are empowered to exercise discretion and cope with discontinuous change by continuously (re)developing their organizational roles in the face of shifting demands (Volberda 1998; Wood 1999) made increasingly unpredictable due to the destabilizing disturbances outlined. This leads us to a central tenet of the post-bureaucratic thesis: shared general principles, rather than rules, guide and integrate members' actions (Heckscher 1994). The 'master concept' here is the replacement of bureaucratic controls with 'structures that develop informed consent' where command replaces feelings of mutuality and commitment, embedded in organizational processes that produce dialogue, persuasion and trust (e.g. Osbourne and Plastrik 1998).

Thus a key characteristic of the post-bureaucracy is employee empowerment, which is usually defined in terms of management ceding to employees the capacity to determine cooperatively certain aspects of their work (Englehard and Simmons 2002; Maravelias 2003; Wilkinson 1998), without waiting for 'permission and direction from top management' (Quinn and Spreitzer 1997: 45), and to identify and remove 'conditions that promote powerlessness' (Conger and Kanungo 1988: 474), all the while enabling senior managers to retain a measure of overall control. Thus, empowerment is aimed at engendering employees' 'directed' autonomous self-management, anchored in a sense of purpose and direction often provided by the systematic dissemination of an entrepreneurial ethic articulated and propagated by senior management in relation to the strategic goals of the enterprise (Black and Porter 2000). Thus, the extension and reconfiguration of employees' roles is restricted to their local involvement in deciding the means by which the strategic agenda set by senior management may be more effectively implemented through their exercise of discretion over how tasks are completed (see also Kochan and Osterman 2002; Menon 2001; Wallach and Mueller 2006). Through a range of HRM practices that stimulate, support and sustain self-discipline, self-determination and self-development while instilling a sense of organizational commitment and enhancing motivation, it is purported that an empowered workforce becomes a source of competitive advantage through improved employee task performance (Applebaum et al. 2000; Patterson et al. 1997, 2004; Pfeffer 1995) and job satisfaction (Seibert et al. 2004).

This form of employee participation is not only about broader task-design but is also usually operationalized through the creation of autonomous teamwork, where empowered teams 'make decisions, implement them and are held accountable' (Randolph 1994: 28). The result is a workforce that is organized through temporary team-based and project-related hierarchies (Ozaralli 2003) that appear and disappear according to ever-shifting organizational requirements (Neff and Stark 2003), with enhanced horizontal collaborations implemented as a means toward improving communication and speeding up decision-making (Kellogg et al. 2006). Advocates present such team-working as a means of facilitating and enhancing the following among employees: lateral communication; information-sharing between and within organizational levels; and cooperative problem ownership and resolution through critical evaluation of existing organization processes, channelled by a commitment to continuous improvement (e.g. Broadbeck 2002; Ozaralli 2003; Seibert et al. 2004; Beirne 2006).

According to some commentators (e.g. Applebaum et al. 1999; Mills and Ungson 2003; Quinn and Spreitzer 1997), however, cascading decision-making power may create centrifugal tendencies and thereby the need to reconcile a possible loss of management control with the requirement for integration of a loosely coupled system through ensuring goal congruence. According to the literature, this requires a shift from bureaucratic modalities of control to less obtrusive culturally based, normative, ideational or clan modalities as more viable means of disciplining employees by reconstructing employee subjectivity so that it is commensurate with senior management's perceived requirements (e.g. Serafini and Szamosi 2015; Alvesson and Willmott 2002; Beirne 2006; Hodgson 2004; Menon 2001). While cultural forms of control are often deployed alongside bureaucratic modalities to create chimerical forms of control, or to reduce reliance upon the bureaucratic (e.g. Hales 2002), it is the high level of reliance upon culture management as a mode of control that is usually presented as one of the distinguishing characteristics of the post-bureaucratic ideal-type.

As Kunda notes in his famous ethnographic work (1992), instead of overtly focusing upon members actual behaviour, or the outcomes as such, normative or cultural control is a more hidden and insidious form of formal control which focuses upon the basic value premises which surround members' behaviour and decision-making so as to normatively regulate the employee's consciousness. For Kunda, the concept of culture has both cognitive and affective dimensions which refer to what members know and emotionally feel about their organization and their work. Thus, normative cultural control is based upon establishing 'intense emotional attachment and the internalization of clearly enunciated company values' (ibid.: 10). Therefore, controllers must attempt to ensure that subordinates internalize, or have already internalized, the values, beliefs and attitudes which are deemed to be supportive of the organizational goals set by hierarchical superiors. As Kunda observes,

> under normative control, membership is founded not on the behavioural or economic transaction traditionally associated with work organizations, but, more crucially, on an experiential transaction, one in which symbolic rewards are exchanged for a moral orientation to the organization.
>
> (1992: 2)

In a similar vein, Anthony (1994: 92) observes that 'bureaucratic control, from the perspective of the controllers, unfortunately leaves subordinates free, partly because they possess their own cultural defences. So the defences must be broken down'. Once these cultural defences are lowered, informal peer group pressure upon the individual member is redirected and begins to marshal management-approved norms (e.g. Barker 1997). A possible result is 'an overcoming of the division between the "personal life", values and beliefs of employees and the impersonal demands of corporations for greater productivity and quality' (Willmott 1993: 523). So, if the appropriate values are subscribed to, a common sense of purpose or 'moral involvement', activated through emotion and sentiment, develops which makes the constant surveillance and supervision of employees by managers, as a means of external control, redundant. Ironically, this alternative source of discipline and control over the employee through the management of culture could, in principle, reduce the need for some tiers of management and thereby contribute to the delayering of organizations, among other HRM implications.

An important means by which culture management may be attempted is through the deployment of sophisticated recruitment and selection procedures aimed at pre-emptive control of the attitudinal and behavioural characteristics of new organizational members (Brannan and Hawkins 2007; Kochan and Osterman 2002). Thus, through the use of assessment centres, psychometric tests, personal history inventories and indices of loyalty etc. a systematic attempt is made to ensure that the attitudinal and behavioural characteristics of new employees match the prescribed organizational culture; this thereby tries to exclude the introduction of alternative sources of social influence deriving from, for instance, communities outside the organization, trade unions, professional groupings and so on. Simultaneously, redundancy may be used as a tool to minimize alternative values by removing those who are seen to be unable, or unwilling, to embrace the specified culture (Dobson 1988). Besides attempting to alter the composition of the workforce through the use of recruitment, selection and redundancy, there may also be concerted managerial attempts to influence the value premises of members' behaviour by trying to restructure attitudes and beliefs through the use of an array of related HRM practices (e.g. Wood et al. 2012; Hope and Hendry 1995; Legge 1995; Guest 1998). For instance, induction, training, appraisal and reward systems may be formally realigned to disseminate and reinforce displays of culturally acceptable behaviour.

Thus, HRM praxis may play a key role in attempting to resolve the control–consent dilemma created by empowerment programmes and their diffusion of elements of management prerogative downwards, through directing (Waterman 1988) employees' exercise of initiative and self-management through the development of 'responsible autonomy' that harnesses 'their loyalty to the firm's ideals (the competitive struggle) ideologically' (Friedman 1977: 5, 1990; Harley 2005). In this fashion, the control–consent dilemma is notionally resolved through the delineation of how, where and when employees may exercise autonomy and power through reconstructing their subjectivity in line with management's requirements (Knights and McCabe 2004; Elmes and Smith 2001; Maravelias 2003). Where this strategy is effective, the means by which employees constitute their own identities is merged with how they exercise self-regulation; as Miller and Rose (1990: 26) suggest, 'the "autonomous" subjectivity of the productive individual . . . [becomes] . . . a central economic resource'. The result is that employee evaluation processes then become a (contentious) matter of assessing members' organization behaviour through reference to the observable manifestation of sanctioned cultural mores and sentiments in the performance of their tasks and their relationships with other members, customers, clients and so on.

By extending employees' participation in deciding the means by which strategic decisions are implemented through enabling/allowing them to exercise discretion over how, when and at what pace work is undertaken, certain management functions usurped through the development of bureaucracy are reappropriated by operatives and the traditional division between management and 'labour' becomes blurred. In order to support these developments, managers must change according to many advocates. No longer can management practice be founded upon an authoritative articulation of (usually incalculable and inevitably dysfunctional) rules aimed at controlling subordinates' workplace behaviours. Instead, what is required are managers capable of deploying 'learning leadership' (Senge 1990) in the form of horizontal communication and dialogue in mutually therapeutic relationships (Tucker 1999). As such, managerial roles such as *coach* (Kalinauckas and King 1994), *mentor* (Garvey and Alred 2001) and *co-learner* (Marquardt 1996) become crucial – roles which require managers with a knowledge and skill base substantially different to those required by bureaucracies (see Hendry 2006).

Here there is also an increasing emphasis upon leadership at the expense of management, where leadership is construed in terms of articulating, promulgating and inculcating in others, an organizational vision and mission often driven by some form of strategic analysis of the 'big picture' that confronts the 'business' (e.g. Dubrin 2001). In essence, leaders are presented as visionaries who anticipate and initiate changes through communicating and sharing their visions and enthusing their subordinates: 'leadership', we are told, 'creates new patterns of action and new belief systems' (Barker 1997: 349). Management, on the other hand, is recast and construed as being much more mundane, if not virtually banal. Management becomes about interpreting the leaders' vision and practically implementing it through various organizational processes while maintaining and enhancing productivity. According to this discourse, while leadership becomes the primary focus of senior managers, individual managers are expected, to some degree, to undertake aspects of both leadership and management in their performance. As Dubrin starkly puts it, 'without being led as well as managed, organizations face the threat of extinction' (2001: 4).

Pattinson (1997) describes how the ascription of a special leadership status to managers often entails the deployment of quasi-religious metaphors whereby senior managers are somehow bestowed with mystical capacity akin to latter-day prophets. Here the connotation is that executives are somehow blessed by a higher power because they can see things that others cannot. Such a view of management sets the (senior) manager at the centre stage of organizations and as a crucial influencer upon organizational culture and performance. To do this, they must become 'transformational', 'charismatic' leaders – messianic visionaries in the sense that they personally can invoke and energetically disseminate to 'followers', a compelling image of an idealized future state for their organizations which, through stimulating emotional attachment to and trust in the leader, inspires followers to become highly committed to the leader's vision and prepared to make drastic personal sacrifices on its behalf (Tourish and Pinnington 2002).

Although the articulation of these new modes of management and leadership may entail the search for new bases of legitimacy when rational–legal authority is threatened, the ostensible reason for this reconfiguration is to support and facilitate the hallmarks of the post-bureaucracy era: the participation of self-directed employees in decision-making and the dissemination of culturally approved values as a form of commitment-based control. As Hope and Hendry have observed, the required management behaviour also demands 'an investment of "self" rather dogged mimicry of behaviour and values set down in the corporate handbook'. 'If the self is not engaged then power is reduced, for the required behaviour is distanced from the person itself' (1995: 63). Moreover, employees may be alert to any disparity between management's cultural rhetoric and their apparent everyday behaviour to the extent that employees may use the espoused values underpinning prescribed cultural change to challenge and rectify the inauthenticity signified by such lapses in managerial performance of their corporate script (e.g. Rosenthal et al. 1997; Linstead 1999). The dissemination of the prescribed culture often entails reorganization of the workplace to ensure that those with the required values (at least at the public level of testimony) are in positions of influence, as role models, so that they can communicate them symbolically in their everyday leadership (see Pattinson 1997; Grugulis et al. 2000) and through their establishment of corporate rites, ceremonies, slogans, stories and myths that indicate appropriate behaviour. Other processes of communication and social interaction might, as Dent (1995) observed in one (British) National Health Service hospital, entail some spatial reorganization by physically locating managers close to those they wish to influence so as enable them to informally nurture and sustain the desired cultural changes. Other means of cultural dissemination and maintenance may include team briefings, quality circles, house journals and the organization of various social activities that entail 'cultural extravaganza' (Deal and Kennedy 1982: 74) inside and outside the workplace.

As discussed, employee empowerment, the evolution of new managerial roles etc. must be supported by an array of HRM practices and may be seen as potential post-bureaucratic solutions to the uncertainties created by an array of destabilizing disturbances. We have focused, thus far, upon one key means of responding to these demands through the development of one type of 'labour-led' flexibility, where the emphasis is upon the development of a functionally flexible and multi-skilled internal workforce capable of exercising their discretion so as to cope with high degrees of task uncertainty. An alternative yet often complementary way of variably using labour is via the external labour market, which relates to the ease with which the numbers of particular employees can be varied to meet fluctuations in demand through the use of temporary employment contracts (Atkinson 1984; Kalleberg 2001, 2003). The result may be a division of the workforce into 'peripheral' numerically flexible temporary employees, organized around a numerically stable 'core' of permanent employees, willing and able to learn new skills according to requirements. Thus, increasing levels of internal and external uncertainty, by demanding various forms of flexibility in organizations, may result in a mixture of bureaucratic and post-bureaucratic modalities of control within one organization (see Kalleberg 2001, 2003). One need look no further than the current debate around 'zero-hours contracts' to see the new frontier of flexible organizations and worker uncertainty (Rubery 2015). Bureaucratic modalities may be still appropriate for numerically flexible peripheries doing relatively unskilled tasks, since the uncertainty of their tasks is around (e.g. seasonal) fluctuations in the amount of this work, rather than the nature of the tasks themselves being unpredictable. In contrast, the functionally flexible cores may exhibit 'post-bureaucratic' modalities.

An alternative to labour-led flexibility is that of market-led flexibility engendered by 'network organizations' (Miles and Snow 1986). These phenomena are characterized by disaggregated operations spread between loosely coupled clusters of firms distributed throughout the value chain, which are coordinated primarily through contractual arrangements. The development of networks entail, to varying degrees, the 'unbundling' of large, vertically integrated organizations through 'downsizing' to a core of value-added competencies (Jarillo 1993) which include a brokerage role for coordinating the network and the 'outsourcing' or 'externalization' of other activities that can be done more efficiently by others. Therefore, to varying degrees, networks entail vertical disintegration with individual participatory organizations specializing in the provision of a narrower range of goods and services. Here it is the network as a whole which is flexible rather than the individual participatory organization, since it is the mixture of goods and services available which can be altered. As such, networks are seen to constitute 'lean', 'flexible', low-cost structures particularly suited to the ostensible demands of current organizational environments by 'unblocking' organizational learning, innovation and change through the creation of more porous interfaces with their environments (Child and McGrath 2001; Josserand 2004). Relationships with, and control over, contractors to whom specific tasks have been outsourced may vary according to the nature of the forms of contractual network governance in place (Powell 1990).

Conclusions

We have sought to demonstrate that at the heart of the post-bureaucratic thesis are issues of control and changes in how management exercises direction, surveillance and discipline over subordinates in response to increasing levels of uncertainty caused by an array of destabilizing disturbances. The thesis claims that there is an ongoing shift in control modalities from those associated with the 'direct' control of subordinates to those more associated with the establishment of 'responsible autonomy' (Harley 2005). This control shift is usually idealized as the development of empowered, self-regulated members who, having internalized management derived cultural norms, then proceed to exercise 'commitment-based' self-control in a manner commensurable with senior management's strategic aims and objectives. These processes have direct implications for HRM practice, as control moves towards purposefully shaping the identities and attitudes of employees, albeit often in a reactive manner (e.g. Evans 1999). This shift in control is illustrated and summarized by Table 2.1.

Table 2.1 Bureaucracy and post-bureaucracy compared

Bureaucracy: Vertical hierarchy	*Post-Bureaucracy: Delayered with team-based heterarchies*
Low-trust chains of command.	High trust, dialogue/persuasion.
Search for predictability and efficiency.	Search for flexibility and effectiveness through members' commitment and empowerment.
Low-discretion tasks: obedience valued.	High-discretion tasks: creativity valued.
Control through calculative compliance via rules and incentives.	Control through responsible autonomy based on principles anchored in moral involvement.
Leadership-based rational–legal authority.	Learning–leadership often based on charisma.

The shift from bureaucratic to post-bureaucratic modes of organization and HRM has been presented largely as a demand that has to be accommodated if we accept that increasing levels of turbulence and uncertainty mean that organizational settings are becoming too complex and ambiguous to be managed through bureaucratic modalities of control. There is a tendency in the literature to present post-bureaucracy as unproblematically superior because it is taken to generate, through emotional and sentimental manipulation, internalized self-discipline expressed as feelings of commitment to 'the organization': employee behavioural outcomes which bureaucratic forms of control, with their focus upon compliance to external sources reward and punishment, cannot systematically deliver. So, in relation to its bureaucratic alternatives, post-bureaucracy is often presented as generally, rather than contingently, more effective and efficient because they can reduce bureaucratic impedimenta, flatten hierarchies, cut administrative costs, increase productivity and, crucially, increase the agility and responsiveness of organizations to an increasingly destabilized business environment.

As Jaques pointed out, however, 'it appears to be a condition of modernity for every generation to believe it is in the midst of revolutionary change' (1996: 18–19). Here there is an inherent danger of overly rationalizing management decision-making and the choices that are made with regard to different organizational forms: that senior managers, by deploying economically rational calculation, consciously seek out and implement efficiency-optimizing solutions to secure unambiguous organizational goals in the discharge of their fiduciary shareholder responsibilities, in the case of the private sector (or elected representatives in the case of the public sector). Such assumptions about managerial behaviour are dubious, as they treat managers as if they were all-knowing, yet servile, agents of capital's interests – a characterization that has been widely questioned and exposed by both theoretical and empirical research (e.g. Jackall 1988; Watson 1994; Cappelli et al. 1997; Grint 1995; Buchanan and Badham 1999). A result of this characterization is that the description of changes in organizational form and prescription about these processes become entangled. As well, an analysis that theoretically explains the evolution of post-bureaucracy as a necessary, progressive response to demands arising from the need for efficiency and competitive advantage in changing organizational circumstances propelled by the destabilizing disturbances noted above is also too simplistic.

In contrast, Barley and Kunda (1992) eschew such determinism by pointing to how the propagation of managerial 'ideologies of control' come in repeated historical 'surges'. In defining what they mean by ideology, Barley and Kunda point out how theorists have to draw on assumptions, often unwittingly, about the nature of the phenomena with which they deal. In management theory, the resultant discourses refer to corporations, employees and managers and the 'means by which the latter can direct the other two' (ibid.: 364). With reference to North America, Barley and Kunda use historical information to document how management discourse has oscillated no fewer than five (5) times since the 1870s between what they call normative and rational rhetoric of control.

Rational control is defined as bureaucratizing work processes and a utilitarian appeal to what was construed as the employee's economically rational self-interest. Rational modes of theorizing surged from 1900 to 1923 with Scientific Management, and again with Systems Rationalization from 1955 to 1980. In contrast, normative control is defined as the idea that managers could regulate employee behaviour by attending to their thoughts and emotions through some form of culture management. Normative modes of theorizing surged from 1870 to 1900 with Industrial Betterment, again from 1925 to 1955 with Human Relations and again from 1980 to the (then) present day with Organization Culture and Quality. During each surge to prominence, the particular ideology being propagated is considered to be at the cutting edge of managerial thought, *if not necessarily* at the level of management practice.

Barley and Kunda proceed to argue that the different ideologies of control themselves express culturally based assumptions which have conceptually constrained the imagination of managerial community to what amounts to a dichotomy. They do demonstrate, however, how economic cycles have determined when new surges in management theorizing happen. While each surge was championed by specific groups 'whose interests were thereby advanced' (ibid.: 393), they conclude that in practice rationalist thinking is usually dominant, but normative factors receive more attention at certain points in time. Generally, they hypothesize that 'one might argue that rational rhetoric should surge when profitability seems most tightly linked to the management of capital. Conversely, normative rhetoric should surge when profitability seems to depend more on the management of labour' (ibid.: 389). They suggest that managers will be 'attracted to rhetoric that emphasize[s] rational procedures and structures when profits hinge easily on capital investment and automation' (ibid.: 391) but will shift to normative rhetoric, emphasizing the motivation of labour, when returns on capital seem to be in decline during economic down swings.

They also emphasize that they do not claim that rational and normative ideologies alternately become dominant according to economic cycles, but rather that the rational has always tended to be theoretically prevalent and more closely linked to practice. Moreover, rationalism will sometimes fuel an interest in, and be tempered by, normative theorizing, as it may be seen to provide a means of reducing employees' negative reactions to Scientific Management or Fordism and other attempts at bureaucratizing labour processes. Hence, it is important to temper any consideration of the emergence of new organizational forms and their impact upon HRM with the possibility that we may be witnessing waves of shifting rhetoric that confuse prescription and description, whose relationship to organizational praxis is ambiguous yet nevertheless legitimize and possibly energize an evolving array of HRM practices that, when implemented, impact upon social relationships within the workplace. Perhaps it is here that Beck's (2000a) caution, referred to earlier, gains even more power, when he warns that the displacement, retention and restoration of bureaucratic organizational features are outcomes of ongoing political struggles in which vested interests attempt to maintain and justify our trust in authority and hierarchy.

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3 Strategic HRM

A critical review

Jaap Paauwe and Corine Boon

Introduction

Since the development of human resource management (HRM) as a field of scientific research in the 1980s, many changes have taken place in this area. An important development has been the integration of HRM into the strategic management process. This growing area of research has been labelled strategic HRM, in that it emphasizes the strategic role of HRM in meeting business objectives (Delery 1998). Strategic HRM draws attention to the contribution of HRM to the performance of organizations; in other words, what is the added value of HRM for organizations? For achieving this, the integration between strategy and HRM is emphasized; the basic premise underlying strategic HRM is that organizations adopting a particular strategy require HR practices that may differ from those required by organizations adopting alternative strategies (Delery & Doty 1996), assuming an important link between organizational strategy and HR practices that are implemented in that organization.

Therefore, we need to make sure that we shed some clear light on the issue of whether strategy matters (either at corporate or business level) and in what sense it matters to (the effectiveness of) HRM. In this chapter, we start out with an introduction about strategy and different strategy approaches that have been used. Then, we will explain the link between strategy and HRM and introduce the concept of 'strategic fit'. As existing approaches to strategic fit have been highly criticized, we will present an alternative approach in this chapter, taking into account implementation and dynamics besides traditional approaches focused on processes and content of strategy and HRM. This chapter concludes with a step towards a synthesis of strategic HRM research by presenting two recent conceptual frameworks (Jackson et al. 2014; Paauwe and Farndale 2017), taking into account the different perspectives and interests of a variety of stakeholders involved in strategic HRM.

Strategy

In the strategy field, many different meanings of strategy are used, resulting in an enormous variety of approaches to strategy. The most well-known of these, and still dominantly present in all the strategic management textbooks, is the rational planned approach, also referred to as the so-called classical approach. Its main characteristics resemble the military setting (based on Mintzberg 1990; Whittington 1993):

- A controlled and conscious process of thought directly derived from the notion of rational economic man;
- For which the prime responsibility rests with the chief executive officer;
- Who is in charge of a fully formulated, explicit and articulated decision-making process;
- In which there is a strict distinction between formulation and implementation.

The classical approach to strategy places great confidence in the readiness and capacity of managers to adopt profit-maximizing strategies through rational long-term planning, as Whittington (1993: 17) critically remarks. In the early notions on strategic HRM, we find a striking similarity with the above-mentioned premises of the classical approach. For example, Hendry and Pettigrew (1986) state that the call or plea for strategic HRM implies:

- The use of planning;
- A coherent approach to the design and management of personnel systems based on an employment policy and manpower strategy, often underpinned by a philosophy;
- HRM activities are matched to some explicit strategy;
- The people of the organization are seen as a strategic resource for achieving competitive advantage.

In reality, however, the concept of strategy has many different meanings. Mintzberg was one of the first to demonstrate this. He distinguished five meanings of the strategy concept (based on Mintzberg 1987; see also Mintzberg et al. 1998):

- Strategy as a plan (intended): a direction, a guide or course of action into the future, which implies looking ahead;
- Strategy as a pattern (realized): consistency in behaviour over time, which implies looking at past behaviour;
- Strategy as a ploy: a specific manoeuvre intended to outwit an opponent or competitor;
- Strategy as a position: the way in which the organization positions its products and or services in particular markets in order to achieve a competitive advantage;
- Strategy as a perspective: an organization's fundamental way of doing things, the way in which the members of the organization perceive their environment, their customers, etc.

In order to integrate the many available perspectives on strategy, several authors have proposed an overview of different approaches (Mintzberg et al. 1998; Volberda 2004; Whittington 2001). Mintzberg et al. (2009) categorize the different strategic management perspectives into ten 'schools'. The *design* school, *planning* school and *positioning* school are *outside-in* approaches (Stopford and Baden-Fuller 1994). They see the environment as a stable factor which can be studied objectively (Paauwe and Farndale 2017). The organization's market environment is taken as a starting point, based on which the organization develops a strategy. The *design* school sees strategy formation as a deliberate process of conscious thought (Tampoe and MacMillan 2000). An example is the 'SWOT' (strengths, weaknesses, opportunities, threats) analysis. The *planning* school is more formalized and more detailed than the design school. It includes a stepwise approach to creating an all-encompassing strategy. The *positioning* school analyses the competitive position of an organization using economic modelling. Examples are Porter's (1980, 1985) well-known five forces model, which identifies five forces that make up the competitive environment (competitive rivalry, supplier power, buyer power, threat of substitution and threat of new entry), Porter's (1980, 1985) generic strategies (cost leadership, differentiation and focus), and the Boston Consulting Group's growth-share matrix and experience curve.

The positioning school in particular has been applied to the field of HRM by linking competitive strategies to HR policies and practices (Paauwe and Farndale 2017). For example, Porter's (1980) generic strategies (cost leadership, differentiation, focus) have been linked to desired employee role behaviours and, in turn, to HR policies and practices by Schuler and Jackson (1987). Other studies, including more recent work, have linked Miles and Snow's (1984) strategy typology (prospectors, defenders, analysers, reactors) to strategic HRM (e.g. Guest 1997; Schultz et al. 2015).

Mintzberg et al. (2009) further distinguishes the *entrepreneurial* school, which emphasizes the importance of the active role of a visionary leader in searching for new ways to speed up the company's growth (emanating originally from Schumpeter 1934). The *cognitive* school takes the viewpoint of the strategist and considers strategy formulation as a cognitive process, where strategies emerge as perspectives that influence people's reactions to environmental factors and change (Paauwe and Farndale 2017). In the *learning* school incremental steps in strategy formulation are taken as a result of mutual adjustment between factors outside (outside forces or events) and inside (internal decisions) the organization. This reflects a collective learning process where strategy formulation and implementation overlap (Mintzberg et al. 2009: 217). The *power* (or *political*) school takes a power perspective and focuses on the bargaining process between power blocks inside and outside the organization, which results in a strategy. The resulting strategies reflect the outcome of negotiating particular interests of the different stakeholders (Mintzberg et al. 2009). Next, the *cultural* school centres around the norms and beliefs of organizational members and regards strategy formulation as a process of social interaction between organizational members, resulting in a strategy that reflects the deeply embedded resources or capabilities of the organization (Mintzberg et al. 2009: 281). The *environmental* school – rooted in contingency theory – argues that organizations should respond to the environment in order to achieve a competitive advantage, thus seeing the environment as a central actor in the process of strategy formulation. Finally, the *configurational* school integrates the other nine schools and emphasizes that the ideal strategy depends on the circumstances. Depending on the specific context, organizations can find an effective strategy 'configuration', and when the context changes, a new configuration is needed in order to remain effective.

Other authors have proposed similar and somewhat broader perspectives in order to synthesize the range of different strategy schools. For example, Volberda and Elfring (2001: 11–12) propose the boundary school, the dynamic capabilities school and the configurational school as three different modes of strategy synthesis, with associated challenges and underlying theories (see Table 3.1).

Table 3.1 Thee modes of strategy synthesis

The 'boundary' school	*The 'dynamic capabilities' school*	*The 'configurational' school*
Questions		
Where to draw the boundary How to manage across the divide	With whom and how do firms compete How do they sustain their competitive advantage over time	What are the contingencies Which strategy configurations are effective What are the underlying dimensions of strategy configurations
Base disciplines/theories		
Agency theory (economics/ psychology) Transaction costs theory Industrial organization Control theories (sociology) Decision-making theories (psychology)	Resource-based theory of the firm (economics) Entrepreneurship (economics) Innovation theories (organization theory) Learning theories (organizational behaviour)	Social sciences History equilibrium model (biology) Catastrophe theories (mathematics)
Problem-solving tools		
The strategy sourcing process (Venkatesan 1992) Porter's value chain (Porter 1980)	The roots of competitiveness (Prahalad and Hamel 1990) The capability matrix (Schoemaker 1992)	Archetypes (Miller and Friesen 1980) Strategic type (Miles and Snow 1978) FAR method (Volberda 1998)
New directions		
Strategizing Joint value creation Building trust Learning across boundaries	Coevolution of capabilities and competition Managerial dimensions of dynamic capabilities	Conceptually derived typology Empirically based taxonomies Configurations as source of competitive advantage

Source: Volberda and Elfring (2001).

These three modes of strategy synthesis (which also include several strategy approaches discussed above) have had an important impact on strategic HRM. For example, the boundary school hints at the issue of fragmented organization, whereby different suppliers are involved in the delivery of services or in the manufacturing of products. This implies that different categories of workers are involved, only some of which are employed by the focal organization. This raises issues of governance, control, risk and compliance, also from an HR perspective (see Farndale et al. 2010). The dynamic capabilities school focuses on the need for continuous adaptation of HRM systems and practices in order to make sure that the human capital capabilities are up to date with the organizational capabilities as required by changing market circumstances. For example, increasing online selling at the expense of physical retail outlets requires new skills from existing staff, etc. Finally, the configurational school refers to the unique combination of market circumstances, technology, business strategy, human capital, HRM systems, etc. which – when properly managed – will result in a unique and hopefully sustained competitive advantage. Our two theoretical frameworks in the final section ('In search of a synthesis') give a full overview of all the factors and antecedents which play a role in achieving such a unique configuration. Below we will describe how the field of strategic HRM has applied theories and insights from strategy.

Traditional approaches in strategic HRM

In describing the traditional approaches used in the area of strategic HRM, we need to distinguish between process and content models. The *process* of strategy refers to the way strategies come about, whereas the *content* is concerned with the product of strategy in terms of the 'what' of strategy.

A mixture of both process and content is the so-called Harvard model by Beer et al. (1984), one of the most well-known models in HRM theorizing, which starts from a situational perspective (see Figure 3.1). Besides market and strategic considerations, it takes into account the interests of the various stakeholders in both the external and internal environment. Besides performance in its strict economic sense, individual well-being and societal consequences are also included. The framework is both descriptive and prescriptive. It gives an overview of the factors that are important in shaping HRM policies, but at the same time it is quite conclusive in prescribing to what kind of outcomes these choices – once made – should lead. In 2015, a special issue of *Human Resource Management* was dedicated to the 30 years' existence of this framework, and, based on the reviews in that special issue (among which is Beer et al. 2015), it is still relevant for those authors who believe in a contextual approach and a variety of stakeholders interested in the outcomes of the relationship between strategy and HRM (see Paauwe and Farndale 2017).

Fombrun et al. (from Michigan Business School) published their competing approach in the same year as their counterparts from Harvard (Figure 3.2). Achieving a tight fit between strategy, structure and HRM policies takes place amidst economic, political and cultural forces. More focused on the functional

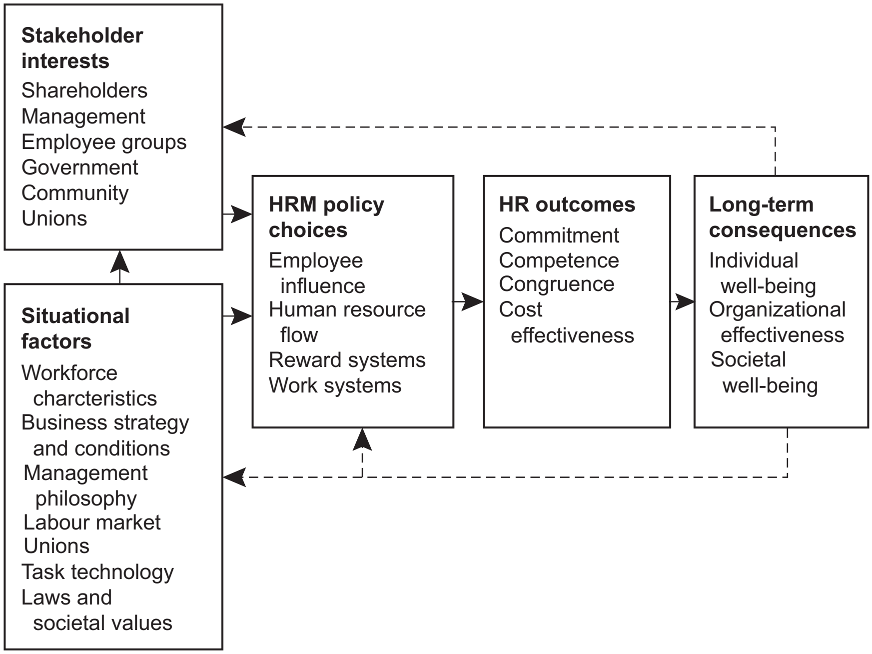

Figure 3.1 The Harvard approach

Source: Beer et al. (1984). Reprinted with permission of Michael Beer.

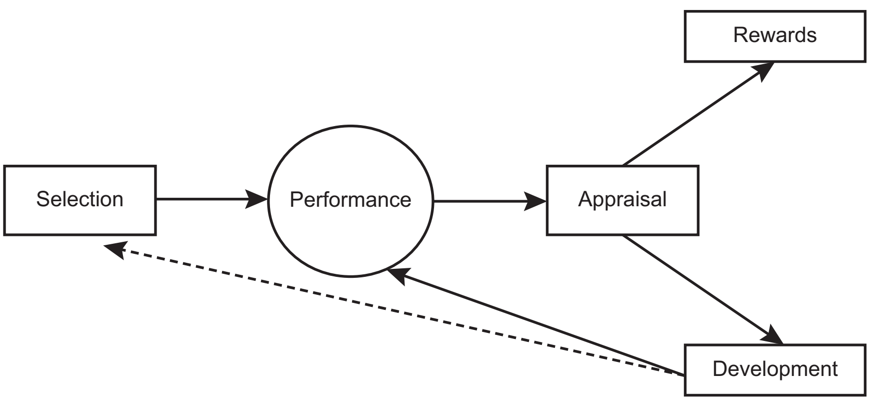

Figure 3.2 The Michigan approach – the human resource cycle

Source: Fombrun et al. (1984). Reprinted with permission of John Wiley & Sons Inc.

level of HRM itself, they emphasize the so-called human resource cycle, which can be considered as one of the first content models. In their cycle, performance is dependent upon selection, appraisal, rewards and development.

Strategic fit

As shown in the aforementioned conceptual models, the nature of the link between strategy and HRM has been a central issue to strategic HRM. The basic premise underlying strategic HRM is that organizations adopting a particular strategy require HRM practices that may differ from those required by organizations adopting alternative strategies (Delery and Doty 1996), assuming an important link between organizational strategy and HRM practices, which has been labelled *strategic fit* (also *vertical fit*). Strategic fit stresses the importance of linking business objectives and HRM. The assumption is that HR systems, which 'simultaneously exploit the potential for complementarities or synergies among such practices and help to implement a firm's competitive strategy, are sources of sustained competitive advantage' (Huselid 1995).

In testing strategic fit, most researchers use the 'classical' strategy typologies of Porter (1985) or Miles and Snow (1978) to operationalize strategy (e.g. Schuler and Jackson 1987; Montemayor 1996; Youndt et al. 1996). For example, Schuler and Jackson (1987) were among the first to present how strategy and HRM policies could be related. They used Porter's generic strategies (cost effectiveness, innovation and quality) and linked each of these strategies to a repertoire of role behaviours. Subsequently, HRM policies and practices are used to reinforce the required role behaviours (i.e. the behavioural view). For example, for an innovation strategy, HRM practices are aimed at facilitating cooperative interdependent behaviour that is oriented towards the longer term and at fostering exchange of ideas and risk taking, such as variable pay rates and broad career paths.

Many classic models of strategic HRM make use of strategy typologies from Porter (1985) or Miles and Snow (1978), which reflect an outside-in approach (Baden-Fuller and Stopford 1994), as strategic decisions are made based on the external environment. This corresponds with the strategic contingency approach (i.e. Lawrence and Lorsch 1967; Mintzberg 1979), which emphasizes the influence of contextual factors inside and outside the organization on HRM. In the nineties, a shift in strategic thinking was represented by the introduction of the resource-based view (RBV) (Barney 1991), representing an inside-out perspective. Internal resources (like finance, organizational systems and physical assets but also people) and how these contribute to a sustained competitive advantage are the starting point in this approach. This shift in strategic management has had major implications on the field of HRM. Wright and McMahan state:

> This RBV of competitive advantage differs from the traditional strategy paradigm in that the emphasis of the resource-based view of competitive advantage is on the link between strategy and internal resources of the firm.

> The RBV is firm-focused whereas the traditional strategic analysis paradigm has had an industry-environment focus.
>
> (Wright and McMahan 1992)

In this approach, the unique strengths and capabilities of the employees determine the range of possible business strategies to be implemented. 'The resource-based view may demonstrate the fact that strategies are not universally implementable, but are contingent on having the human resource base necessary to implement them' (Wright and McMahan 1992: 303). The RBV states that internal resources (for example, human resources), which are scarce, valuable, inimitable and non-substitutable, serve as the basis for a sustained competitive advantage. Table 3.2 presents an overview of the outside-in versus the inside-out perspective.

These two perspectives seem contradictory but both can be relevant for strategic HRM. On the one hand, HRM is dependent on the strategic positioning of the firm as it attempts to fit with the market environment; on the other hand, (human) resources can be cultivated and developed in order to enable strategies that will result in a sustainable competitive advantage. Reviews and meta-analyses of strategic HRM suggest that both perspectives are relevant for strategic HRM (Boselie et al. 2005; Paauwe 2009; Jackson et al. 2014; Jiang et al. 2012, et al.2013); both contingency theory and RBV have been widely used as theoretical frameworks underlying strategic HRM models. The behavioural view, rooted in contingency theory, has gained importance in recent years. Also, human capital theory (taking an inside-out perspective) has been applied often to strategic HRM (Jackson et al. 2014; Jiang et al. 2012). Human capital theory emphasizes that the organization's human capital, which is the composition of employees' skills, abilities and knowledge, helps to achieve a competitive advantage. HRM practices can be used to optimize the organization's human capital pool (Jackson et al. 2014; Jiang et al. 2012).

Building on the behavioural perspective on HRM, human capital theory and the RBV, the so-called AMO model draws our attention to the importance of a

Table 3.2 Outside-in versus inside-out perspective

	Outside-in perspective	*Inside-out perspective*
Emphasis on	Markets over resources	Resources over markets
Orientation	Market/industry-driven	Resource-driven
Starting point	Market/industry structure	Firm's resource infrastructure
Fit through	Adaptation to environment	Adaptation of environment
Strategic focus	Attaining advantageous position	Attaining distinctive resources
Strategic moves	Market/industry positioning	Developing resource base
Tactical moves	Industry entry and positioning	Attaining necessary resources
Competitive weapons	Bargaining power and mobility barriers	Superior resources and imitation barriers

Source: de Wit and Meyer (1998). Reprinted with permission of Thomson Publishing Services.

bundle of HRM practices which focus on abilities, motivation and opportunity to participate in order to improve performance. The AMO model has become increasingly popular among HRM academics and can now be considered as the dominant theoretical framework (Paauwe 2009). Actually, this is due to the interest in the past few decades in so-called high-performance work systems (HPWS), which are a set of related HR practices such as training and development, contingent pay and reward schemes, performance management (including appraisal) and careful recruitment and selection (Boselie et al. 2005: 72) focused on enhancing performance. These practices are often bundled under the three headings of the AMO theory (Appelbaum et al. 2000). Two recent and well-cited meta-analyses make both use of the AMO framework for bundling HRM practices. The first one stems from Subramony (2009), who carried out a meta-analysis (see Table 3.3) and tested the value of bundling HRM practices based on their skill-enhancing, motivation-enhancing and opportunity-enhancing effects, whereby the latter is defined by Subramony as 'empowerment enhancing'. In total, 65 empirical studies (239 effect sizes) are included, published from 1995 to 2008, which link HRM practices and bundles with business outcomes.

Subramony (2009) establishes that the three bundles have significant and positive relationships with outcomes like employee retention, operating performance (e.g. labour productivity, reduction of waste) and financial performance. Moreover, the three bundles correlate stronger 'with business outcomes than their

Table 3.3 The content of HRM bundles

Skill-enhancing bundles
Job descriptions/requirements generated through job analysis
Job-based skill training
Recruiting to ensure availability of large applicant pools
Structured and validated tools/procedures for personnel selection
Motivation-enhancing bundles
Formal performance appraisal process
Incentive plans (bonuses, profit-sharing, gain-sharing plans)
Linking pay to performance
Opportunities for internal career mobility and promotions
Healthcare and other employee benefits
Empowerment-enhancing bundles
Employee involvement in influencing work process/outcomes
Formal grievance procedure and complaint resolution systems
Job enrichment (skill flexibility, job variety, responsibility)
Self-managed or autonomous work groups
Employee participation in decision-making
Systems to encourage feedback from employees

Source: Subramony (2009: 746).

constituent practices' (Subramony 2009: 753), which confirms the conclusion by Combs et al. (2006) that bundles/systems have a stronger effect than individual HRM practices. In a similar vein, Subramony (2009) also confirms that the studies conducted in manufacturing samples show significantly larger effect sizes than those based on samples from the service sector.

The second meta-analysis stems from Jiang et al. (2012). As with Subramony (2009), Jiang et al. (2012) conceptualize HRM practices in terms of three distinct dimensions: skill-enhancing, motivation-enhancing and opportunity-enhancing. Skill-enhancing and motivation-enhancing HRM practices are selected as 'the most critical mediating factors' (Jiang et al. 2012: 10), resulting in decreased staff turnover, increased operational productivity and improved financial performance. By distinguishing these different sets of HRM practices, the authors also shed more light on differential outcomes and the kind of mediating factors involved. This study involves 116 papers and includes more than 30,000 organizations in total, and offers as such strong evidence for the proclaimed relationship between HRM and performance.

Problems with 'fit': best practice or best fit?

Conceptually, the idea of fit is convincing, which is why it continues to play an important role in strategic HRM research (Gerhart 2004; Becker and Huselid 2006). However, originally, more evidence was found for the counterpart of the 'fit' approach, the 'best practice' approach. This touches on the issue of the universalistic approach of 'best practices' versus the contingent approach of 'best fit'. While the 'best fit' approach assumes that the effectiveness of HR practices is context-specific, the best practice approach assumes that certain HR practices universally outperform others and acknowledges that a set of 'best practices' exists which will lead to organizational effectiveness, regardless of the organization in which it is implemented.

To date, although theoretically the 'best fit' approach is more convincing, still only modest evidence has been found for 'best fit' (Paauwe and Farndale 2017). Much attention has been paid to high-performance and high-involvement work systems which have been successfully applied in a range of industries. Most studies on high-performance work systems do not distinguish between different strategies and show that such systems are universally effective. However, other studies do show that HRM is highly context-dependent. Different sectors, institutional contexts and cultures need different HRM systems. For example, Toh et al. (2008) show that HRM bundles are related to organizational values and structure; studies also show differences in HRM systems between the public and private sector (Kalleberg et al. 2006; Bach and Kessler 2007), between manufacturing and services (e.g. Combs et al. 2006), and show that specific HRM practices are used in hospitals (Veld et al. 2010), call centres (Batt et al. 2009) and agriculture (Kroon and Paauwe 2014).

More recently, besides sectoral differences in HRM, there is increasing attention for 'strategically targeted HRM systems which target specific strategic objectives, such as customer service or safety' (Jackson et al. 2014; Alingh et al. 2015).

Collins and Kehoe (2017), for example, argue that broad HRM systems only provide a limited perspective on what an effective HR system is. As a result, it is difficult to determine which HR investments are needed to improve performance in a specific context. They study the alignment between three different HR systems (engineering, commitment and bureaucratic HRM systems) and innovation strategies (exploration or exploitation strategy). Each HRM system represents a different underlying philosophy. The engineering HRM system focuses on attracting diverse talent with specialized knowledge and creating an environment in which they share, test and challenge ideas. The commitment HRM system focuses on building long-term relationships with employees by creating a work environment characterized by employee loyalty and strong internal ties. The bureaucratic HRM system focuses on narrow jobs for which employees with narrow skill sets and experience are needed, and formal coordination and control are used to manage those employees. In a sample of 230 software firms, they show that a fit between an engineering HRM system and an exploration strategy and a fit between a bureaucratic HRM system and an exploitation strategy were both associated with higher profit growth. No results were found for the commitment HRM system (Collins and Kehoe 2017).

Overall, this suggests increasing evidence for the best fit approach. However, the majority of studies still support the best practice approach. How can we explain the lack of empirical support for strategic fit? A reason might be that the real nature of fit is not captured in these research projects. For example, most researchers use the ‘classical’ strategy typologies of Porter (1985) or Miles and Snow (1978) to operationalize strategy (e.g. Schuler and Jackson 1987; Montemayor 1996; Youndt et al. 1996), whereas in reality, competitive strategies are more complex and tend to consist of more elements than those captured in these classic strategy typologies (Paauwe 2004; Gerhart 2004). Also, one company can have multiple strategic orientations. In such a case, the required role behaviours are highly mixed. Strategy typologies are thus unable to capture the uniqueness of business strategies. Yet, this uniqueness is seen as the potential source of sustainable competitive advantage (Becker and Huselid 2006).

Moreover, most studies adopt a narrow focus on HRM systems, which does not reflect the variety of employee role behaviours that may be required when pursuing different strategies (Collins and Kehoe 2017). Becker and Huselid (2006: 910) argue that fit is ‘inherently multidimensional and not easily captured by simple bivariate statements’. Gerhart (2004: 10) notes a ‘troublesome lack of progress on this front’. Boxall and Purcell (2003) formulate three main critiques on the ‘classical’ approaches for measuring strategic fit: they overlook employee interests, lack sophistication in their description of competitive strategy and devote insufficient attention to dynamics. Moreover, empirical studies mainly do not take into account time lags; it takes 12 to 18 months for an HRM strategy to be developed and implemented, and another three to four years before a relationship with performance could be observed (Paauwe and Boselie 2005; Wright and Haggerty 2005). Following these criticisms, there is a need for a more advanced approach for measuring strategic fit, which will be described in the next section.

Towards a more advanced approach to strategic fit

Some steps have been made in developing more extensive strategic fit approaches. For example, Gratton et al. (1999), using a content approach to strategy, use a set of strategic objectives which are unique to the organization rather than a strategy typology. Besides the content approach, establishing fit also involves – as already indicated above – a process dimension (De Wit and Meyer 1998; Paauwe 2004). The idea of process approaches is that the integration of strategy, HRM processes and functions results in a fit between human resource needs (following strategy) and employee skills and behaviours (elicited by HRM practices) (Bennett et al. 1998). Boon and colleagues (Boon et al. 2007; Boon 2008) build on the work of Golden and Ramanujam and Gratton et al. and propose an operationalization of strategic fit consisting of *three* elements: a content element, a process element *and* an implementation element. The *content* element, following Gratton et al. (1999), covers the extent to which different HR practices aim at achieving business objectives and the number of HR practices that are linked with strategy. The *process* element focuses on the role of the HR function in strategy formulation, following Golden and Ramanujam (1985). They discuss the extent to which the HR function is involved in strategy formulation and whether the HR director and HR managers are members of the management team on different levels in the organization. Achieving a strong fit would imply full integration of strategy and HR processes, which enables the design of HR practices that fit well with strategy in terms of content.

More recently, besides content and process, strategy *implementation* is also stressed. Classic approaches to strategic fit focus on designing HR practices which fit with the strategy, without paying attention to implementation of those practices within organizations. Becker and Huselid (2006), for example, argue that strategy implementation should be given more attention in strategic HRM. Implementation is not seen any more as the process that automatically follows strategy formulation, but they are co-dependent (Grant 2005). ‘A strategy that is formulated without regard to its implementation is likely to be fatally flawed’ (Grant 2005: xii). RBV researchers state that ‘the ability to implement strategies is, by itself, a resource that can be a source of competitive advantage’ (Barney 2001: 54).

Applied to HRM, a potentially effective HRM system may still fail to generate the desired results if it is not consistently implemented (Bowen and Ostroff 2004). Similarly, Guest et al. (2013) have also addressed implementation effectiveness. They argue that most research assumes that HRM practices are universally and consistently implemented and thus effectiveness is uniform. However, this is rarely the case. In line with this idea, recently there has been increasing attention for HRM implementation. Nishii and Wright (2008) explicitly take the lack of consistency in HRM implementation into account in their model. They argue that when HRM practices ‘on paper’ (intended HRM) are actually implemented in an organization (actual HRM), variation will likely occur between different departments or teams because line managers differ in whether and how they implement HRM practices. The variation will even be larger when looking at how employees perceive these HR practices (perceived HRM), because employees within these departments or teams differ in their needs, preferences and attributions (Nishii et al. 2008; Nishii and Wright 2008). Effective implementation would mean that intended, actual and perceived HRM are similar. In turn, research has shown that employee perceptions of HRM are most strongly related to employee attitudes, behaviours and performance (Guest 1999). This approach thus emphasizes the importance of consistent implementation of HRM by line managers, in order to maximize alignment and minimize variation between intended, actual and perceived HRM in organizations, such that the intended goals are likely to be achieved. Similarly, Bowen and Ostroff (2004; Ostroff and Bowen 2016) introduced the concept of 'HRM strength', which refers to the process through which consistent messages about the content of the HR system are communicated to employees.

Becker and Huselid (2006) also stress the importance of strategy implementation through HR practices. They argue that instead of fitting a generic relationship between HRM and the competitive strategy of a firm, 'the point of alignment should be closer to the HR architecture', which implies a focus on specific jobs rather than the organization as a whole (Becker and Huselid 2006: 901). They focus on key strategic business processes which fit with a differentiated HR architecture which consists of the systems, practices, competencies and employee performance behaviours that reflect the development and management of the firm's strategic human capital (Becker and Huselid 2006: 899). Related to this perspective is also the increased attention for developing HRM systems for different categories of employees. Lepak and Snell (1999), in developing their differentiated HR architecture, propose a framework which distinguishes different categories of workers according to degree *of added value* of human capital and *degree of uniqueness* of human capital. Huselid et al. (2005) build on Lepak and Snell (1999) by developing a portfolio approach to workforce management. They identify strategic positions (A positions) – those positions that contribute most to strategy and competitive advantage – and make sure that these are being fulfilled by the best possible employees (A players) and, second, that these are accompanied by good performers (B players) in essential support positions (B positions). The final step is making sure that non-performing employees (C players) and positions/jobs (C positions) that do not add value are eliminated.

In sum, we argue that strategic fit includes the following three dimensions:

- *Content*: to what degree are HR practices really focused on achieving business objectives as stated by the organization?
- *Process:* to what degree is the HR function involved in the process of strategy formulation?
- *Implementation:* to what degree are HR practices consistently implemented in the organization such that the intended goals can be achieved?

Dynamics and agility

Besides the three elements that make up fit, Boon et al. (Boon et al. 2007; Boon 2008) also propose to add a dynamic element to strategic fit, labelled *adaptation*. Adaptation focuses on how supportive of change and how proactive or reactive organizations and their HR systems are, which is important for maintaining strategic fit in changing environments. Most organizations operate in dynamic environments and have to cope with change by continually adapting their business strategy to the turbulent environment. Yet, most HR researchers take a static approach in measuring fit, and attention to dynamics has been limited (Boxall and Purcell 2003: 55). Some researchers, such as Wright and Snell (1998) and Boxall and Purcell (2008), do draw attention to the importance of flexibility in strategic HRM, optimizing adaptability and efficiency simultaneously. Similarly, Chakravarthy (1982) introduces 'adaptive fit' and distinguishes three types of adaptive fit: unstable fit, stable fit and neutral fit. *Unstable fit* reflects a defensive interaction with the environment; *stable fit* reflects a reactive response to environmental changes, corresponding with Mirvis' (1997) 'fast follower'. *Neutral fit* is the strongest type of fit and reflects a proactive approach, although the name suggests otherwise. In case of neutral fit, organizations are proactive and anticipate changes before they occur. 'They often create changes in their environment, to which their competitors must respond' (Chakravarthy 1982: 36). Lengnick-Hall and Beck (2005: 742) stress that organizations do not move from one equilibrium to another and argue that organizations should have a close connection to the environment in order to achieve long term successfulness. Similarly, Miles and Snow (1994) see fit as a process of continuously adapting to changes in the environment and stress that 'unless a firm is alert and adept, today's fit becomes tomorrow's misfit'. While tight fit implies a close linkage between strategy and HRM, early fit is even more proactively oriented. Early fit is a tight fit that is achieved before competitors do and aims at gaining a leading position (Miles and Snow 1994). A related concept is HR flexibility (e.g. Beltrán-Martín et al. 2008; Evans and Davis 2005; Way et al. 2015). The realization that strategic HRM should not only focus on achieving short term results but should also help organizations to be able to cope with future changes led to this line of research. Scholars extended the RBV and human capital theory beyond a focus on a firm's current human resource pool, to a focus on a firm's future human resource pool, and found that HR systems affect outcomes via increasing HR flexibility (e.g. Beltrán-Martín et al. 2008).

In this respect, the concept of *agility* goes a step further than adaptation or flexibility. An agile organization (Dyer and Shafer 1999; Nijssen and Paauwe 2010) aims to develop a built-in capacity to shift, flex and adjust, either alone or with alliance partners, as circumstances change, and to do so as a matter of course. While adaptation focuses on strategic changes to cope with changing environments, agility implies that the whole firm should be flexible. Strategy as such is not important; instead, all work processes should be organized such that they can move along with changes in the environment. In line with this, Paauwe (2004: 99) even goes one step further by suggesting 'agile' HRM systems, which – once achieved – can act as an enabling device for a whole range of strategic alternatives. As the dynamics in the marketplace increase for a range of sectors, we should not be bothered anymore with trying to align HRM practices and policies with the business strategy (it takes too long before the HRM practices start to take effect). The very moment the HRM practices are finally in place, the business strategies from which they were derived are already outmoded and replaced by new insights. So, in these circumstances it might be better to focus on creating a workforce characterized by agility, which means the creation of a workforce which is eager to learn, able to handle changes as a normal way of life and able to work in both virtual configurations and reconfigurable real-life teams, which can easily be resolved and reformatted into another composition, dependent on the demands put forward by the marketplace.

Dyer and Ericksen (2006: 11) refer in this respect to the concept of workforce scalability as the capacity of an organization to keep its human resources aligned on an ongoing basis by constantly transitioning from one human resource configuration to another etc. Workforce scalability consists of organizational/HRM practices aimed at workforce alignment (fit) and workforce fluidity (flexibility). Workforce alignment refers to a static steady state, yet workforce fluidity refers to 'the speed and ease with which transitions are made from one aligned human resource configuration to another . . . ad infinitum' (Dyer and Ericksen 2006: 12), which is relevant for organizations operating in highly dynamic markets. Nijssen and Paauwe developed this concept further by referring to the following enabling practices:

- Building relations with suppliers of human resources as well as potential employers of the workforce
- Competence-based training
- Training aimed at building a broad skillset (e.g. cross-training and job rotation)
- Discretionary work design (relying on own initiative)
- Allowing organizational slack

(Nijssen and Paauwe 2012: 3323)

In sum, on the one hand HRM is dependent on the strategic positioning of the firm; on the other hand, human resources can be cultivated and developed in order to build strategic capability that will result in a competitive advantage. So, the apparently conflicting perspectives of 'outside-in' and 'inside-out' are in reality a paradox, a situation in which two seemingly contradictory, or even mutually exclusive, factors are both true at the same time. We will now reconcile the two perspectives (outside-in and inside-out) in our search for a synthesis.

In search of a synthesis

Apart from the Beer et al. model (1984), most early USA-based models and research designs that focus on the link between HRM and performance tended to be based on financial performance indicators such as profit, shareholders' value, ROI etc. This was in sharp contrast with European (especially mainland European) based models, which used more stakeholder-oriented approaches, balancing the needs, interests and aspirations of the various stakeholders both inside and outside the organization. These two different perspectives contrast profitability and responsibility. Paauwe and Boselie (2003, 2005), for example, draw attention to the importance of legitimacy and responsibility of organizations. They apply institutional theory to strategic HRM to incorporate pressures of the institutional context on HRM. Nowadays, USA-based approaches also shift towards a focus on the contextual nature of HRM and paying more attention to a variety of stakeholders. As Jackson et al. (2014: 4) remark: 'So far the concerns of owners and investors have received the most interest, but the views of customers, members of the broader society, line managers and other organizations are recognized as potentially relevant, also'.

By way of synthesis, we present two recent conceptual frameworks, one stemming from the USA and one from Europe. The first one to present here is the aspirational framework for strategic HRM as developed by Jackson et al. (2014).

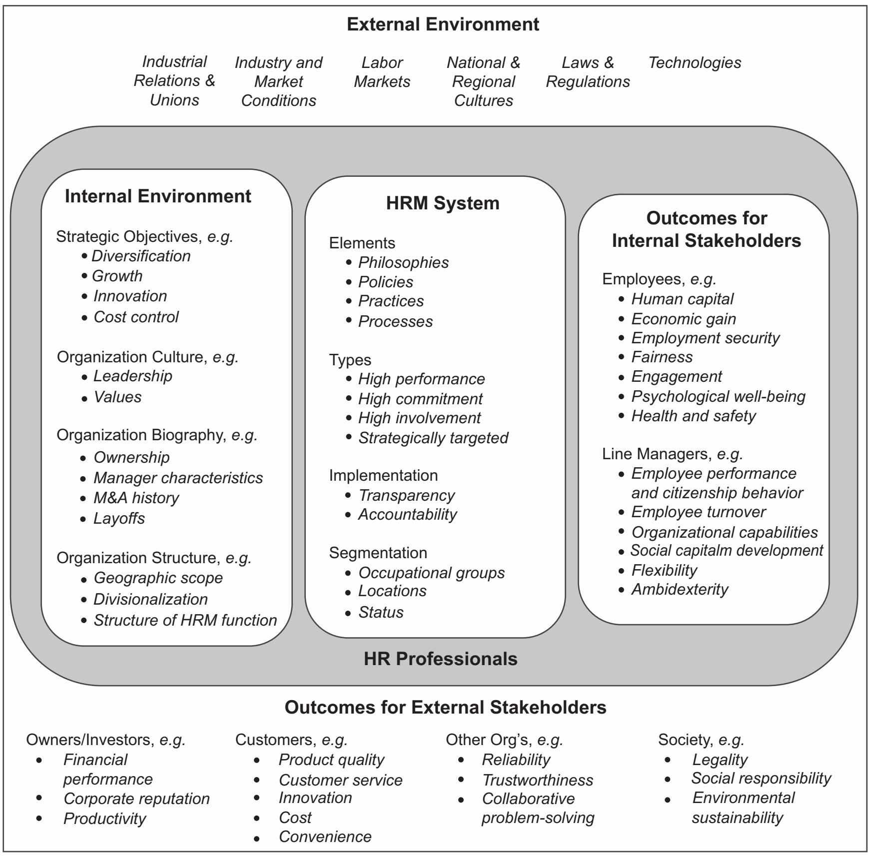

Figure 3.3 Aspirational framework for strategic HRM

Source: Jackson et al. (2014: 3).

This framework is based on an earlier version by Jackson and Schuler (1995) and captures the multi-disciplinary nature of the strategic HRM field. The framework offers an excellent insight in all the relevant factors and antecedents which play a role in the relationship between strategy, HRM and possible outcomes for a range of both internal as well as external stakeholders. Outcomes are not limited to financial performance but cover a whole range of individual, organizational and societal level outcomes, including outcomes such as fairness, legitimacy and sustainability. In addition, the framework shows a more differentiated view on strategy and HRM, as well as the importance of implementation. For an extensive description of all the elements of this framework and underlying theorizing/argumentation, we refer to Jackson et al. (2014).

The second framework we would like to present here as a form of synthesis originates from the *contextually based human resource theory* of Paauwe (2004), which took into account the importance of the internal and external context of organizations. The model incorporated inside-out and outside-in approaches and institutionalism, took a stakeholder perspective and included both content and processes of HRM. In 2017, Paauwe and Farndale revised this model, based on research, consultancy and executive training, which resulted in the 'contextual SHRM framework' (Paauwe and Farndale 2017: 103; see Figure 3.4).

The contextual SHRM framework helps to analyse the connection between the firm's context, the business strategy, required organizational capabilities and legitimacy claims, the resulting design of HRM and subsequent organizational performance. It incorporates elements of the contingency and configurational models (Delery and Doty 1996) and new institutional theory (DiMaggio and Powell 1983), RBV (Barney 1991) and is inspired by the Harvard approach (Beer et al. 1984). It not only encompasses a systems approach, but also actors (agency). So, whereas a systems approach might give the impression of a functionalistic and deterministic approach, adding an actor's perspective to it implies leeway, agency for making choices for the relevant actors involved, such as the management team, HR director, works councils, trade union representatives etc.

The first point to note is that there are two sides to the contextual SHRM model as depicted in Figure 3.4: the 'context' side and the 'SHRM' side. According to Paauwe and Farndale, the context side focuses on the three dominant factors in an organization's context: competitive mechanisms, institutional mechanisms (including social, political, legal and regulatory elements) and the organization's heritage mechanisms. The actors' perspective or the role of agency is reflected by the 'key decision-makers' in the employment relationship who have leeway for strategic choice in any given organizational context.

The outcomes of the competitive, institutional and heritage mechanisms are, on the one hand, 'organizational capabilities' and, on the other, claims for legitimacy and fairness. These describe how the firm is dealing with its reality, often

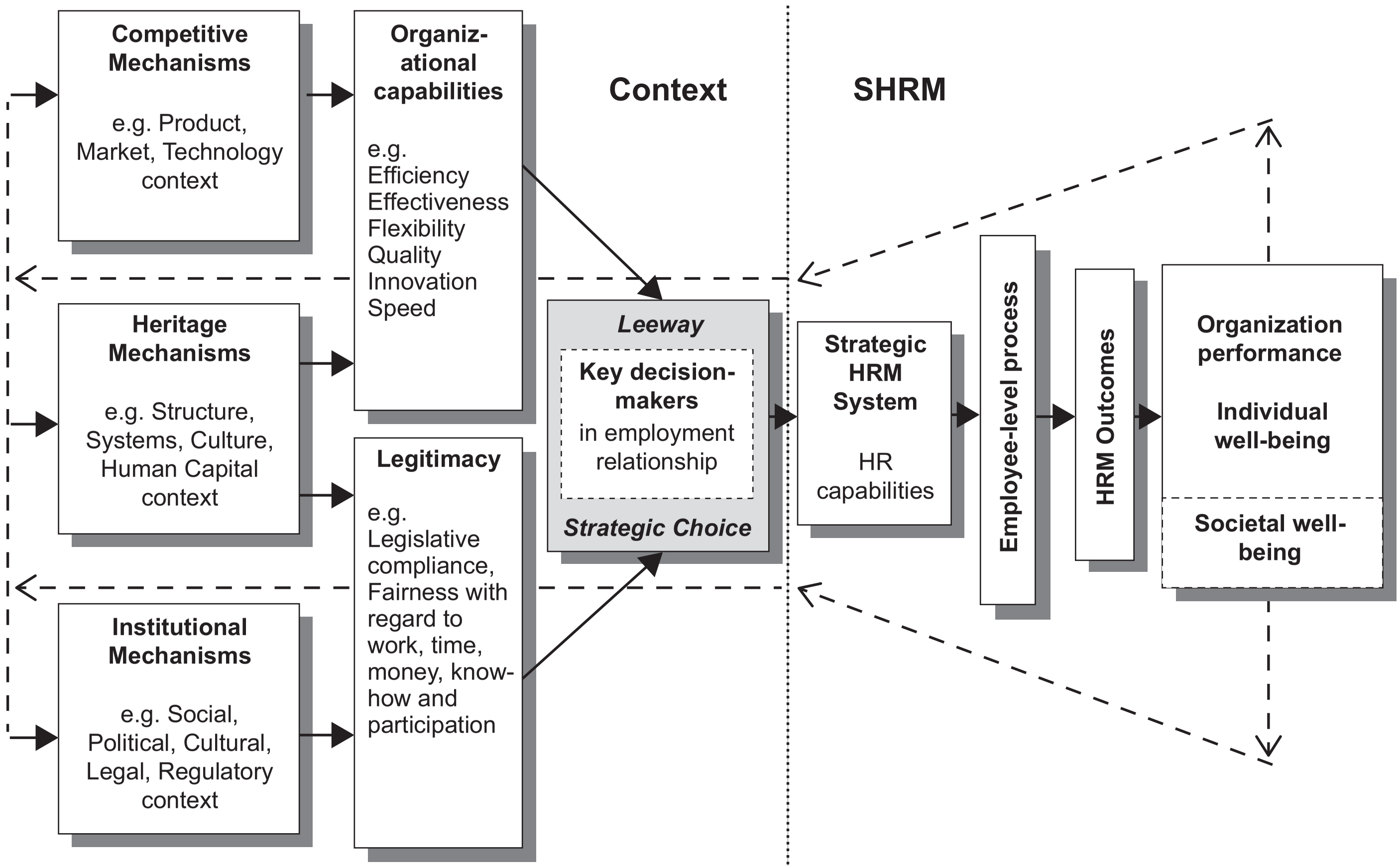

Figure 3.4 The contextual SHRM framework

describing a desired state. Paauwe and Farndale (2016: 11–12) mention the following example:

> from an institutional mechanisms perspective, there may be legislation in place requiring employee involvement in corporate decision-making (e.g. a system of codetermination). In order to achieve legitimacy, the organization may set up a works council to achieve the required level of employee voice. The legislation is part of the institutional mechanisms affecting the firm, but the means to achieving legitimacy is the firm's response to meet the demands for legitimacy (defined at the exchange level as between an organization and society, and at the fairness level as between employee and employer).

The same kind of reasoning can be developed with respect to the competitive mechanisms: A company might be faced with ever-changing customer demands, which require a high degree of flexibility as an organizational capability in order to deal with the dynamics in the marketplace. Based on the demands resulting from the three context dimensions, the key decision-makers face the challenge of developing proper HRM systems in order to meet with the demands for organizational capabilities as well as legitimacy and fairness claims.

Different forms of fit or alignment are represented in the contextual SHRM framework. First, there is the organizational fit between the organization's heritage and its SHRM system, aimed at establishing an appropriate linkage between the HRM system and other relevant systems in the organization, including technological, production and control systems (Wood 1999). Second, there is the 'strategic' (vertical) fit between the competitive mechanisms and the SHRM system in order to make sure that the HRM system is aligned with business strategy. At the same time, this also emphasizes the importance of implementation capability, which to a large degree will be determined by the quality of the HR Department and its interaction with line management. Third, 'environmental' or 'institutional' fit entails ensuring an appropriate alignment of the HRM system with the institutional environment of the organization, including the social, cultural, political and legal contexts. Finally, 'internal' (horizontal) fit should be present in the HRM system itself. Its various components must fit together to maximize the synergies of the system (Paauwe and Farndale 2016: 12).

Having explored the context side of the contextual SHRM model, Paauwe and Farndale build on the notion of internal alignment to uncover the SHRM side of the model. Here they explore the key decision-makers who are responsible for devising a strategic HRM system. The aim here is to create HRM capabilities that can support the organizational capabilities arising from the competitive, institutional and heritage mechanisms. HRM capabilities are defined as 'the routines embedded in the tacit and implicit knowledge of members of an organization functioning to acquire, develop, nurture, deploy and redeploy human resources in a dynamic, competitive environment' (Park et al. 2004: 262).

The next part of the framework, HRM outcomes, is the result of employee-level processes in the organization – employee attitudes and behaviours that are reactions to the SHRM system, such as employee job satisfaction, turnover, absenteeism, engagement, organizational citizenship behaviours and commitment. HRM outcomes are a result of the application of a range of HRM practices affected by a variety of moderating and mediating contextual factors, such as organizational justice, climate, leadership style, involvement of line management etc. For an extensive treatment, see Paauwe and Farndale (2017).

As far as the final outcomes are concerned, Paauwe and Farndale emphasize in the contextual SHRM model the overall firm performance as being 'a balancing act between financial performance, employee well-being and societal well-being'. We argue that it is important to offset a managerial perspective that focuses on financial performance indicators (organization outcomes) such as productivity, customer satisfaction, sales and profit, with an employee perspective that pays greater attention to employee well-being (Paauwe and Farndale 2016: 15–16). Finally, through societal well-being, the contextual SHRM framework emphasizes that the performance of a firm consequently impacts on the society in which it is embedded.

> Firms do not operate in a vacuum . . . firms both react to and help to create the context in which they are embedded. The societal implications of firm performance in turn feed back into the context in which the organization is operating, becoming an antecedent to the institutional, competitive and heritage mechanisms the firm faces.
>
> (Paauwe and Farndale 2016: 16)

In conclusion

By presenting these two frameworks, we aligned a variety of perspectives which are all important in strategic HRM: outside-in and inside-out approaches, strategic contingency theory, RBV and institutional theory, systems' approach and actors' approach by including the key decision-makers as well as the capability of the HR department. Also, we emphasized a broad performance concept, composed of organizational performance, individual well-being and societal well-being, all in the midst of a changing, dynamic context.

At the same time, we need to be aware of the fact that, reflecting reality, in many cases HRM is not strategic at all. The strategic role of HRM largely varies between companies and sectors and can depend on market conditions. Sometimes HRM is very reactive and short-term oriented. For example, in the case of a sudden drop in sales – caused by an energy crisis – the HR function is involved in terminating labour contracts, cutting the outsourcing of activities and halting the use of temporary work agencies, just in order to cut expenses and help to restore a proper balance between cash inflow and cash outflow. And sometimes, in highly stable situations, HR is only concerned with the administration and control of regular inflow throughout and outflow of people based on acceptable degrees of labour turnover. However, due to fierce and very often international competition and the introduction of market mechanisms in former public sectors (think of energy, water, healthcare, etc.), increasingly more companies are faced with competitive demands which necessitate a strategic, dynamic and even agile approach to the management of people.

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4 HRM and organizational performance

Stephen Wood

Introduction

Strategic human resource management (HRM), which came to the fore in the liberal market economies in the 1980s, places primacy on the impact of the human resource and its management on strategic outcomes. It reflects what Collings, Wood and Szamosi refer to in the opening chapter as the use of the term HRM to indicate a 'more strategic role' for people management than it had under a regime of personnel management, the fulfilment of which is oriented to 'the agenda of shareholder value'. Other stakeholders' interests, including employees, are at best secondary or are to be reconciled with those of the shareholders. A contrasting stakeholder approach sees strategic HRM as more a process of managing human resources in the light of competing pressures and in which management reconciles competing tensions where possible or makes appropriate trade-offs where necessary.

At the extreme, the former shareholder approach treats employees like any other commodity, as a resource to be used to maximize the profits of the firm or, in the case of other organizations, the key performance indicators, and to be discarded when of no further use, while the latter stakeholder approach treats employees' humanity as distinguishing them from other resources and gives them a prominent position, even unique right, among stakeholders. The emphasis for HRM in the shareholder approach would be on its direct effect on the profitability and asset value of the organization, while in the stakeholder approach its impact directly on employees would be a priority. Indeed, the stakeholder approach probably has arisen partly as a counteraction to the shareholder approach, as European writers in particular sought to rebalance priorities in HRM thinking.

Allied to the rise of strategic HRM was the development of new models of people management with an emphasis on employee involvement and development. It was argued that traditional methods of management, often characterized as Taylorist after the founder of Scientific Management, with its focus on standardizing work and narrowly defined job specifications, were no longer appropriate in an increasingly dynamic and competitive economy. Such Taylorism led to an under-utilization and development of human skills, but in the current context, approaches that involve workers more or enhance their skills ought to yield competitive advantages for firms or increase the efficiency and quality of public service provision.

Given this expectation that innovative approaches that reverse certain features of Taylorism would guarantee higher levels of performance than would traditional systems, these systems have been often labelled high-performance systems. Moreover, it was widely assumed that increased opportunities for involvement and development would be beneficial for workers and deemed desirable by them. High-performance systems were thus portrayed as delivering the fulfilment of both employees' and employers' needs, offering mutual gains to both parties. An approach that satisfies stockholder's needs could yield employee satisfaction and well-being, and hence a key tension that was thought to require managers to make trade-offs no longer existed; the distinction between the stockholder and shareholder approaches becomes redundant. However it was also noted that when faced with economic crises, managements as agents of shareholders may introduce cost-cutting measures such as wage and employment freezes, job restructuring and work intensification, which undermine the efficacy of the new HRM (Cappelli 1999; Godard 2004)

In the wake of both the claims for HRM and the questions surrounding it, a line of research developed in the early 1990s that examined whether particular HRM models are indeed associated with higher levels of organizational performance. This chapter introduces some of the key studies and assesses whether they support the claims made that HRM can be decisive for organizational performance, or more specifically that an HRM centred on employee involvement or development justifies the high-performance tag.

The concepts underlying the HRM–performance studies

Human resource management increasingly replaced personnel management in organizations, professional circles and academia as a term to represent that part of an organization's activities concerned with the recruitment, development and management of its employees in order to convey a modernization of personnel management. At its simplest, modernization entailed placing much more emphasis on the contribution of people to the key performance indicators, that is, on treating employees on a par with technology as an asset of the organization, rather than a cost that should be minimized.

Pfeffer (1998) indeed characterizes the high-performance system as 'profits through people'. He saw this initially as involving 13 main practices: employment security, selectivity in recruiting, high wages, information sharing, teams and job redesign, training and skill development, symbolic egalitarianism, cross-utilization and cross-training, incentive pay, employee ownership, participation and empowerment, wage compression, promotion from within. But in a subsequent listing, he reduced these to a core, the first seven in the list above (Pfeffer 1998). These practices are contrasted with non–people-centred methods such as those associated with the control-centred Taylorist approach, the heavy use of contingent workers and piecework compensation systems.

The rationale underlying Pfeffer's listing (final or original) of practices appears to be that they represent sophisticated people management or HRM, much of which builds on behavioural science research, for example on selection. However, in keeping with the emphasis on strategic HRM fulfilling stakeholder's objectives, Huselid et al. (1997) and others distinguish strategic practices from technical practices on the basis that the former contribute to profitability, innovation and the asset base of the organization. In contrast, technical ones play a maintenance role, ensuring that the correct human resources are in place. Most of the practices in Pfeffer's list are, in Huselid et al.'s terms, strategic, but selection methods is the most prominent practice in Pfeffer's list that is treated by them as technical, playing a maintenance role.

The implication of Huselid et al.'s definition is that strategic practices are concerned with the development and utilization of the people once they are in place in the organization. This has been the key focus of the high-involvement modernization agenda. Here the emphasis is on the advantages of involving all employees through giving them more discretion over how they do their job and engaging them in modes of involvement concerned with idea generation and managerial decision-making. Capturing this vision, Lawler (1986) and Walton (1985) and others in the 1980s portrayed the HRM required for the future as what they termed the high-involvement or high-commitment model. It covers both job and organizational involvement, to use Wall et al.'s (2004) terms, and includes job enrichment, teamwork and idea-capturing methods such as quality circles, functional flexibility, extensive training and development, as well as motivational methods to support these, such as internal promotion and contingent reward systems. The adoption of such practices involves the curtailment of certain Taylorist principles, which rested on a divorce of the conception of tasks from their execution, the former the prerogative of managers, the latter the role of workers.

It is claimed that increased uncertainty, competition and technological development are demanding that all employees should be more engaged and proactive in their jobs than they were Taylorist mass production systems – the car assembly line being the paradigm case of these – if organizations are to survive in an increasingly competitive context. The participative philosophy underlying high-involvement management would demand and, by implication, successfully engender a greater level of employee commitment and involvement. Its core, the increasing employee involvement, would chime with employees' motivational needs for satisfying and challenging jobs and identify with the organizations for which they work, as well as enhance their job security and income growth. In so doing, high-involvement management would guarantee effective sustained organizational performance in an increasingly competitive, uncertain and rapidly internationalizing economy.

A final influence on the modernization agenda, particularly in the USA, was the perception that if employers were going to maximize their return on 'their' human resources, promotion and pay needed to be more strongly linked to performance than they had in the past. It was thought that in many organizations, seniority rules and other bureaucratic practices, often thought to be associated with trade union influence, resulted in a too loose connection between performance and key personnel decisions. As such, while employee voice is welcomed as an input to change programmes or organizational innovations, the kind of employee voice concerned with grievances and trade unions is less welcomed. In some circles, this is seen as antithetical to successful high-performance HRM as it is thought to have detrimental effects on performance, when in fact Walton was at pains to stress that unionism is not necessarily antithetical to high-commitment or high-involvement management.

We can see that there are a number of overlapping currents influencing the development of the HRM–performance field and the concepts underlying it, which can be summarized thus:

1 The consolidation of developments in personnel management, some based on behavioural science methods, into a coherent sophisticated HRM approach to people management that signifies employees are valued, as opposed to a more *ad hoc* or neglectful approach.
2 The quest for a personal management that could visibly contribute to the key performance indicators of organizations.
3 The importance of human capital to the organization, focused on the investment in the human asset or employee development, and the involvement of employees in both their immediate job and the wider context in which it is embedded, reflecting the need for organizations to proactively respond to an increasingly dynamic environment.
4 An HRM centred on performance as the key criteria for selection, promotion, reward and evaluation, i.e. in which seniority and other status criteria are not significant.

While these concerns overlap, distinguishing them helps us to understand the different foci of the studies within the HRM–performance research stream. They are in fact blended together in the ability–motivation–opportunity (AMO) Framework (Boxall and Purcell 2003; Gerhart 2008: 318–322) that underpins some of the studies. This framework is based on a theory of individual performance that extends Vroom's (1964) earlier emphasis on ability and motivation by adding an 'opportunity to participate', in Appelbaum et al.'s terms, or 'opportunity to contribute to effectiveness', in Gerhart's terms (2008: 319). The trichotomy is reflected in a characterization of high-performance systems as having three components, each of which correspond to the three elements of the AMO framework, thus: (1) a work organization element, which is about the opportunities for employee involvement and participation; (2) a training and development component, which is concerned with human capital or skill and knowledge acquisition; and (3) a motivational-enhancement part concerned with incentives to perform in order to ensure that employees are motivated to use their discretion in line with the organization's objectives (Bailey 1993; Appelbaum et al. 2000; Kalleberg et al. 2006).

Boxall and Purcell (2003) suggest that the ability–motivation–opportunity framework is increasingly the performance theory that underlies the stream of research which emerged in the 1990s that tests the link between human resource management and performance. This may mislead people into inferring that the studies are more homogeneous than they are. There are clear differences in the sets of practices used in the studies, as Boxall and Purcell (2003) note, yet the diversity within the studies reflects more than this, as their underlying foci are often quite dissimilar. I will now consider some studies to illustrate the diversity.

Key HRM–performance studies

I present six studies, each of which illustrates one of the following concerns:

1 The profits (or performance) through people approach, through a coherent sophisticated approach that signifies employees are valued.
2 The quest for a personal management that could visibly contribute to the key performance indicators of organizations.
3 The importance of human capital to the organization, focused on the investment in the human asset.
4 The high-involvement management approach that reverses Taylorism.
5 An HRM centred on performance.
6 The AMO framework.

Consequently, I will not present the studies in the oft-used chronological order.

The studies have been based on correlational analyses, in which HRM is measured through a method that captures the collective use of a set of human resource practices and is then correlated with measures of performance. This reflects an underlying current in the literature that human resource practices need to cohere if performance is to be optimized.

Performance through people: West, Guthrie, Dawson, Borrill and Carter's use of Pfeffer's practices in a hospital context

Our first study is atypical in that it is not dealing with profit-making organizations, as West et al. (2006) investigated the link between the human resource system and performance in a sample of 52 hospitals in England. A high-performance human resource system is taken to be one that uses the core practices in Pfeffer's framework, and West et al. include six practices in their measure of it: training, performance management, participation, decentralization, teams, employment security. Each of these was measured using several items. For example, for performance management, respondents (1) rated the priority the hospital placed on conducting performance appraisals for all employees, (2) indicated the percentage of staff in each occupational group receiving an appraisal in the past 12 months and the frequency of these appraisals, (3) estimated the percentage of staff in each occupational group that received training in the conduct of performance appraisals and (4) whether the appraisal system was subject to systematic evaluation. Through aggregating the answers to these dimensions, a measure of what West et al. (2006) call 'the sophistication and extensiveness of the performance management system' was created. Their overall index of a high-performance human management system was measured by standardizing and aggregating such measures. They also included in their index, somewhat oddly as it is not a practice, a measure of whether the hospital had Investors in People accreditation, a national accreditation that organizations in the UK can apply for that looks at, among other things, their training and development (www.investorsinpeople.co.uk). Healthcare was measured by the standardized mortality ratio, which indicates whether more or less patients have died than one would expect, taking in account a set of standardizing factors, or if in fact the amount is exactly as expected. The HRM system was found to be associated with mortality rate even controlling for prior mortality.

Strategic 'bottom line' personal management: Huselid, Jackson and Schuler's study of strategic and technical HRM

Huselid et al.'s (1997) focus is on the differentiation between strategic and technical practices. The strategic, defined by their being connected directly with the achievement of business objectives, are associated with the kinds of practices that are prominent in the high-involvement, AMO or high-performance work systems models – team-based job designs, flexible workforces and employee empowerment. Huselid et al. also consider them to be 'relatively recent innovations' (p. 172). In contrast, they claim technical HRM activities are more established and it is precisely because they are institutionalized that they cannot give organizations a competitive advantage. They entail practices associated with recruiting, selection, performance measurement, training and the administration of compensation and benefits.

Using a sample of 293 US firms from ten different sectors, Huselid et al. (1997) studied the effectiveness of the HRM activities and not just their use of practices, as the other studies we will consider do. The assessment of effectiveness was made by the respondents, senior managers (92 per cent of whom were in HRM positions), who answered a postal questionnaire. They were asked to rate their satisfaction with 'the results currently being achieved' (Huselid et al. 1997: 175) for individual practices. Factor analysis of the ratings confirmed a separation between the activities that Huselid et al. designated as 'Strategic HRM Effectiveness' from the technical. The strategic activities included a number of practices associated with their definition that cohere to some extent: teamwork; subordinate participation and empowerment; employee–manager communications; workforce flexibility and deployment; and management development and succession planning. But it also included advanced issue identification and strategic needs analysis and work/family programmes. Compensation is mentioned as important to strategic HRM, which might be taken to mean incentive systems as these are prominent in the high-performance literature, as Huselid et al.

acknowledge. But these are identified along with items such as benefits and services retirement strategies, recruiting and training (significantly treated together) and performance appraisal as technical practices.

Performance was measured by (1) productivity (sales per employee); and (2) two measures of profit, namely gross return on assets (GRATE) and a market value index (Tobin's q). The statistical analyses controlled for a large number of factors known to relate to performance, including firm size and industrial sector. The focus was on business performance subsequent to when the data on human resource practices was collected, in order to determine whether HRM practices in one year predicted performance in the following year, which strengthens the basis for causal inference.

The analyses revealed a positive relationship between strategic HRM effectiveness and gross return on assets and a marginal relationship ($p < 0.10$) for productivity and the Tobin's q measure of profit, which is the ratio of the total market value of a firm over total asset value. For technical HRM effectiveness, however, there was no statistically significant relationship with any measure of performance, thus supporting Huselid et al.'s differentiation of types of HRM.

Human capital focus: Koch and McGrath's human resource management sophistication

Koch and McGrath (1996) define HRM in terms of the identification and development of human capital. These practices, it is argued, 'are associated with the creation and maintenance of human capital as a strategic resource' (p. 336), that is, they may give the firm a competitive advantage. Five practices comprise sophisticated human resource management: investments in human resource planning, the accurate projection of human capital needs, investments in hiring, the identification of individuals that are best suited to meet organizational objectives, and investments in the development of employees. Using indices created from multiple measures of these, which were gained from questionnaires sent to executives in 319 US business units, Koch and McGrath found that hiring was strongly related to labour productivity and that planning and development related to it but not so strongly, i.e. was significant only at the 5 per cent level. However, the association of all three was stronger in units with high levels of capital intensity, measured by the log of the assets per employee, i.e. it was moderated by capital intensity. This moderation was greater for planning than for the others. An overall index of human resource sophistication, created by combining the three other indices, was also related to labour productivity, and this relationship intensified as the capital of the firm increased. Nonetheless, productivity gains from human resource management sophistication were apparent at all but the lowest levels of capital intensity.

High-involvement management: Arthur's steel mill study

Arthur (1994) concentrates on employee involvement, using Walton's high-commitment management as its organizing principle. This model, and its opposite, the control or Taylorist model, are seen as approaches to human resource management that have the effect of 'shaping . . . employee behaviour and attitudes at work'. The control approach is defined by its goals 'to reduce labour costs, or improve efficiency, by enforcing compliance with specified rules and procedures and basing employee rewards on some measurable output criteria'. In contrast, the underlying orientation of the commitment approach is to develop committed employees who can be trusted to use their discretion to carry out their tasks in ways that are consistent with the organization's goals. It is clear that Arthur sees high-commitment management as entailing organizational involvement, including employees thinking of better ways of doings their jobs, as the measure of it included high levels of employee involvement in managerial decisions, formal participation programmes and training in group problem-solving.

Other practices included in the study, some of which were less obviously central measures of high-commitment management, were general training, zero or low levels of incentive pay, formal grievance procedures, social gatherings, percentage of craft workers and supervisor/worker ratio, as well as wage and benefit measures such as the total employment cost per production and maintenance worker.

Arthur (1994) collected data on HRM practices and organizational performance by questionnaires completed by human resource managers in a sample of 30 small US steel mills. Using cluster analysis, he discriminated between those plants adopting high-commitment management from those using the high-control approach. For example, the commitment workplaces were characterized by employee involvement in managerial decisions, formal participation programmes, training in group problem-solving and an emphasis on skilled work. Fourteen of the mills fell into the commitment category, while the remaining 16 were of the control type.

The commitment plants were found, controlling for such factors as plant size and degree of trade union membership, to be associated with higher labour efficiency (average number of labour hours required to produce one tonne of steel), lower scrap rates (tonnes of raw steel required to produce one tonne of finished product) and lower labour turnover (number of shopfloor workers who had left in the last year).

A performance-based HRM: Delery and Doty's study of market and internal systems

Delery and Doty (1996) focus is on differentiating a performance-based system – labelled the market-type of employment system – from one based on an internal labour market. The emphasis in the market system is on performance being gauged by results, while the internal system performance is judged by behaviour. Employee development, the human capital focus, is limited to the internal system as in the ideal-type of the market system no formal training and minimal induction are given. Practices associated with high involvement are, however, not consistently allocated to one of the systems: the key non-Taylorist practice of loose job definitions is associated with the market system, while jobs are very tightly defined in the internal system; participation in decision-making and employee voice are seen to be part of the internal system, and employees are given little voice in the market system. In many respects, the market system is the one that Pfeffer and others sees as antithetical to the high-performance system.

In a study of 1,050 US banks, Delery and Doty concentrated on the management of one occupation, the loan officer. They acquired information on the human resource practices and business strategy from the bank's senior human resource manager and further 'general information' (Delery and Doty 1996: 814) about the bank and its strategy from the bank's president.

Delery and Doty tested the association between their seven individual practices on performance. The main finding was that results-oriented appraisal, profit-sharing and employment security were positively associated with the return on average assets, while profit-sharing and, though only marginally, results-oriented appraisal, were associated with return on equity; but the relationship between the results-oriented appraisal and both measures of performance was found to vary depending on the degree to which the bank adopted an innovation-oriented strategy, though it still had a pay-off in all circumstances. This offers some support for the contingency argument that a third factor, e.g. whether the organization is following a particular business strategy, moderates the relationship between particular HRM practices and performance.

Examining the two systems of employment, the market and internal systems, Delery and Doty (1996) found that the more closely an organization's employment system resembled the market-type, the better its return on average assets and equity. In contrast, the greater the proximity to the internal ideal-type, the lower the performance on these two measures. None of their tests for contingency theory showed that the association between the systems and performance depended on the strategic fit.

While the research suggests that the market system is positively associated with performance, the problem is how the concept relates to the high-involvement or high-performance terminology, since, on the one hand, it contains the non-Taylorist job design but relies on the external labour market and is characterized by low degrees of training and participation.

Applying the ability–motivation–opportunity framework: Huselid's study of private companies in the USA

Huselid (1995) studied a set of 968 organizations with over 100 employees by sampling firms from all major industries in the US private sector. He focuses on the three types of practices that make up the AMO framework, which he labels collectively a high-performance work system. He argues that the use of such a system gives employees a high level of skill and motivation and structures their jobs so that they have the opportunity to use these skills and abilities. Having obtained information on the firms' human resource management practices from a questionnaire mailed to the senior human resources professional in each company, Huselid used principle component analysis to investigate the relationship between the practices and found that they formed two identifiable factors. He labelled these in terms of the AMO vocabulary. The first he termed 'Employee Motivation'; the second he argued captured the other two dimensions, skills and work organization, together, and thus he termed this 'Employee Skills and Organizational Structure'. The motivation factor covered such practices as performance appraisal, compensation based on appraisals, staff recruitment and promotion on merit (rather than on seniority). The second factor, skills and organization structure, included information-sharing, formal job analysis, attitude surveys, training and selection testing, participation in quality circles or labour-management teams, and incentive payment schemes. The intelligibility of the factors is not perhaps as clear as Huselid takes it to be, particularly as one would expect incentive payment schemes to be under employee motivation, and there may be some overlap between these and appraisal being used to determine employee's compensation.

Huselid examined how each factor was related to labour turnover and productivity, measured by sales per employees and two measures of corporate financial performance, a capital-market index of the value of the firm (Tobin's *q*, reflecting current and potential profitability) and gross rate of return on capital.

Neither factor was related to labour turnover, the human resource outcome. Employee Motivation, but not Employee Skills and Organizational Structures, was significantly positively associated with productivity. It was also related to Tobin's *q* measure of market value but not to the gross rate of return on assets. In contrast, the Employee Skills and Organizational Structures index was strongly related to the gross rate of return on assets but only weakly associated with Tobin's *q*.

Comparing the studies

The results of all the studies reviewed point in the direction of a link between HRM and performance. However, even in the same study the impact of HRM differs across performance outcomes. West et al. (2006) tested for one performance outcome and found a link between it and HRM. Of those that tested for multiple outcomes, Arthur's (1994) is the only study in which the measure of HRM is strongly related to all the performance measures considered, in this case three. Huselid et al. (1997) found that the strategic mode of HRM had an impact on performance, albeit weakly on one of their measures, but the technical mode did not, which is as they predicted. In Huselid's (1995) study, for example, the motivation factor was related to productivity but the skills and organization one was not, while the strength of the associations with the two profit measures varied between the two factors. Neither was related to labour turnover. Similarly, Delery and Doty (1996) identified seven aspects of HRM and two performance indicators. Only four of the 14 relationships were statistically significant. Moreover, their market system, which is related to performance, is almost antithetical to the high-involvement system that to some extent the other studies are measuring. More generally, Wall and Wood (2005) overviewed 25 studies from refereed journals, and in only three of these were all the tested performance effects supported by the data.

Moreover, the studies are disparate in terms of the concepts and measures they use. Though in broad terms they cover similar practices, their emphasis and specific measures differ considerably. Huselid et al. (1997) is an exception to the others as it measured the effectiveness of practices in terms of respondents' satisfaction with the use of each practice, whereas the others record whether or not a practice is used but not its effectiveness. For example, Huselid (1995) measured whether appraisal is used to determine employees' pay but did not assess how frequently or how well the appraisal was done. In West et al.'s study an index is used, whereas in Huselid's (1995) study two or more dimensions of HRM have been identified. One of the starkest contrasts is in the treatment of some practices and particularly performance-related pay, which for Arthur (1994) is associated with the control model, whereas for Huselid (1995) it is part of the high-performance work system that entails employee involvement. It is especially significant that work enrichment or job empowerment is included in Arthur (1994) and Huselid et al. (1997) and omitted in Huselid (1995) and Koch and McGrath (1996), as this was a foundation of the original concept of high-involvement or high-commitment management. Wood and Wall (2007) have indeed shown that there is an increasing tendency in the HRM–performance stream to omit work enrichment in the practices studied.

That there are differences is not a criticism of the individual studies; it is simply a statement about them as a whole. Moreover, it makes it difficult to determine the nature and meaning of the overall pattern of results and implies that there are limits to what one can conclude from the studies. There is no clearly identifiable relationship between the types of practices included in the studies and the results. There is thus no stronger or weaker relationship between one set of practices than another. However, since the emphasis is on using indices or cluster analysis, few studies have tested whether certain practices have stronger effects than others, as Delery and Doty (1996) did.

The studies we have reviewed, and others besides, have a number of other weaknesses. First, there are methodological problems, the most fundamental of which is that they are cross-sectional. They only test an association between HRM and performance at one point in time. This thus limits the extent to which one can make causal inferences about HRM affecting performance. It could be that high-performing organizations are the ones that introduce certain types of HRM. Other methodological problems include the researchers' reliance on a single respondent in the organization for the measures of human resource practice and, in some cases, for performance measures. If the same person provides information on the practices and the performance this may result in common method bias (systematic error variance shared among variables arising from their being measured from the same source) as some respondents may over-estimate both their use of practices and their performance, while others may be systematically under-estimating them. This may result in a positive relationship between the practices and performance being over-estimated.

Second, the studies have concentrated on human resource practices, which means that there is no control for other types of managerial practices. It could be that organizations that use sophisticated human resource practices tend also to use the most sophisticated practice in one or more areas of management, and it is either such practices or the synergistic relationship between these and human resource management that is most telling for performance. Moreover, HRM practices, particularly ones associated with high-involvement management, are widely associated with new operational management methods such as total quality management or lean production, which is an American expression for the use of Japanese management methods that aim to produce on a just-in-time basis using total quality management procedures (Womack et al. 1990). In some accounts of these, they are indeed assumed to be an integral part of them (e.g. Shah and Ward 2003).

Third, few studies have evaluated competing hypotheses or models of performance. Typically, a composite measure of HRM is used. Exceptions like Huselid's identification of two dimensions (motivation, and skill and organization factors) and tests of the interaction between these are rare. Even scarcer in these studies are tests of the association between performance and individual practices or adequate tests of synergies between practices (Wall and Wood 2005)

The significance given to measuring the collective use of high-involvement practices rests, so Appelbaum et al. (2000: 34) say, on the compelling 'argument that firms adopting a coherent set of workplace practices designed to maximize horizontal fit should have superior performance'. Yet there are three meanings of coherency referred to in the literature, namely: (1) the workplace practices are complementary, (2) synergies exist between the practices leading to positive interaction effects on performance and (3) the practices form an integrated system. These are nonetheless often treated as if they are the same, when – as Wood and de Menezes (2008) show – they are not and entail discrete models of performance.

First, a complement of practices consists of all those practices that individually have a positive association with performance. As such, a complement of high-performance practices would be made up of the practices that are best in each of the domains of HRM. Each would add something unique.

Second, synergistic practices are those that enhance the effect on performance of each other. A high-performance synergistic set would be one in which all practices interact positively with each other so that the combined use of the practices has a greater effect than the sum of the effects of the individual practices.

Third, an integrated approach implies that the practices reflect an underlying orientation to HRM or distinctive approach, to use Arthur's term (1994), and it is this that is positively associated with performance. Orientations in general are organizing principles for guiding people's judgements and behaviour, so in the case of high-involvement management such an orientation reflects an organization-wide concern for employee involvement. The core of this orientation is thus a philosophy, but it also entails the adoption of practices that are consistent with the high-involvement concept. The practices can thus be treated as manifestations of the underlying philosophy or orientation.

The integration or orientations model should be tested by using scales that measure the underlying construct created from items – in this case practices – that are assumed to reflect or be caused by it. Such scales are sometimes called reflective indicators (Diamantopoulos and Siguaw 2006) or effect indicators (Bollen 1989: 64–65). The underlying assumption and essential requirement for creating scales is that the items are unidimensional, and hence that they are strongly associated with each other (Hattie 1985). Reflective scales are contrasted with indices based on what are also known as formative indicators (Diamantopoulos and Siguaw 2006) or cause indicators (Bollen 1989: 64–65). DeVellis (1991: 204) gives the example of an index of socio-economic status, which includes education that clearly influences rather than is caused by higher status. The assumption behind an index is that the items do not reflect or represent a single concept and that they are independent of each other. Aggregating the number of human resource practices used, as we have seen, is commonplace in the HRM area, assuming that each practice has an equal effect on organizational performance. The use of such an index in studies of performance is effectively testing whether the use of more such practices or as its users imply more HRM is associated with performance.

However, most, if not all, of the researchers using indices refer to the synergistic nature of the relationship between the practices and performance. For example, Hoque (1999: 422) uses an index of practices to test what he refers to as 'the synergistic benefits resulting from the introduction of HRM as a . . . package of practices that cohere with and mutually reinforce each other'. This is not appropriate. The synergistic approach is best tested by inserting interaction terms involving two or more practices in performance equations. However, an exponential relationship between the index and performance would imply a synergistic relationship. Cluster analysis, as used by Arthur and others, has been used also on the assumption that testing the association between cluster membership and performance is a test of the synergistic model. But this is not an adequate test as it simply compares groupings of organizations on the basis of their having particular practices, not on the strength of the interaction effect. Testing the orientations approach may entail an initial examination of the correlations between practices prior to determining whether an orientation underlies the data. Such assessments are rare. Equally, tests of the contingency argument that the strength of the relationship between HRM and performance is stronger or even only exists in certain circumstances, are uncommon; Delery and Doty's study is a rare exception.

Finally, and fourthly, in the initial wave of studies there were not attempts to assess intermediate variables between HRM and performance, that is, what might mediate any relationship that is found. This has become known as the black box problem within the field. Several factors have been mentioned as accounting for the relationship, including job satisfaction, organizational commitment, organization of work and methods of working, skill and knowledge levels and proactive behaviours (Wood and Wall 2007).

Though these problems we have identified are widespread in the HRM–performance literature, there are, however, studies that have overcome one or more of these. We will now introduce some of these studies.

Some other key HRM–performance studies

Capelli and Neumark: longitudinal analysis

Cappelli and Neumark's (2001) study was the first that assessed the HRM–performance relationship using a longitudinal design. They use the high-performance work practices nomenclature, but place 'employee involvement' at its centre. They particularly highlight teamwork as 'the typical mechanism through which employee involvement operates' but argue that other practices such as suggestion schemes and job rotation can create a sense of involvement as well. They also identify training in teamwork, pay-for-skill and gain-sharing as important supporting practices.

Capelli and Neumark use a secondary data set, the National Employers Survey of the USA, which is administered by telephone interviews with the plant manager in the manufacturing sector or the local business manager in the service sector. The sample is of establishments in the private sector with 20 or more employees. Core work organization practices included in the study are team meetings (including quality circles), self-managed teams and job rotation, while the other measures included are cross-training, teamwork training, pay for skill, profit-sharing and total quality management, which is treated as a form of employee involvement.

Productivity was measured by sales per worker, while labour costs per workers and unit labour costs were also estimated. Cappelli and Neumark test the complementary and synergistic models of performance.

None of the practices was significantly positively related to productivity, as expected. The one significant result was a negative association between job rotation and productivity. Nor was there any strong evidence of synergies between key practices, as measured by two-way interactions between practices. The interaction between profit-sharing and self-managed teams was significant in some specifications. Some of the practices were found to raise labour costs per worker – total quality management, team training and profit-sharing – but none of the key work organization ones did. This suggests that these practices raise wages or other benefits of workers, and hence compensation costs. Yet these costs are compensated for by some small increase in productivity so unit labour costs do not rise significantly. Overall the study found no strong support for a relationship between HRM and performance, albeit with a limited range of HRM practices.

MacDuffie: extending high-involvement management to lean production

MacDuffie (1995) conducted a study of 62 car assembly plants, the majority of which were in the USA, Europe and Japan. This study was the first to include measures of lean production. The data was collected as part of a wider project, the MIT Future of the Automobile Project, from which the concept of lean production was developed.

MacDuffie separated three systems. First, a work system, which is centred in AMO terms on the opportunity for involvement and is concerned with 'how work is organized, in terms of both formal work structures and the allocation of work responsibilities, and the participation of employees in production-related problem-solving activity' (p. 207). It was measured by an index (or formative scale) constituted by the percentage of the workforce involved in (1) teams and (2) employee involvement groups; the number of production-related suggestions received from employees; the percentage of suggestions implemented; the extent of job rotation; and the degree of production worker involvement in quality tasks.

The second system is the human resource system, which is concerned with the HRM practices that provide ways for workers to acquire skills and the incentives to boost their motivation (p. 200), i.e. the skill acquisition and motivational dimensions of the AMO framework. It was measured by an index based on the following practices: staff selection was based on an openness to learning, rather than on previous relevant experience; minimal status barriers between managers and workers (i.e. harmonization across grades); training being provided for (1) new recruits and (2) experienced production staff and other staff; and pay levels being dependent on plant performance.

The third system is the lean production system, which measured the extent to which the system is buffer-less using an index of buffer-use based on three items: the average number of vehicles held in work-in-progress buffers as a percentage of output, the average level of components kept in stock, and the percentage of space dedicated to final repair. The lower the scores on each of these, the more lean is the plant.

In MacDuffie's study, plant performance was measured by labour productivity, defined as the labour hours to build a vehicle, and quality, the number of defects per vehicle. Labour productivity was made comparable across plants by adjustments to reflect differences due to the complexity of the product (e.g. number of components and welds).

MacDuffie found that the three indices were associated with productivity and, moreover, the three-way interaction between them was likewise related, indicating a synergistic relationship between them. MacDuffie called such a system the flexible production system. In the case of quality, the work system index and the human resource policies index were associated with superior quality, but the lean index was not significantly related to it, and there was not a synergistic relationship among the three sets of practices. The results offered considerable support for the hypothesis that both high-involvement management and supporting motivational HRM practices are associated with superior performance or at least productivity and quality in manufacturing, and in the case of productivity that these have a synergistic relationship with lean production. We again though have a slight difference in results across performance measures.

Birdi, Clegg, Patterson, Robinson, Stride, Wall and Wood: extending high-involvement management to lean production with longitudinal analysis

Birdi et al. (2008) examined both the complementary and synergistic models of performance. They focused on the impact of three human resource practices central to either the high-involvement or human capital perspective: empowerment, teamwork and extensive training. Each was measured by a single item – but the respondents were given a description of the practice by the interviewer. In the case of empowerment, it was defined as 'passing considerable responsibility for operational management to individuals or teams (rather than keeping all decision-making at the managerial level)'. The measure thus captured both the job involvement associated with enriched jobs that have high levels of discretion and the type of organizational involvement associated with problem-solving and idea generation, as in the high-involvement model. Teams was defined separately from empowerment as placing operators into teams with their own responsibilities and given the freedom to allocate work between team members. Birdi et al. also included three operational management techniques associated with lean production – just-in-time, total quality management and supply-chain partnering, as well as advanced manufacturing technology.

Birdi et al.'s study involved analysing the performance of 308 UK companies over 22 years. During the 22-year period, the companies implemented some or all of these practices. The longitudinal research design enabled the researchers to assess the extent to which the introduction of a practice had some effect on their indicator of company performance, a key measure of productivity, value added, which they derived from the companies' profit and loss accounts.

Using multi-level regression analysis, with time embedded in company, Birdi et al. found that, of the seven practices, only empowerment and extensive training had a clear impact on value added in the years following their introduction, an effect that did not differ across types of manufacturing firms. Extensive training had a significant effect on productivity following its introduction, but the size of its effect varied across firms.

Moreover, Birdi et al. also found that the performance of all practices was enhanced by teamwork. Empowerment and extensive training thus had even more effect when firms used teamwork. Moreover, all the operational practices – just-in-time, total quality management, supply-chain partnering and advanced manufacturing technology – had a positive effect on performance if teamwork was being adopted, when they did not have an effect where work was not organized on a team basis. Empowerment and extensive training also enhanced the effect of TQM, while empowerment had a similar effect on the impact of supply-chain partnering, as extensive training did on just-in-time.

Birdi et al.'s study thus showed that some but not all HRM practices have a unique association with productivity. Empowerment and, to a lesser extent, extensive training are crucial in their own right; while teamwork has a synergistic effect on all other practices, including the operational methods. As such, the study shows that relative to operational practices, human resource factors are more significant than operational practices, or at least are vital ingredients for making lean production work. Without empowerment or teamwork, the potential returns on investing in just-in-time, total quality management and supply-chain partnering will not be fully realized.

Wood and de Menezes: testing competing hypotheses

Wood and de Menezes (2008) explicitly test the complementary, synergistic and integration perspectives, that is, the associations between performance and (1) individual practices, (2) the joint use of individual practices and (3) a high-involvement orientation. They use data from the core of the UK's Workplace Employee Relations Survey of 1998, its survey based on managerial respondents of 2,191 workplaces across the whole economy, private and public.

Because of their interest in the orientation perspective, they first assessed whether an orientation underlay the use of practices associated with organizational involvement, such as teamwork, quality circles, functional flexibility, suggestion schemes and supports for these concerned with either skills acquisition and knowledge sharing, such as training for team working, or motivational practices, such as job security guarantees to aid the organizational involvement (reported in full by de Menezes and Wood 2006). They showed that the correlation between the high-involvement practices concerned with work organization and skill acquisition was explained by a common factor, and thus they tended to be used as a single coherent system, which they treated as reflecting an underlying high-involvement orientation. The motivational practices were neither part of the high-involvement orientation nor formed a unified set. They also included measures of job involvement, and these work enrichment practices were also discrete from high-involvement management or the individual motivational supports. This suggests that the use of high-involvement management is not limited to contexts where jobs have high levels of autonomy or variety. Also, the use of the motivational supports may be quite common without high-involvement management. Wood and de Menezes also found a strong association between high-involvement management and total quality management, which itself is an identifiable orientation.

Given this prior analysis, Wood and de Menezes (2008) assessed the association between high-involvement management, enriched jobs, motivational supports and total quality management on performance discretely. High-involvement management and total quality management were each measured by a reflective scale, while enriched jobs and motivational supports were measured by individual practices.

Wood and De Menezes measured the workplaces' performance on four dimensions: productivity, the rate of change in productivity, labour turnover and absenteeism. The first two measures were based on an assessment by the managers responding to a question on each, the other two on their reporting of actual levels. Tests of the complementary and synergistic perspective revealed that the individual practices that reflect the high-involvement orientation or two-way interactions between them were not related to any performance measure.

They did, however, find some support for the orientations perspective: the high-involvement orientation was linked to both the level and rate of change in labour productivity. But it was not, however, a main effect, as its relationship with productivity was moderated by total quality management. Similarly, the high-involvement orientation's association with the rate of change in productivity was moderated by a motivational support, variable pay.

Total quality management was a main effect in both the level and rate of change of productivity equations, while variable pay was a main effect in the productivity change model. Finally, and most significantly, the practices that were mostly strongly related to productivity were job variety and method control, both dimensions of enriched jobs.

The high-involvement orientation was not related to labour turnover, and its association with absenteeism was the opposite of that predicted: the greater the level of the orientation, the higher the absence. Job security guarantees, a motivational practice, was, however, related to labour turnover. But no motivational or work enrichment practice was associated with absence. The study shows the advantage of testing competing hypotheses and differentiating different aspects of HRM, as the links to performance vary across them and between performance measures.

Wood et al. (2012) assessing psychologically based mediators of HRM–performance links

Wood et al. (2012) used the WERS survey of 2004, using data from the equivalent management survey to the 1998 one used by Wood and de Menezes and the employee survey that is conducted in the majority of those workplaces that responded to the management survey. They focus on employee involvement dimension of the AMO model and distinguish between two types: role- and organizational-involvement management; the former they term enriched job design and the latter high-involvement management. Using multi-level regression analysis, they show that enriched job design is related to productivity, financial performance and quality, and this is mediated by the level of job satisfaction in the workplace (using a measure based on eight facets of job satisfaction). High-involvement management, using the measure used in the above Wood and de Menezes (2008) study, was associated positively with job satisfaction. In contrast, high-involvement management is negatively related to job satisfaction, and this has a mediating effect that reduces the extent of the positive relationship between high-involvement management and productivity, financial performance and quality.

That job satisfaction is an intervening variable between work enrichment and performance offers support for the mutual gains model of HRM. However, in the case of high-involvement management, the findings suggest that there may be a conflict between its effects on employers' outcomes and those on employees as their concerns and anxieties may increase with its use. Wood et al. suggest that this is not because the quantitative demands have increased but rather high-involvement management entails a qualitative change in demands, as employee are encouraged to be proactive and flexible. This may imply or be accompanied by pressures to improve performance, which may, in turn, raise concerns in the worker's mind about their competencies, relations with others and psychological (and not just job) security. As such, high-involvement management may be perceived as a stressor and, rather than creating an increased sense of coherency or a feeling of being valued by the organization, as under the mutual gains model, employees may begin 'to question the organisation's valuation of them and the comprehensibility . . . of what surrounds them' (Wood et al. 2012: 437). Wood et al. imply that such effects may not be universal but reflect Britain's historical and economic context at the time. The study left open the question of what mediated the relationship between high-involvement management and performance.

Gittell et al. (2010) assessing organizationally based mediators of HRM–performance links

Gittell et al. (2010) acknowledge AMO's emphasis on human capital, motivation and commitment as explanations of the HRM–performance link but posit a third mechanism, the relationships between employees. Using the high-performance work practices terminology suggest that such practices support 'the development of relational coordination', which is 'a mutually reinforcing web of communication and relationships carried out in the purpose of task integration'. Based on what they call post-bureaucracy theory, they argue that the network of relationships that aid the coordination of work, which are a significant element of the social capital of the organization, are especially important for performance where work is highly interdependent, uncertain and time-constrained.

Gittell et al.'s (2010) research was in nine orthopaedics units in the USA. They measured high-performance work systems by a measure that was slanted to cross-functionality in the way team meetings, selection, conflict resolution, performance measurement, rewards and boundary spanning are conducted. For example, cross-functional selection was measured by whether each of physicians, nurses and physical therapists are selected for cross-functional teamwork. Relational coordination was measured by seven items: frequency of communication, timeliness and accuracy of communication, problem-solving communication and extent to which relationships involve (1) shared goals, (2) shared knowledge, (3) mutual respect. This measure was found to mediate the relationship between high-performance work systems and two (single item) measures of performance: patient-perceived quality of care and efficiency measured by the length of stay, controlling for patient characteristics. They conclude that performance-enhancing relationships can be designed and created through managerial practices and need not simply emerge informally. The extent to which Gittell et al. see their approach as complementing other theories of the mediators of the HRM–performance relationship or as offering the main approach is unclear. For example, they argue that 'the high performance work practices identified in this study are focused on building employee–employee relations' (ibid.: 491), which leaves open the possibility that other practices, for example concerned to foster human capital, may contribute to high performance. Nonetheless, the study firmly places organizational factors as potential mediators of the HRM–performance relationship, and suggest such factors may explain the effect of organizational-involvement management that was left unexplained by the tests focused on employee outcomes that Wood et al. did.

Jiang, Lepak, Hu and Baer meta-analysis that differentiates mediators of the HRM–performance link

Jiang et al. (2012: 1264), convinced that the evidence of a positive relationship between HRM and various organizational outcomes is robust, argue that the key remaining issues regard 'the mechanisms through which HRM is associated with different organisational outcomes'. They use the AMO framework to differentiate three dimensions of HRM systems – skill-enhancing practices, motivation-enhancing practices and opportunity to contribute practices – and in turn argue that the mechanisms linking each will vary between the dimensions. They consider two mediators, human capital and employee motivation. They hypothesize that human capital is a stronger mediator of the relationship between skill-enhancing practices and performance outcomes than is employee motivation, while employee motivation is a stronger mediator of relationships between motivation-enhancing practices and opportunity-to-contribute practices.

Through a meta-analysis of studies of 120 studies covering a total of 31,463 organizations, the core relationships involved in the possible pathways between the practices and outcomes (i.e. not simply those which tested their mediation model), they found support for their hypothesized relationships. All three dimensions were indirectly related to a composite measure of financial outcomes, operational outcomes (composed for example of productivity and quality service) and voluntary turnover, through both human capital and employee motivation, but human capital was more significant in the case of skill-enhancing practices and motivation more significant for the other two dimensions. There were also direct relationships between the subdimensions of HRM and the performance measures which they acknowledge suggests that other mediators may play a role such as the internal coordination highlighted by Gittell et al. (2010).

Conclusions

This review of the research on the HRM–performance relationship has painted a mixed picture. The studies differ in their foci, coverage of practices and performance measures, as well as in their samples and methods of data collection. The results vary significantly even across performance measures in the individual studies. The negative results in the longitudinal study of Capelli and Neumark highlight that it clearly cannot be taken for granted that some links between certain practices or dimensions of HRM will be found.

Collectively the studies show that it is a potentially rich area of study. But it is premature to conclude that certain practices are superior to others or that a particularly HRM approach can be singled out as the high-performance approach. The emphasis in reviews on the need to get inside the black box between HRM and performance is beginning to be heeded, as some of the studies in the latter half of the chapter illustrate. Yet insufficient attention has been given to how the diversity in concepts of HRM contributes to the uncertainty about the overall pattern of results.

The variety of starting points of the studies, identified here, explains some of the diversity in concepts. The way forward might be to settle on a clear focus or to acknowledge the existence of alternatives. The most marked difference in starting points is between an emphasis on the holistic use of a set of sophisticated personnel practices and one on the power of an approach centred on employee involvement. They overlap in so far as organizational and role-involvement are sophisticated personnel practices. But they should be treated as different concerns, and not as two sides of the same coin.

The holistic perspective leads to framing the issue in terms of the more practices the better, and implies the use of formative indexes to capture this systemic use, but Jiang et al. (2012) and others have opened the possibility that the performance effects of subsystems of practices may result from different mechanisms. The high-involvement management perspective centres, à la Arthur (1994) and Wood et al. (2012), on the underlying approach that management takes to the involvement of employees in the organization and the associated development that this requires. The precise nature of the practices used to achieve this may vary, but generic measures of these can be treated as manifestations of the underlying approach and can be used to create reflexive measures. Again, the mechanisms linking high-involvement management may differ between dimensions, as Wood et al. (2012) suggest. Role-involvement management may be explained by psychologically based processes, such as job satisfaction and well-being, while, following Gittell et al. (2010), organizational processes may be more significant in the case of organizational involvement.

It is also too early to make hard-and-fast decisions about the merits of the shareholder and stakeholder models or whether they are reconcilable. Positive effects on the well-being of employees have been found in a number of studies (Appelbaum et al. 2000; Macky and Boxall 2007, 2008; Mohr and Zoghi 2008), but Wood et al.'s (2012) results suggest that the conclusions may differ depending on the practice. In the case of role-involvement management, it appears from their study to benefit both shareholders and stakeholders. But in the case of organizational-involvement management, it appears to have benefits for shareholders but may have costs in the form of increased anxiety for workers, Such costs may vary over time and may reflect the British context, but nonetheless it may suggest that managements might need in the long run to make trade-offs between profits and workers' well-being or find ways of reducing the anxiety currently associated with organizational-involvement management.

Research on the actions taken by management to combat the long and deep recession following the 2008 financial crisis has shown that these reduced the performance effects of role-involvement management (Wood and Ogbonnaya, 2018), which further suggests that managements may need to consider such trade-offs. Nonetheless, the the research found that both role- and organizational-involvement management continued to have a positive performance effect in the recession adds strength to the claims for its and perhaps other aspects of HRM's superiority in relation to past Taylorist control methods. However, there is little evidence – in either Britain or the USA at least – of a growth in job autonomy or of involvement practices, nor of a significant decline in the recession. Attention has fallen on ways of matching the labour input more closely to the demand for labour through work scheduling, zero-hour contracts and (potentially bogus) self-employment methods. Much of this is fostered by the development of the digital economy, the shaping of which has all too often not involved employees or end users. That this need not be the case highlights the paradox surrounding HRM: if it does have significant performance effect, why is it not more readily adopted? Is it simply that managements do not practice evidence-based management, or that they are led by alternative perspectives generated by a modern engineering orientation based on IT? This review has, however, shown that even if evidence-based management appeals to them, the evidence-base in HRM on the surface may appear strong but lacks precision as to what exactly is the core HRM that they should adopt and the factors that affect how it produces superior performance. It has been written in the spirit of trying to make the area more focused.

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5 HRM

An ethical perspective

Mick Fryer

Introduction

It is tempting to assume that the ethics of HRM should be measured in relation to its tendency to promote employee well-being. An ethical premium is thus placed on those practices that protect employees' material interests, serve their emotional needs and promote their self-actualization. Conversely, it is tempting to cast an ethical question mark over HRM practices that subordinate employees' well-being to the commercial success of the organization for which they work.

However, such an approach is problematic in at least two respects. First, there are some compelling moral arguments in favour of prioritizing commercial success over and above the well-being of employees (some of which will be discussed later). Considering the merits of such arguments requires us to do more than highlight the intuitive allure of employee well-being. Second, even if we do wish to place employee well-being above all other considerations, spelling out the detail of such an agenda is no simple matter. This task is complicated by the possibility that the well-being of one group of employees may conflict with that of other groups (Stanworth 2000). For example, tensions between the interests of core employees and agency workers, between those of a local workforce and remote employees or between the well-being of junior and senior employees may introduce dilemmas. Furthermore, it is not always easy to build a clear understanding of an organization's responsibilities even as they relate to the well-being of a specific group of employees. For instance, should feelings of paternalistic care take precedence over libertarian principles of self-determination, or does the apparent 'fairness' of performance-related pay justify a consequent intensification of risk for employees (Heery 2000)?

Where, then, should we turn for guidance if we wish to move beyond the intuitive appeal of an employee well-being agenda and consider HRM ethics more systematically? Fortunately, there are plenty of philosophical resources available to inform such an undertaking. Even if we confine ourselves to the Western tradition, two and a half millennia of enquiry into the nature of right and wrong have offered an abundant reservoir of insights. The aim of this chapter is to provide an introduction to some of the most influential ideas that have emerged from this tradition and to consider what they have to say to HRM.

To provide some structure to this task, these ideas will be arranged according to their *metaethical* presuppositions. In other words, ethics theories will be grouped according to three different ways of thinking about ethics: namely *ethical absolutism*, *ethical relativism* and *ethical intersubjectivism*. The chapter will introduce some theories that lie within each of these three metaethical fields and outline some of their implications for HRM. Some ethical absolutist and ethical relativist approaches will be considered first. It will become apparent that each group of theories offers some useful insights but that each provides, at best, an ambivalent guide to ethical HRM practice. I will also suggest that, while ethical absolutist and ethical relativist theory might be interpreted as offering a basis for unilateral management decision-making about ethically charged HR matters, each also contains fertile ground for ethical legitimation of participative HRM practices. This theme will be developed further during discussion of the third metaethical perspective, ethical intersubjectivism, which offers a more explicit endorsement of participative workplace arrangements. The chapter's final section will pursue this topic in more detail, reflecting, in particular, on ethical intersubjectivism's resonance with the notion of *employee voice*. I will also describe how intersubjectivist theory might inform ethical evaluation of various instantiations of employee voice.

Ethical absolutism

Ethical absolutism is characterized by a belief that moral rightness and wrongness can be assessed in accordance with objective standards that are valid for all people, at all times and in all places. Although these universally valid standards need to be interpreted and applied in a manner which responds to the uniqueness of each specific situation, ethical absolutism proposes that the standards themselves remain constant. According to ethical absolutism, then, finding a recipe for ethical HRM practice would involve identifying those universally valid standards and applying them to specific work contexts. In seeking to identify the universal standards that should shape our moral evaluations, different ethical absolutist philosophers have followed different routes. Here, I will offer an overview of three of the most influential contributions to ethical absolutist theory: utilitarianism, rights theory and Kantian theory.

Utilitarianism: maximizing the good

Some ethical absolutist theorists evaluate ethicality purely in relation to consequences. In other words, they consider an ethically desirable action to be one which brings about ethically desirable consequences, and an ethically undesirable action to be one which leads to ethically undesirable consequences. This way of thinking about ethics is usually referred to as *consequentialism*. The most well-known consequentialist theory is *utilitarianism*, which judges consequences in relation to the total amount of good that is produced. When faced with a moral dilemma, utilitarians suggest that we should consider the likely consequences of the various courses of action available to us and select the option that will bring about the greatest amount of good for the greatest number of people. Maximization of the good is therefore the objective standard that utilitarians apply to guide their ethical deliberations.

On the face of it, utilitarianism offers a simple and intuitive guide to HRM ethics. This may be why it is popular among business managers, who often draw on utilitarian-style rationales to justify ethically contentious HR decisions (Legge 1998; Parker 2002; Fryer 2011). For instance, when asked to justify employee redundancies, along with the hardship that this causes for those employees, their families and their local community, managers often point to the greater number of people – such as other employees, shareholders, suppliers and customers – who depend on the prosperity of their company and who therefore stand to gain from the cost reductions and efficiency enhancements associated with workforce restructuring. As these managers see it, the hardship experienced by a small group is justified by the good consequences experienced by many more people.

However, the apparent simplicity of utilitarianism can be misleading. That it does not provide the straightforward guide to management decision-making it seems to promise is evident from the contrasting business priorities that have been justified on utilitarian grounds. On the one hand, some commentators suggest that society will benefit most if each business focuses all its efforts on making as much money for its owners as possible (Smith 1998/1776; Jensen 2002). The rationale behind this argument is that, to maximize shareholder returns, businesses must maximize long term profitability. Since this requires them to use scarce resources as efficiently as they can, it will, in the long term, be in everybody's best interests. If shareholder value maximization entails hardship for some employees, then these writers consider this to be a price worth paying to achieve this greater good. Conversely, other writers have challenged this rationale on utilitarian grounds, arguing that the common good of society will only be achieved if business managers seek to directly enhance the happiness of all those people, including its employees, who make some form of contribution to corporate success (Jones and Felps 2013a, 2013b). According to this view, looking after all stakeholders is far more likely to maximize the good than prioritizing shareholder returns.

Such disagreements may be due partly to complications surrounding the application of utilitarian principles to practical business scenarios. For one thing, it is not always easy to predict the consequences of business decisions with any degree of certainty, so we can never be quite sure what course of action will bring about the greatest good for the greatest number. Then there is the question of whether we should try to maximize the total amount of good, even if only a few very fortunate people benefit, or whether we should aim to disperse good things as widely as possible, so that many people receive a small amount of them (Audi 2007). And what should count as 'the good' anyway? Should we just try to maximize pleasure and minimize pain, as suggested by Jeremy Bentham (2000/1789)? Should we follow John-Stuart Mill (1962/1861) in distinguishing between higher pleasures, which are associated with intellectual and cultural refinement, and lower pleasures, which appeal to people of less refined taste? Or should we agree with G.E. Moore (1993/1903) that certain states of mind, such as the appreciation of beauty and the acquisition of knowledge, have merit regardless of their pleasantness or unpleasantness? Or perhaps we should drop all attempts to define an objective list of 'good' things and just say that 'the good' consists of meeting people's preferences, whatever they may be (Hare 1981).

Clearly, how we answer questions such as these will shape the way in which we apply utilitarianism to specific contexts. These complexities need not detract from the merits of the principle of good maximization; nor do they mean that utilitarianism has no role to play in HRM ethics. However, these difficulties do indicate that maximizing the good is not such a straightforward guide to ethical evaluation of HRM as it may seem at first sight.

Rights theory: respecting people's rights

Whereas utilitarianism judges the moral rightness of our actions with reference to the consequences that they bring about, other ethical absolutist approaches focus on features that are intrinsic to those actions. One such approach is to think about the *rights* that are relevant to a particular situation. Focusing on rights accords with the way we frequently talk about ethics: we often speak about 'human rights', 'citizenship rights' or 'employment rights'. The assumption underpinning such talk is that people have certain rights, which carry intrinsic value, and that others should respect those rights. Moreover, when we speak of rights in this way we usually assume that they should be respected even when doing so may not lead to the greatest amount of good for the greatest number of people.

One of the most important expressions of human rights in recent times is the Universal Declaration of Human Rights (UDHR), which was proclaimed at a General Assembly of the United Nations in 1948. The UDHR lists a set of fundamental rights that apply to all people, in all places, at all times, and that should be universally protected. It was drafted as a response to perceived neglect of human rights by some national governments in the first half of the twentieth century. Thus, it was mainly a politically focused document. However, many of the rights that the UDHR upholds, such as the right to effective remedy, the right to equal pay for equal work, the right to form and join trade unions, the right to rest and leisure and the right to express opinions, are as relevant to contemporary HRM contexts as they are to discussions of government legitimacy.

Within business contexts, discussions about rights often revolve around of the rights of stakeholders. The thinking behind such discussions is that stakeholders – such as employees, suppliers, customers and shareholders – have certain rights because of their relationship with a business, and that these rights should be respected by those charged with business decision-making. In considering stakeholders' rights, it may be necessary to go beyond those formal, explicit rights that are laid down in written contracts. While contractual rights often carry legal force, ethical evaluation may also need to embrace tacit rights that are not contractually enshrined but which nevertheless play an important part in shaping people's ethical expectations. Within HRM contexts, the ‘psychological contract’ (Guest and Conway 2002; Conway and Briner 2005) provides a useful framework for thinking about these tacit rights.

Different business ethics theorists have applied rights theory in diverse ways to arrive at contrasting conclusions. In a very influential paper, Milton Friedman (1970) argued that the only rights that should count in business contexts are the property rights of shareholders. As Friedman saw it, shareholders are the owners of firms, so their interests and expectations should be put above all other considerations by the business managers who run those firms on their behalf. Other business ethics writers (e.g. Donaldson and Preston 1995) have argued just as persuasively that the involvement of other stakeholders in corporate activity confers on them rights that should also be respected in business decision-making. Notable among these other stakeholders are employees, who make a significant contribution to a firm’s success and who are deeply affected by the decisions its senior managers make. Therefore, the rights of employees might be just as important to HRM decision-making as those of shareholders.

As with utilitarianism, then, rights theory highlights some important considerations that should be taken into account in business decision-making. However, like utilitarianism, it does do not offer an unequivocal guide to HRM ethics. The conclusions to which rights theory points depend very much on how we classify rights, how we weight them and, in particular, how we arbitrate between conflicting rights of different stakeholders.

Kantian (deontological) theory: doing our duty

A third ethical absolutist approach is to think more about *duty* than about individual rights or the common good. Duty-based theories are usually referred to as *deontological* theories. Whereas rights theory directs attention to the moral entitlements of those affected by an ethically charged decision, deontological theory focuses more on the duty of the decision-maker. The most influential deontological theorist in the European philosophical tradition was Immanuel Kant. Kant’s discussion of duty (1948/1785, 1997/1788) placed a great deal of emphasis on human rationality and human freedom/autonomy. Kant believed that the key characteristics that differentiate human beings from all other species are our ability to reason and our autonomy. Whereas other species are inclined to act on physical or emotional urges, humans alone are able to think rationally about their actions and act accordingly. For Kant, the fact that we are able to act in opposition to physical and emotional urges means that we are also fundamentally free. That is, we are able to act autonomously.

Kant drew a number of conclusions from this celebration of human rationality and human freedom. The first is that he believed we can use our reason to work out what our duty consists of. He proposed that we do this by applying certain principles – as he put it, by applying certain formulations of the ‘categorical imperative’. Perhaps the most important of these for HRM is the second formulation of Kant’s categorical imperative, which is sometimes referred to as ‘the formula of the end in itself' (e.g. Paton 1948: 90). In his presentation of this principle, Kant observed that it would be irrational for a rational, autonomous being to use another rational, autonomous being merely as a means to an end. In other words, we should not use other people to achieve things we want to achieve without also treating them in ways that respect their freedom and rationality. To apply this thinking to an HRM context, it may be permissible for business managers to use employees as means to achieve corporate success – that is, to use them as a means to an end – but those employees should also be treated as an end in themselves. That is, they should be treated in ways that respect their rationality and their autonomy.

Different business ethics writers have drawn on Kantian theory to justify contrasting sets of business priorities. On the one hand, Norman Bowie (1998, 2002) applies Kant in ways that regulate some intuitively troubling excesses of corporate conduct while leaving the fundamental structures and priorities of US managerial capitalism, especially as they relate to HRM, largely untouched. On the other hand, Jones et al. (2005) find Bowie's interpretation and application of Kantian theory insufficiently rigorous. Instead, they find in Kant's writing ample grounds from which to challenge some of those structures and priorities that Bowie seeks to sanitize. As with utilitarianism and rights theory, then, although Kant's philosophy provides useful insights to HRM ethics, the conclusions to which it leads depend on the manner of its interpretation and application. Given the scope and complexity of Kant's writing, along with the interpretational disagreements that have long occupied Kant scholars, this problem should not be underestimated.

Applying ethical absolutist theories

A general implication of ethical absolutist theories for HRM is that, when confronted with a moral dilemma, the universal principles upon which the respective theory is based should be applied so as to identify the morally correct course of action. However, as the above discussion reveals, this may not be easy. Despite the apparent simplicity of the decision-making principles offered by ethical absolutist theories, these theories still have to be interpreted and applied to specific situations. And in the act of interpretation and application there is considerable scope for ambivalence. John Kaler (1999) goes so far as to suggest that such ambivalence means that ethics theory is more likely to be used for ethical justification than to inform ethical evaluation. In other words, the expedient flexibility of ethical absolutist theories means that they are more likely to be co-opted to support courses of action that we have already chosen than they are to help us choose those courses of action.

But perhaps we should not summarily dismiss the usefulness of ethical absolutist theory in the light of such problems. Even if we agree that they do not provide unequivocal prescriptions for action, we might nevertheless grant that different ethical absolutist theories can serve a useful purpose. Maybe the best way to think of these various theories is as separate lenses, each of which can be used to look at an ethically charged scenario in slightly different ways to help us appreciate dimensions of that scenario that we might otherwise have overlooked. Thus, the lens of utilitarianism may highlight the consequences of HRM practices and policies for employees, their families, and others who may not spring readily to mind. Similarly, the lens of rights-based consideration might evoke sensitivity to the entitlements – explicit and tacit – of businesses' less obvious, less powerful or less strident stakeholders. And the lens of Kantian evaluation may foreground some ways in which HRM practices respect or fail to respect the dignity that is due to all employees as rational, autonomous beings. Even if we agree with Kaler that we usually make moral decisions by applying a sort of moral gut-feel, we might nevertheless argue that the quality of our decision-making will be enhanced if that gut-feel is exposed to a certain amount of critical reflection: critical reflection that can be facilitated by viewing morally charged situations from a variety of theoretical perspectives (Fryer 2015, 2016).

Ethical relativist theory

Ethical relativism questions the existence of objective standards of moral right and wrong that apply to all people, in all places, at all times. It therefore casts doubt on the idea that the ethical legitimacy of HRM practice can be evaluated by applying universal principles. Rather than trying to identify universal, objective standards, ethical relativists highlight the plurality of ethical opinion and try to account for that plurality. Moreover, instead of attempting to define moral principles that all people should follow, they emphasize the merits of acting in accordance with personal ethical conviction.

Nietzsche: challenging the legitimacy of 'slave morality'

One of the most controversial and influential proponents of ethical relativist theory was Friedrich Nietzsche. Nietzsche (2003/1887) proposed that the basis for any system of moral values lies in convention, and that morality has no claim to legitimacy beyond the particular convention from which it emanates. Furthermore, Nietzsche suggested that the moral standards that gain conventional acceptance within any society tend to be those that promote the interests of that society's dominant members. And interests, as Nietzsche defined them, are concerned primarily with power. For Nietzsche, then, morality is all about power: a dominant morality is no more than a set of values that enables certain groups of people to assert power over others.

Nietzsche based these conclusions on a genealogical study of the origins of Western morality. He observed that ancient forms of morality, going back to the early times of Greek, Celtic and Nordic civilization, had privileged the interests of the strong. Thus, moral legitimacy had been accorded to qualities possessed by powerful elites; qualities such as strength, courage, pride, endeavour, willingness to take risks and a capacity to endure hardship. However, Nietzsche also noted a reversal of values in more recent times. He described how, thanks to their superior numbers and inspired by power-seeking religious authorities, the masses have established the primacy of a very different form of morality: a 'slave morality' that upholds values that enable those masses to resist the power of their former 'masters'. This contemporary slave morality celebrates qualities such as benevolence, meekness, sympathy, humility, caution and equality. Moreover, Nietzsche noted that, in modern times, we have come to experience sensations such as guilt and shame, which he believed to be no more than psychological artefacts that help us come to terms with the adversities and disappointments that inevitably characterize the human condition.

Nietzsche regretted this modern reversal of morality because, as he saw it, the human race can only progress if people are willing to take risks, endure hardship, act courageously and so on. He believed that the predominance of slave morality is constraining human beings and preventing us from realizing our full potential. He therefore advocated a 'revaluation of values', in which we would cast off the shackles of slave morality and once again grasp our capacity for greatness.

Nietzsche's account of morality presents manifold implications for HRM ethics. For one thing, it seems to justify an elitist, competitive organizational culture that applauds those who take risks and endure hardship in order to attain and hold on to power. Values such as egalitarianism and altruism would hold no currency in such a culture. Moreover, moral criticism of powerful people for their ruthless arrogance would lack justification because Nietzsche's rebuttal of the values of slave morality undermines its ethical foundations. From an HRM perspective, these ideas seem to point towards meritocratic, performance-based systems and practices, in which the most capable employees are encouraged to progress while their weaker colleagues are left to flounder.

However, although a literal reading of Nietzsche seems to justify elitist organizational structures, his refutation of ethical absolutism also offers other insights. As well as challenging the possibility of absolute moral standards, Nietzsche also celebrated the freedom that this gives to moral agents. Indeed, some Nietzsche scholars (e.g. White 1994/1988) suggest that this is the key point that Nietzsche was trying to make: that his prime concern was to urge every individual to come to terms with the potency of their own autonomous, ethical conviction. According to this reading, Nietzsche was railing against the human tendency to follow the herd rather than make up our own minds about right and wrong. Therefore, he is not telling his readers to abandon ethics. On the contrary, he is telling us to embrace it wholeheartedly. But he is also telling us that, ultimately, we have to make our own moral decisions; that when it comes to ethical judgement, each of us has to grasp the power of our own sovereign will.

Sartre's existentialism: celebrating moral autonomy

Nietzsche's celebration of individual moral autonomy has been developed more explicitly by later philosophers of the *existentialist* school, such as Jean-Paul Sartre (2003/1943, 1973/1946). In *Existentialism and Humanism*, Sartre offers a personal account that sums up nicely his metaethical stance. Sartre relates how he is approached by a student for advice about an agonizing moral choice that the student faces. Confronted by two possible options, both of which have implications that are deeply troubling, the student asks Sartre what he should do. Sartre's response is: 'you are free, therefore choose' (1973/1946: 38). The message entailed in Sartre's advice is that there are no absolute standards to which the student can refer in making his choice. Nor can anyone else make that choice on the student's behalf. The only legitimate criterion of moral choice, according to Sartre, is the student's personal commitment to that choice. Presumably, if Sartre had been confronted by an HR manager seeking advice on a particularly thorny work-related dilemma, his response would have been the same: he would have emphasized the manager's freedom to make their own moral choice and to act on that choice. For Sartre, to acknowledge and embrace this moral autonomy is an 'authentic' way to be; to repudiate it would be 'bad faith'.

Commentators who have explored the implications of Sartre's existentialism for HRM (Jackson 2005; Ashman and Winstanley 2006; West 2007) suggest that, far from making HRM an ethics-free zone in which the powerful can assert their dominance uninhibited by the fetters of moral guilt, it accentuates the desirability of putting ethical considerations at the forefront of HRM decision-making. Moreover, they point out that Sartre's writing problematizes the current fashion for corporate codes of ethics, since, on an existentialist account, people should be encouraged to make their own, autonomous decisions about ethics and accept responsibility for the consequences of those decisions. These recent adapters also suggest that Sartre's celebration of ethical autonomy highlights the importance of encouraging imaginative engagement with a plurality of ethical perspectives, of emotional connection to the predicament of humanity in its various manifestations and of tolerance of moral ambivalence.

Bauman: the importance of exposure to other people's predicament

These last points relate to a further important ethical relativist theme that has been explored by Zygmunt Bauman (1993). Bauman, drawing on the work of Emmanuel Levinas, highlights the importance of getting close to ethically charged scenarios and being exposed to the predicament of those who they affect. He points out that these close encounters are vital for stimulating our moral sensitivity and informing our moral convictions. Without them, we are likely to become inured to the ethical implications of our actions. Bauman also suggests that the 'denial of proximity' that tends to occur in large, bureaucratic organizations is problematic in this respect, since it puts hierarchical and spatial distance between decision-makers and the consequences of their decisions.

Martin Parker (2002) echoes this theme when he discusses the tendency for globally dispersed organizational forms, in which electronic communication increasingly replaces face-to-face encounters, to undermine senior managers' sense of local responsibility. Parker also recounts deliberate actions taken by companies to distance senior managers from exposure to the consequences of their decisions, thus making it easier for them to 'down-size without looking employees in the eye' (2002: 85). On a similar note, Varman and Al-Amoudi (2016) draw on the work of Judith Butler to explain how distance encourages senior managers of a large corporation to treat its remote workers in ways that they would be disinclined to treat employees who were closer at hand. Varman and Al-Amoudi describe, in such situations, processes of 'derealization' whereby the identities of remote employees cease to conform to familiar categories of ethical significance. As a result, their predicaments do not carry moral weight in corporate decision-making and their lives become 'ungrievable'.

These ideas highlight the moral significance of direct encounters with the people and the predicaments that our actions and our decisions affect. In an HRM context, they thus draw attention to the ethical desirability of HR-related decisions being made by people who are in close proximity to the contexts and the people that are impacted by them.

Applying ethical relativist theories

As with ethical absolutist theory, ethical relativism offers a range of insights into HRM ethics. On the one hand, Nietzsche's demolition of any solid ground for ethical evaluation suggests that perhaps we should just get on with life, business and the management of human resources in whatever way we choose, unconstrained by a misguided search for moral legitimation. However, other strands of ethical relativist theory indicate that such an abnegation of moral responsibility would be unwise. Sartre's existentialist philosophy suggests that, rather than ignoring its ethical implications, HRM should engage wholeheartedly with them. Far from pulling the rug from beneath any aspirations for ethical legitimation for HRM decisions, this strand of ethical relativism places the onus of legitimation fairly and squarely on the shoulders of the decision-maker.

This discussion of ethical relativism has also highlighted some ways in which the ethical quality of specific HRM decisions might be enhanced. For one thing, awareness of the formative influence of our circumstances and our aspirations on our moral convictions might encourage us to engage with perspectives that have been shaped by different contextual factors. In particular, given the role that proximity plays in informing ethical reflection and arousing ethical sensitivity, these ideas underline the value of speaking to those whose lives will be most deeply affected by the courses of action that are under consideration.

Ethical intersubjectivist theory

To summarize the discussion so far, ethical absolutist theories seek to identify universally valid foundations of moral legitimacy, while ethical relativist theory questions the possibility of such universally valid foundations and applauds autonomous individual choice in ethical evaluation. On the face of it, ethical absolutist and ethical relativist metaethical stances are both supportive of unilateral HRM decision-making. In other words, they seem to be consistent with the idea that one person – such as a senior manager – can stand apart from other people and make decisions that affect those people without consulting them. From an ethical absolutist perspective, all that person would need to do is apply the principles prescribed by their chosen theory – such as maximization of the good, respect for fundamental human rights or respect for persons – and follow the course of action thus indicated. Similarly, ethical relativism, with its emphasis on personal moral conviction, seems to call upon us to look within ourselves rather than engage with others when making ethically charged decisions.

However, there are features of the substantive content of ethical absolutist and ethical relativist theories that also indicate the desirability of consultation. For a start, given disagreements about how 'the good' should be defined and how its maximization should be achieved, it seems appropriate to engage with other people's perspectives before making utilitarian evaluations that concern them. Also, if HRM policies are to respect fundamental human rights in the workplace, then perhaps they should take account of the rights to democratic participation that formed such a crucial element in the evolution of European rights theory. Moreover, it would seem inconsistent with Kant's celebration of human autonomy and human freedom for HR managers to make decisions about people without inviting their input to those decisions. As for ethical relativism, the importance that philosophers have placed on moral autonomy and proximity suggests that HRM decision makes should do what they can to engage with the ethical perspectives and predicaments of others before making decisions that affect the lives of those others.

But if ethical absolutist and ethical relativist theories offer some support for participative HRM practices, far less equivocal advocacy of democratic participation in the workplace is offered by a third metaethical perspective that will be considered in this section: ethical intersubjectivism. Ethical intersubjectivism challenges the ethical absolutist presupposition that objective standards of ethicality can be applied in all places at all times. However, it also challenges the ethical relativist conclusion that ethics is therefore a matter of individual conviction. According to the *Oxford English Dictionary*, the word 'intersubjective' means 'existing between conscious minds'. Ethical intersubjectivism thus relates to ethical standards that exist between conscious minds. It accords legitimacy to those shared standards and concerns itself with the processes by which they come about.

Habermas's discourse ethics

The most well-known recent contributor to intersubjectivist thought is Jürgen Habermas, whose writings about communicative action (1979/1976, 1984/1981, 1987/1981) and discourse ethics (1990/1983, 1994/1991) have been particularly influential. Habermas bases his ideas on a social understanding of human beings. He emphasizes the fact that people live in social groups, that they always have done and that they probably always will do. He believes that any plausible ethics theory must acknowledge that social characteristic of humanity. Habermas also points to the importance of discourse to the human condition. As he sees it, we need to engage in discourse in order to reach those shared understandings upon which the coordination of our social relationships depends.

Habermas places particular emphasis on reaching shared understanding in what he calls the *lifeworld*. Lifeworld, as Habermas understands it, has been described as:

> the substratum of our conscious worldviews and of all social action . . . [it] comprises the vast stock of taken-for-granted definitions and understandings of the world that give coherence and direction to our everyday actions and interactions.
>
> (Pusey 1987: 58)

Importantly, it is in the realm of lifeworld that people seek ethical legitimation for practices that take place within economic and political systems. Habermas highlights the extent to which the perceived ethicality of money-oriented and power-oriented 'systems' relies on their compatibility with normative agreements that are achieved within a shared lifeworld. If economic and political systems get out of sync with those lifeworld understandings, they lose ethical legitimacy. It is also important to note that the lifeworld shared by a particular social group is neither static nor monolithic. Rather, it constantly evolves and is comprised of a multiplicity of overlapping and interrelated elements. Moreover, although the understandings and definitions that comprise the lifeworld are taken for granted and, for the most part, operate below the level of conscious thought, we can relate to them through processes of critical reflection and rational argumentation. It is these processes of critical reflection and rational argumentation that enable progressive evolution of the lifeworld as well as progressive legitimation of the associated economic and political systems. Habermas thus envisages a processual model of ethical legitimation, in which discourse enables: (1) the definitions and understandings that circulate within a shared lifeworld to be interrogated and negotiated; and (2) decisions that shape economic and political structures and priorities to be kept in sync with those shared lifeworld agreements.

Habermas explores the conditions that discourse must meet if it is to enable the shared understanding that is required for ethical legitimation. He suggests that a self-evident starting point is that any person who is in any way implicated in a situation under consideration should be able to participate in discourse about it. If our aim is to achieve shared understanding about a topic through discourse, it makes no sense to exclude from that discourse anyone who may be involved in, or affected by, the topic that we seek to understand. Moreover, each person must be able to participate in that discourse without constraint. Each should be able to say whatever they want to say. It is also important that, whenever one person makes a statement, others should be able to challenge that statement with respect to its factual accuracy, how well placed the speaker is to make it and what the speaker seeks to achieve in making it. Only when such challenges have been made and responded to can shared understanding be achieved across all the dimensions of speech. Drawing on these insights, Habermas offers the following 'rules of discourse' that summarize the requirements of intersubjectively legitimating communication:

> every subject . . . is allowed to take part in the discourse
> everyone is allowed to question any assertion whatever
> everyone is allowed to introduce any assertion whatever into the discourse
> everyone is allowed to express [their]attitudes, desires and needs
> no speaker may be prevented, by internal or external coercion, from exercising [their] rights as laid down [by the above principles].
>
> (1990/1983: 89)

Applying ethical intersubjectivism

Applying Habermas's model for ethical legitimation to HRM clearly presents practical challenges. The most obvious is that work-related discussions may not always be conducted in the spirit of disinterested neutrality that seems most appropriate to the achievement of shared lifeworld understanding. It might therefore be suggested that, although Habermas's model of discourse may suit an academic seminar, it holds little relevance for practical HRM contexts. In anticipation of criticism such as this, Habermas acknowledges that 'ideal speech situations' (1984/1981, 1987/1981), aimed purely at achieving understanding, are comparatively rare. He concedes that we generally have some form of vested interest in the outcome of those discourses in which we engage. However, he proposes that this need not undermine the morally legitimating potential of discourse as long as all participants openly declare any affiliations, personal interests or emotional attachments that may introduce a note of partiality. If this condition is met, and as long as all parties are free to challenge the assertions made by others on the dimensions of factual accuracy, eligibility and intent, Habermas suggests that the quest for shared understanding can still proceed unimpeded.

To summarize, intersubjectivist ethics understands HRM to be ethical insofar as it facilitates and responds to discourse. More specifically, that discourse should include all those who may be affected by the situations under discussion. Each participant should be able to contribute without constraint. Each should be free to introduce any assertion into the discourse that they see fit. Furthermore, each should be able to challenge any aspect of the assertions made by fellow participants in order to ensure a shared basis of understanding with regards to the factual accuracy of the assertion, the speaker's eligibility to make that assertion and the effect that the speaker seeks to bring about in making the assertion. All parties should also be committed to transparency with regard to any vested interests that they may have in the matter under the discussion. As long as these conditions are met, HRM discourse can play a part in negotiating shared lifeworld agreements between implicated parties and ensuring the consistency of money- and power-based workplace arrangements with those shared lifeworld agreements.

Ethical intersubjectivism and employee voice

In an HRM context, Habermas's ethical intersubjectivism resonates strongly with notions such as organizational democracy, workplace participation, employee involvement and consultation at work. Each of these topics has inspired its own distinct field of enquiry, but all share some common ground that is relevant to this discussion. The term *employee voice* will be used here to denote that common ground. I choose this term partly because of its 'historical pedigree' (Wilkinson et al. 2014: 3), and partly because the word 'voice' captures an element of these various fields of enquiry that is particularly relevant to intersubjectivist ethics.

Employee voice has been defined as the 'expression of employee perspectives within [their] organisation' (Beardwell 1998: 32). It might be viewed from within the pluralist industrial relations tradition (Ackers 2007) as a mechanism for representing employees' interests, primarily their financial interests, and for ensuring that those interests are taken into account in management decision-making. Alternatively, at the other end of the spectrum of interpretations, the high-involvement/high-commitment literature understands employee voice as a means of building employee loyalty and driving improvements in commercial performance (Dundon et al. 2004). The range and diversity of employee voice practices is also emphasized by Wilkinson et al. (2014), who describe many forms that they might take. These include: the articulation of individual dissatisfaction through grievance and complaint procedures; the expression of collective organization through union involvement and other forms of representative dialogue; contribution to management decision-making through various types of discussion group; and demonstration of cooperative relations via partnership agreements, joint consultative committees and works councils.

However, despite the variety of meanings of employee voice and the broad range of forums through which it might be expressed, it is not these differences that are most relevant to its capacity for intersubjective ethical legitimation of HRM. For this purpose, it is instructive to consider employee voice across four dimensions highlighted by Mick Marchington (2005: 27–29) in his discussion of employee involvement; that is, to consider employee voice practices in relation to their degree, scope, level and form of involvement.

Degree of involvement refers to 'the extent to which workers – or their representatives – are able to influence management decisions' (Marchington 2005: 27). If employee voice practices are to provide intersubjective ethical legitimacy to HRM, they need to have a real impact on decision-making. 'Voice without muscle' (Kaufman and Taras 2010, cited in Wilkinson et al. 2014: 7) will not suffice. Superficial, 'stage managed' (Dundon et al. 2004) employee voice practices, which are aimed purely at engendering a sense of belonging among employees but which have no real impact on decision-making, would be, at best, ethically neutral from an intersubjectivist perspective. Moreover, intersubjectivist theory would not accord ethical legitimacy to 'pseudo-participation' (Claydon 2000) or 'pseudo-democracy' (Johnson 2006), which is aimed purely at building commitment to organizational objectives and cultural norms that have already been defined by senior management.

The *scope* of involvement, as Marchington defines it, relates to 'the type of matter dealt with in the participation arena, ranging from the trivial to the strategic' (2005: 28). To limit employee voice to the former while excluding broader operational and strategic issues would place an unwarranted restraint on its capacity to lend moral legitimacy to HRM policies, practices and structures. Intersubjectivist theory calls for people to be able to achieve lifeworld agreement about those matters which affect them. Although trivial, housekeeping issues, such as the Christmas party arrangements or the colour of the wallpaper in the office (ibid.), may well matter to employees, the long term, strategic direction of the firm, and the employment implications associated with it, are likely to have a far more profound impact on their lives. It is therefore important that employee voice arrangements include discourse about the latter as well as the former.

Level of participation, for Marchington, refers to the setting within which decision-making is carried out. It varies from the 'workplace or departmental level through to establishment, division or headquarters' (2005: 28). Marchington notes a tendency for matters of trivial scope to be discussed at the local level, while broader operational and strategic issues are decided at headquarters with little or no input from employees in dispersed locations. For employee voice to achieve intersubjective ethical legitimacy, discussions involving employees in local settings, no matter how remote from corporate head offices, must have the capacity to influence decisions taken at the HQ of even the largest and most dispersed corporation.

Marchington suggests that the fourth dimension of involvement, its *form*, might range from direct forms, in which employees participate as individuals, to indirect forms, which are more likely to operate through collective, representative arrangements. Although intersubjectivist ethics places a premium on direct democratic participation, it need not rule out representative arrangements so long as these conform to the rules of discourse outlined earlier. In this respect, Dundon et al. (2004) discuss various direct and indirect individual and collective avenues, pointing to the desirability of a comprehensive and integrated approach. Of utmost importance, from an intersubjectivist perspective, is that, no matter what form is chosen, all employees have the chance to express whatever opinions they wish to express and to challenge the opinions expressed by others. In particular, it is important that opportunities to raise and challenge 'validity claims', as Habermas would put it, are not constrained by considerations of hierarchy.

In addition to their degree, scope, level and form of involvement, one further dimension seems particularly relevant to the intersubjectively legitimatizing potential of employee voice practices. This dimension concerns whether such practices are put in place for *instrumental* reasons, in the expectation that they will enhance commercial performance, or for *normative* reasons, based on their capacity for ethical legitimation. A scan of the popular management literature indicates no shortage of instrumentally driven opportunities for the expression of employee voice. Indeed, Phil Johnson describes a 'clarion call' (2006: 247) for apparently democratic practices in post-bureaucratic organizations that aim to flourish within dynamic business environments. Johnson points out that this is largely due to a growing (though debatable) perception that there is commercial gain to be made by relaxing hierarchical control, flattening organizational structures and encouraging innovative input from all parts of the organization.

The fact that employee voice practices are initiated in the interests of commercial success rather than ethical legitimation need not necessarily undermine their capacity to provide the latter. Indeed, the two aims may be mutually supportive: Brewster et al. (2014) find that commercially driven participative practices are more likely to succeed when supported by broader participation structures. Thus, the instrumental case for participation may help to foster an environment in which ethically legitimating employee voice forums thrive. However, two points seem important here. The first point concerns transparency of intent, the significance of which was highlighted earlier. Although instrumentally driven employee voice practices may also offer the potential for ethical legitimation of HRM, the reasons why these practices are initiated need to be openly stated. Failure to so would comprise a hidden strategic agenda that, from an ethical intersubjectivist point of view, would be problematic. The second point is that the purposes that drive employee voice mechanisms may shape their degree, scope, level and form of involvement. And while an instrumental purpose *per se* need not undermine the ethically legitimating capacity of employee voice, we should be alert to the possibility that it may entail limitations in degree, scope, level and form that would.

Conclusion

This chapter began by suggesting that we should go beyond the intuitive allure of employee well-being to find a basis for ethical evaluation of HRM. Accordingly, the chapter has introduced a range of ethics theories under three different metaethical headings and suggested some ways in which these might inform consideration of HRM ethics. Although ethical absolutist and ethical relativist theories do not provide simple and straightforward prescriptions for ethical HRM, this discussion has highlighted some insights that they offer to a comprehensive appreciation of the ethical implications of specific HRM scenarios.

The chapter has also highlighted the support that ethical absolutist and ethical relativist theories provide for participative HRM practices. Although neither metaethical perspective provides an unequivocal endorsement for employee participation, the theories that fall within each group provide fertile grounds for its legitimation. A more explicit affirmation of participative HRM practices is provided by ethical intersubjectivism. Moreover, ethical intersubjectivist theory offers a framework for evaluating the ethically legitimating potential of various forms of employee voice.

Perhaps the conclusion we should draw from this is that ethical HRM is a complex matter which eludes precise definition. Nevertheless, practitioners who seek a compelling, theoretically grounded basis of ethical legitimation for HRM practice can find it in a comprehensive instantiation of employee voice that conforms to the principles suggested by ethical intersubjectivism.

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6 HRM practices to diversity management

Individualization, precariousness and precarity

Darren T. Baker and Elisabeth K. Kelan

Introduction

In this chapter, we explore how HRM practices supporting equality were historically concerned with legal compliance and increasing the representation of diverse groups in the workplace. However, we argue that in recent decades, HRM has become concerned with how diversity can instead be leveraged strategically for business profitability, while espousing individualistic tropes that render the individual responsible for their own success and change in organizations, and how this is concurrent with the broader rise of neoliberalism (Ong 2006; Wacquant 2010; Harvey 2005). We explain how these ideologies have had an individualizing thrust and detracted attention from much deeper practices that have given rise to insidious forms of precarious employment in economically advanced nations. However, by drawing on the idea of 'precarity' by Judith Butler (2009), we explore at a high level how precariousness has had a differential impact on diverse groups specifically by gender, class and age. Thus, despite recent attempts by HRM to 'help women with their confidence' or create 'inclusive' cultures that recognize each person as somehow 'diverse', they have pursued precarious contracts with employees and designed organizational structures, which have had disproportionate implications on particular demographic groups by age, gender and, moreover, class. This raises significant questions regarding how HRM understands diversity and equality as well as broader, more significant ethical questions concerning the role of HR and work in sustaining life rather than just improving business profitability.

This chapter is organized as follows. In the first section, we explain how HRM was originally concerned with ensuring how organizations complied with equality legislation and increasing the representation of minority groups at work, and how this shifted towards economic, individualistic concerns. In the second section, we explore how the rise of neoliberalism has had profound implications on HRM practices to equality and how they have obstructed and problematized its progression. In the third section, we explain how neoliberal ideologies espoused by HR towards diversity obscure much deeper practices that have given rise to workplace precariousness and precarity. In the final section, we explore the imperative for HRM to explore inequality as 'intersectional' as well as the ethical questions that HR must consider to address issues of precariousness and precarity at work.

HRM practices towards equality and diversity management

In this section, we explore how HRM has strategically attempted to support and improve diversity management in organizations. Although there historically was a strong commitment to the emotive and legal dimensions of equality by HRM, in recent decades its practices have turned towards how diversity can be 'managed'. Instead of ensuring compliance and equal representation of minority groups in organizations, HRM has increasingly focused on how diversity can be leveraged as a way to improve business performance and increase profit. There has been a turn in parallel away from group-level support to a focus on the individual and creating inclusive cultures that enable each employee to achieve success.

HRM has historically played a pivotal role in supporting diversity particularly through legal compliance. The 'discrimination-and-fairness' paradigm defined a radical approach by HRM to increase the representation of minority groups in the workplace through targets and quotas (Acker 2006; Gatrell and Swan 2008). Change in organizations focused on the group-level rather than the individual by ensuring equitable recruitment, retention and basic support structures for minority individuals. The 'discrimination-and-fairness' paradigm emerged from the Civil Rights movements of the 1960s in the United States. This led to the introduction of legislation which made it unlawful for organizations to discriminate on the basis of race, colour, religion, sex and origin (Kellough 2006; SHRM 2008). This was founded on moral and ethical principles of equal opportunities and compensatory justice for groups that had historically been disadvantaged in business and society.

Jewson and Mason (1986) term such interventions as 'radical'. Radical interventions made by HRM to support diversity management seek equitable outcomes rather than just equitable policies and procedures, as equal access alone is not enough to challenge the structures that have privileged dominant groups (Gatrell and Swan 2008). There is considerable evidence to show how a focus on group-level discrimination has significant impacts on equality in organizations. Wang and Kelan (2013), for instance, explored the effects of a 40 per cent gender quota on boards and CEOs in Norway, and confirmed how radical legislative pressures not only increased gender representation in the boardroom, but also had a spillover effect, forcing organizations to consider gender equality through their pipelines. However, radical approaches can be criticized for not seeking to create an inclusive and pluralistic organizational culture, which some scholars argue can lead to increased conflict and attrition of minority groups from organizations (Gottfredson 1992; Thomas and Ely 1996; Mckay and Avery 2005).

However, during the 1980s and 1990s, there was an economic turn in how HRM strategically approached equality. Rather than the aforementioned moral and compliance inspired paradigm, HRM instead began viewing heterogeneity as something that could be managed with a view to improve organizational performance and profit (Jack and Lorbiecki 2000). This marked a shift from a focus on group-level structural disadvantage, 'sameness' and compliance to one concerned with individual differences and how these could be leveraged to help drive business. This shift was predicated on the influential *Workforce 2000* report which predicted that the US workforce would become increasingly diverse and segmented (Johnston and Packer 1987). Two broad HRM paradigms to diversity emerged during this time. First, the 'access-and-legitimacy' paradigm focused on how organizations could increase business profitability through the alignment of demographic diversity with clients, products, markets and geographies (Thomas and Ely 1996). However, these practices were superficial and not embedded in organizational systems, for instance in performance and reward structures, which meant that long term behaviour change did not occur. Second, the 'learning-and-effectiveness' paradigm built on the 'access-and-legitimacy' paradigm by describing how HRM could leverage workforce pluralism in all aspects of business strategy and process (Thomas and Ely 1996; Thomas 1990). Moreover, Thomas (1990) advocated how HRM could focus on creating equitable organizational cultures as a way to yield similar or better performance than homogenous workgroups.

Jewson and Mason (1986) explain how these paradigms reflect a 'liberal approach' to diversity, which emphasizes equal access to opportunities, services, rewards and positions. The liberal approach seeks to remove obstacles to a meritocratic culture (ibid.). This is grounded in neo-classical economics and free market competition where reward is based on merit and discrimination is understood as at odds with a rational marketplace. The business case is pivotal to the liberal approach (Ozbilgin 2000). The study by Herring (2009), for example, reflects the rhetorical importance of the business case to diversity by showing how group heterogeneity is linked to an increase in sales revenues, customers and greater market share for organizations.

In this section, we have outlined how HRM historically supported diversity management through its commitment to legal compliance and increasing the representation of minority groups in organizations. However, there has been something of an economic turn in recent decades in which HRM has increasingly focused on how diversity can be leveraged to increase productivity and profit. There has been a turn in parallel away from group-level support to a focus on the individual and creating inclusive cultures that enable each employee to achieve success.

The rise and implications of neoliberalism

The overall turn by HRM from compliance and emotive inspired practices to a 'liberal' concern with 'managing' diversity, as a way to improve business performance, is concurrent with the broader rise of neoliberalism. Neoliberalism is a highly contested term that is related to both economics and the formation of subjectivities. Neoliberalism emerged in the UK and US under the Thatcher and Reagan governments (Duggan 2003). It represents a move away from civil rights and progressive left alliances and the convergence of centrist liberal and right wing, 'compassionate' conservatives, who together promoted ideas of liberty and economics for capitalist gain (Ong 2006; Wacquant 2010). The turn also reflects an economic transformation towards free market competition and global deregulation (Harvey 2005). The decreasing power of trade unions has also meant that private sector employers have enjoyed better relationships with government, which has meant that they have had stronger voices, channels and platforms of political and economic influence. Contemporary HRM practices have, therefore, taken root in such political and economic contexts (Jonsen et al. 2013). Neoliberalism has also been extended to the organization of subjectivity. Theorists of the late modernity have discussed how the individual has been liberated from traditional structures and constraints (Giddens 1991), and is now agentic and able to navigate changing economic structures, inequalities and obstacles (Beck and Beck-Gernsheim 2002). The implication of this is that failure becomes individualized (Allen and Henry 1997; Beck 2000). Neoliberalism can, therefore, be understand as a transformation of subjectivity where social structures are seen as less relevant for success than individual agency (Scharff 2016).

However, from an equality perspective, ideas around choice, agency and meritocracy are deeply problematic. Overall, although many of the traditional markers of inequality, such as the under-representation of minority groups, have not yet disappeared from the workplace, individuals rationalize these challenges as the result of their individual aspects rather than structural issues (Gill 2002; Gill et al. 2016). This has, broadly speaking, led to a situation where minority groups are unable to articulate how their identity might shape their experience (Gill 2014; Kelan 2008). There is significant evidence that people, therefore, turn to self-improvement as a way to feel liberated, empowered and autonomous, which reflects neoliberal discourses that work to gloss over inequalities that exist (Gill 2014; Gill and Scharff 2011; McRobbie 2007, 2009, 2015; Scharff 2015).

First, one of the key criticisms of more recent HRM practices to diversity has been its unilateral focus on meritocratic ideologies and how they negate exclusionary and unfair processes that structure organizations. This is what Acker (2006) considers to be the increasing invisibility and legitimacy of inequality regimes. Meritocratic ideologies falsely assume that all employees are endowed with the same rights and opportunities and that workplace success is the direct result of one's hard work and ability (Young 1990). This ignores the unequal systems that structure society and the barriers and obstacles to access and progression within organizations (Bradley and van Hoof 2005; Acker 2006; McDowell 2003a; Noon 2010). For instance, discursive constructions of the ideal employee are deeply gendered, classed and racialized. The implication of this is that the ideal employee or leader is implicitly perceived as a man, Western, white and middle or upper class (Acker 2006; Bebbington and Özbilgin 2013; Kang et al. 2007; Tatli et al. 2013).

Second, recent practices by HRM to diversity management have been criticized for their significant individualization of discrimination and inequality in organizations. Contemporary neoliberal discourses construct individuals as self-reliant, autonomous and completely agentic (Bauman 2001; Beck and Beck-Gernsheim

2002; Giddens 1991; McRobbie 2009). Thus, individuals do not construct their sense of self within broader organizational structures but instead draw on such individualistic discourses as these are normalized in contemporary workplaces (Scharff 2015). The result of this is that the individual becomes invested in ideas that through hard work and talent, they can navigate any obstacles or inequalities to achieve success. The implication is that when success is not achieved, individuals only have themselves to blame, although in reality, it is highly unlikely that the individual alone can transform organizational structures and cultures. Thus, current HRM practices to diversity management can be seen to undermine collectivism with regards to identity through obscuring group-based systematic inequalities.

One of the key strategic objectives to diversity management by HRM has been the attempt to train and equip minority groups with the skills required for success in the workplace. For instance, HRM has offered personal development courses around helping employees with their confidence. They may provide coaching to employees on how to: stop doubting oneself or fearing failure; look and feel more confident; speak up confidently and overcome 'shyness'; and increase one's self-belief and perform better. However, these courses are aimed at minority groups, particularly women, whereas men are presumed not to require such training. They aim to give women the skills they need to empower themselves in the workplace, as they understand the lack of progress made by women as related to self-confidence and women consciously holding themselves back from achieving their full potential. As men are not considered, the implication is that women are expected to behave similarly to men in order to get ahead in the workplace. Thus, women are blamed for their own lack of success rather than the structures and cultures that perpetuate misogynistic models of the ideal employee.

Third, there are potentially significant negative consequences of the 'economically' oriented, business-case approach to diversity. Unlike the compliance and ethical-based paradigm, more recent HRM approaches to diversity management are contingent on market and organizational competitiveness. Noon (2007a) suggests that this may lead to a 'pix-and-mix' approach to dealing with workplace equality, as organizational efforts and demographic differences may only be deemed relevant if they are believed to impact positively upon the business bottom line. However, Tatli (2011) suggests that the shift from the emotive, compliance-based approach to the neoliberal business-case approach has only been partial. She argues that the shift is evidence of the discursive representations of the practices rather than the practices themselves. This demonstrates how organizations have not moved away from traditional equal opportunities practices.

However, the net result of HRM practices is that ideas around equality have become embedded in ideologies that collude in inequality rather than challenging it. The focus on the individual, for instance, works to diminish the significance of group-level identities and works against collectivism (Jonsen et al. 2013; Noon 2007b, 2010). Thus, by focusing on the individual, employees reframe difference as individual uniqueness, which obscures the collective dimension of inequality and discrimination (Özbilgin and Tatli 2011).

HRM, precarious work and precarity

In this section, we argue that meritocratic and individualistic ideologies distract from broader HRM practices that have led to the rise of precarious forms of work. In particular, we focus on how precarious forms of work have a differential impact on minority groups, rendering certain groups more vulnerable than others. For instance, we explore the differential impact that precarious forms of work, such as part-time and zero-hours contracts, have on employees by age, gender and, moreover, class. Thus, despite recent attempts by HRM to 'help women with their confidence' or create 'inclusive' cultures that recognize each person as somehow 'diverse', they have pursued precarious contracts with employees and designed organizational structures which have had disproportionate implications on particular demographic groups.

The social and economic neoliberal transformations outlined in the previous section have resulted in greater demands for highly flexible labour as a way to avoid perceived soaring labour costs (Standing 2011). Relations between HR and employees during the latter part of the twentieth century were largely based on stronger labour laws, which protected employees from market volatility, unions and collective bargaining and permanent contracts which reduced employment risks (Herod and Lambert 2016; Kalleberg 2000). This has given rise to the irregular provision of work, unconventional work patterns, poor social protection and low income, all of which have met the needs of a HR function focused only on reducing the cost of labour and improving overall business profitability (Mandl et al. 2015; International Labour Organization 2012; OECD 2015). This has consistently been presented as a necessary price for investment and jobs, and that each economic set-back was due to a lack of flexibility and structural reform (Standing 2011). This has given rise to a dominating service sector while skilled and middle waged engineering and manufacturing occupations have collapsed (Alcock et al. 2003; Bluestone and Harrison 1982; Bradley 1999; Castells 1989, 1996; McDowell 2003a, 2003b, 2010). Industries have offshored production to geographies where labour is cheaper and have adopted technologies to increase efficiency and reduce headcount, while altering employment relations and managerial practices (Autor et al. 2006; Beck 2000; Bradley 1999; McDowell 2009; Robinson 1988). Goos and Manning (2007) explain that this has given rise to 'lousy jobs'. These jobs are low-skilled, low-paid, lacking in opportunity and precarious as they are based on part-time, casual and sometimes zero-hours contracts (Allen and Henry 1996, 1997; Beck 2000; Harvey 1989; McDowell 2000, 2003b; Nayak 2003; Nayak and Kehily 2013; Nixon 2005, 2006; Ritzer 2002; Salzinger 2003; Williams 2006). Thus, HR is contemporaneously able to make rapid changes to the size of their workforce, the individual working hours of employees and associated employment costs. The implication of these changes is that it shifts risks away from HR to individual employees (ITUC 2011).

Precarious occupations are, thus, work that is low-wage and insecure from the perspective of the employee (Kalleberg 2009). Precarious and insecure work creates greater economic inequality, insecurity and instability for workers, their families and societies (ITUC 2011). Precarious work affects 75 per cent of the global workforce (ILO 2015) and represents 50 per cent of the jobs created in the OECD since the mid-1990s (OECD 2015). In the UK, 3.2 million employees (1 in 10) are now understood to be in precarious forms of work (TUC 2016). Moreover, 1.5 million workers are now at risk of receiving no protection from employment rights, such as unfair dismissal or redundancy, and approximately 500,000 have no right to sick pay (ibid.). However, GMB (2017) recently found that up to 10 million or one-third of the workforce was in insecure employment in the UK. In addition, 61 per cent had suffered anxiety as a result of their current job, and 61 per cent had also been unwell for fear of not being paid, losing their job or missing important future hours (ibid.).

Contemporary HRM practices have given rise to insidious forms of precarious work that have had differential impacts on demographic groups. Judith Butler (2009) terms this differential impact 'precarity' to denote the politically or economically induced conditions in which certain groups or populations suffer from failing networks and support structures, and are, therefore, more exposed to exclusion, injury and death. Thus, already vulnerable groups are at greater risk of further suffering and exclusion as a result of the design and processes of existing socio-politico-economic structures. In this section, we attempt to understand how different HRM practices, such as organizational restructures and contract design, have not only led to an increase workplace precariousness, but also result in precarity for the differential impacts it has on various groups by, for instance, gender, age and class.

Casual work: zero-hour contracts, the young and working poor

Casual work refers to irregular and intermittent work based on fluctuations in the workload of employers. Mandl et al. (2015) identifies two different types of casual work: first, 'intermittent work' is where the employer approaches a person on a regular or irregular basis to carry out specific tasks, perhaps in the form of projects; second, 'on-call work' involves the continuous employment relationship between employer and employee but the employer does not guarantee work for the employee, and where HR plays a crucial role in defining the contracts, recruitment through newspapers and social media and workforce management. Zero-hour contracts are an example of 'on-call' casual work. Zero-hour contracts have increased in recent years, especially in the UK. According to the CIPD (2013), 1 million workers are now on zero-hour contracts in the UK, which contradicts the 250,000 figure, less than 1 per cent of the workforce, cited by the Office for National Statistics. Between 2004 and 2011, the number of UK businesses using zero-hour contracts increased from 4 per cent to 8 per cent (Van Wanrooy et al. 2013).

There are a number of reasons why HRM support businesses to design and implement zero-hour contracts. First, zero-hour contracts enable businesses to transfer the burden of production demand onto its workforce (Resolution Foundation 2013). In other words, businesses can respond to fluctuations in demand for products by reducing or 'zeroing' out contracts with much of their workforce, which enables them to manage effectively the cost of staffing when production falls. Second, the use of zero-hour contracts builds a reserve of workers, which reduces hiring and training costs when demand increases, as those on zero-hour contracts have already been 'hired' and 'trained'. Third, some businesses use zero-hour contracts as a way to avoid the costs associated with formal employment obligations, such as providing maternity or paternity leave, the right to request flexible working and offering redundancy pay. Moreover, those on zero-hour contracts have little protection against unfair dismissal.

Zero-hours contracts have detrimental impacts on employees. Workers on zero-hours contracts are not entitled to any pay if the employer cannot provide them work. They are paid for the actual working and waiting time at the premises, but not for inactive time. Employees are typically employed on contracts that, for instance, guarantee work for 336 hours a year, which is approximately 7 weeks of work for 48 hours per week. Almost 50 per cent of zero-hour workers claim that they are given no notice that their shift has been cancelled (CIPD 2013). Zero-hours workers can decline a shift and another person will be contacted by an agency, but evidence suggests that repeated refusals decrease the likelihood of that person being asked again. For instance, 17 per cent of zero-hour contract workers said that they are sometimes penalized if they refuse a call in, and 3 per cent said that they are always penalized. Zero-hours workers earn £3.80 less an hour than the average employee (TUC 2016). In addition, 38 per cent of zero-hours workers describes themselves as being employed full-time compared to 62 per cent who work part-time (CIPD 2013). Those on zero-hours contracts also work fewer hours on average, 21 hours per week, in comparison to those on different contracts who work approximately 31 hours per week (Resolution Foundation 2013). Moreover, they have little or no rights against unfair dismissal or guaranteed weekly hours for the vast majority of the working year, which led to Unite (2013) advocating their ban because of their breach of employment rights, creating insecurity and exploiting workers. The net sum of this is that those on zero-hour contracts are more likely to fall into poverty.

A Select Committee for the House of Commons (2016) was set in to explore the disturbing working practices and business model, including pervasive use of zero-hour contracts, by Sports Direct in the UK. This was provoked by media coverage of sweatshop and Victorian-like working conditions in the business. Sports Direct is the largest retailer in the UK, with around 465 stores, and its headquarters and warehouse are based in Shirebrook, Derbyshire, where there are 200 employees and 3,000 agency workers, employed by The Best Connection and Transline Group. Agency workers are employed on contracts guaranteeing work for only 336 hours a year (7 weeks of work if working 48 hours a week). In reality, agency workers work 40 hours a week for nine weeks at the beginning of the year, after which Sports Direct have no contractual obligation to guarantee weekly hours and wages. Therefore, the worker must remain available for work that may never materialize. Workers were not paid national minimum wage and were penalized for 15 minutes of pay if they clocked in late or took a water break.

Sports Direct also used a 'six strikes and you're out' policy as a punitive measure to control and dismiss workers, who did not, in turn, challenge strikes as they were not offered further hours. Evidence was also presented to the committee that permanent contracts were offered in exchange for sexual favours. The committee also raised concerns regarding the legality of so-called voluntary schemes employed by agencies, such as pre-paid debit cards and insurance services, which were often deducted from wages without consent and without proper explanation of what the deductions covered. Finally, the committee was concerned with the seriousness of health and safety breaches at the warehouse. In total, 110 ambulances or paramedic cars were dispatched to the warehouse between 2013 and 2016, with 50 of those cases considered life-threatening, including chest pain, breathing problems, strokes and pregnancy difficulties, with one women giving birth in the warehouse toilet.

However, zero-hour contracts have a disproportionate impact on younger workers from poorer socio-economic backgrounds, as they are twice as likely to be on zero-hour contracts (CIPD 2013). In the UK, 37 per cent of those on zero-hour contracts are aged between 16 and 24 years old. Those on zero-hour contracts are also less likely to have a degree, 21 per cent, in comparison to 31 per cent on other contracts, with GCSE likely to be their highest qualification. Such dead-end jobs with no training, decent pay and limited prospects, can lead to apathy, resignation and anxiety among young people. The risk of limited financial independence for young people and their dependency on social welfare can result in further socio-economic exclusion (International Labour Organization 2012). The labour market experiences of young people have increasingly become protracted, unstable and fragmented.

McDowell (2003b) traces the precarious transition of 24 young men over two years from completing school to entering the labour market. The working-class men were interviewed in Sheffield, as of its declining industry, and Cambridge, as of its history of service sector employment. McDowell highlights how young working-class men are disproportionately impacted by the loss of traditional, stable and secure work. Although contemporary media portrays them as troublesome, yobs, laddish and hooligans, this masks much deeper processes unfairly structuring the lives and opportunities of young working-class men – in particular, the difficulties they face gaining access to a liveable wage and work in which they feel they can express their gender identities. Instead, rather than being able to express their physical and masculine traits in factory work or engineering, these working-class men are often forced to take up work traditionally codified as feminine.

Part-time work and women

Part-time work may exhibit characteristics of precariousness. There is of course a difference between voluntary and involuntary forms of part-time working, where factors such as personal choice play a role. However, this does not mean that voluntary forms of part-time work do not carry risks, including lower quality positions, lower pay, fewer opportunities particularly to advance one's career, lack of training and reduced hours. According to Europole (2016), part-time work represents 7 per cent of total employment across the 28 EU member states, concentrated in traditionally female-dominated sectors such as education, health and social care. Part-time workers earn less per hour than full-time workers and have lower returns relative to those of similar experience and seniority (Kalleberg 2000). Buddelmeyer et al. (2005) suggest that 5 per cent of workers in the EU use part-time work in order to gain access to full-time employment, which suggests that those on part-time work are instead seeking full-time work but are perhaps struggling to do so. Part-time workers are also at greater risk of in-work poverty (Europole 2016).

Women are over-represented in precarious occupations, such as cleaning, food processing and garment production (International Labour Organization 2012). Part-time work is a strong indicator of precarious work, and women are over-represented in this work as of constraints on childcare and domestic responsibilities (ITUC 2011). Across the EU, 32 per cent of women worked part-time in comparison to 8 per cent of men (Sandor 2011). In the UK, 45 per cent of women workers are currently part-time, with a majority of British women working part-time at some point during their lives (Manning and Petrongolo 2008). Although the pay gap between men and women continues to fall, there are nonetheless significant differences between part-time and full-time work. While those of full-time women have risen in relation to those of men, this has not happened with those of part-time women, which represents a part-time work penalty for women. In the UK, women earn hourly earnings of 22 per cent less than women working full-time (Manning and Petrongolo 2008). Thus, women in part-time positions rarely earn enough to become financially independent. A study by Oxfam International and European Women's Lobby (2011) suggests that precarious employment may lead to increased discrimination in the workplace, domestic violence and rising poverty.

Organizational rightsizing and the bourgeois precarity

The rise of precarious work started in low-skilled occupations but has now become ubiquitous. There has also been a significant erosion of middle class occupations, including highly skilled and paid manufacturing jobs and professional and managerial occupations (Newman 2008; Sullivan et al. 2000). In the US, for instance, the passing of the NAFTA trade agreement led to the shifting of jobs abroad from high-wage, unionized to low-wage, non-union jobs (Newman 2008). The Bureau of Labour estimates that more than 30 million full-time workers lost their jobs involuntarily between the early 1980s and 2004 (Uchitelle 2006). During this period, there was a focus on 'rightsizing' or 'downsizing' in which executives wished to create 'leaner and meaner' organizations, with the objective of significantly reducing labour costs and increasing profitability (Sullivan et al. 2000). This has continued as, for instance, between 2008 and 2010 US-based firms cut 2.9 million jobs and expanded jobs outside the country by 2.4 million (Standing 2014).

There have been significant implications of rightsizing on employees. Between 1984 and 1986, 600,000 mid- and upper level executives lost their jobs, while between 1987 and 1990 alone, c.2 million separations were documented as a result of such mass layoffs (Sullivan et al. 2000). Another effect of job interruption can be bankruptcy as unpaid bills become impossible to pay off once back in work. The majority of those who file for bankruptcy do so while in work but after experiencing significant job interruption (Sullivan et al. 2000). Precarious employment increases the anxiety around future possible redundancies and confidence regarding finding comparable jobs (Kalleberg 2009). Sullivan et al. (2000) explore in detail the implications that redundancy can have on the occupational progression of workers, including: 'job skid' into new jobs with lower pay and responsibilities after being made redundant; 'job erosion', which refers to those jobs that have been eroded either directly through pay reductions or demotion or through loss of benefits such as insurance or health; and finally, 'job loss cascade', which refers to the trigger of unhappy events linked to job loss, including bankruptcy and familial discord. The public sector has also undergone significant restructures as governments have contracted out services into the private sector, which are in turn carried out by agency staff, increasing the precariousness of the public sector. In the UK, the loss of some 400,000 public sector jobs will have had the greatest impact on women, who represent 65 per cent of public sector workers (ITUC 2011).

There has thus been a rise in precarious forms of employment among highly educated and skilled workers. Even those freelancers and contractors who are remunerated well can suffer precarity. Jarvis and Pratt (2006), for instance, explore the negative overflow of work onto the self-employed in the media industry in San Francisco. They explore the 'hidden costs' of such work, for instance, the additional hours worked as well as the physical or psychological burdens of 'always being on it'. The difficulty in sustaining after work hours such as socializing, particularly as one gets older, and with increased domestic responsibilities, keeping up to date with the latest products and finding time to attend the right parties and events to maintain and build new contacts becomes increasingly difficult. Employees are expected to network in order to remain competitive, 'face time' with clients and remain flexible to work additional hours. Even when contractors are paid well, they may lose time off as they move from project to project, and domestic responsibilities and concerns are blocked out and unattended to, even when one works at home. Similarly, Gill (2009), drawing on autobiographical evidence and conversations, documents the chronic anxiety, 'toxic shame', long hours and the temporary, precarious nature of work emerging in the academic profession. These emerge from increasing precarious contracts, particularly among junior academics who are forced to take up such roles rather than full-time secure positions, as well as the overbearing demands placed on academics to publish and carry out additional 'free' administrative duties in the university. There has been increasing media scrutiny of temporary academic staff, including the experience of neo-poverty, depression and anxiety (The Guardian 2016)

Intersectionality and ethical practices

As we argued earlier in this chapter, HRM practices supporting diversity were historically concerned with legal compliance. However, in recent decades, HRM has become concerned with how diversity can be leveraged strategically for business profitability and espoused individualistic tropes that render individuals responsible for their own success and change in organizations. These ideologies represent economic success as achieved only by those individuals who 'deserve it'. This falsely assumes that everyone is endowed with equal opportunity and disparities in achievement are perceived as based on hard work and/or intelligence. However, most people cannot see the unequal systems of distribution that structure society (McDowell 2003b).

We have argued that the ideologies and individualizing thrust of HRM practices supporting diversity detract from much deeper practices that have given rise to precarious forms of employment. There is an assumption that the effects of socio-economic inequality run equally across all groups and communities. However, by drawing on the idea of 'precarity' by Judith Butler, we have explored at a high level how this precariousness has had a differential impact on diverse groups, specifically by gender, class and age. HRM has ineffectively supported diversity as it is focused only on 'helping' individuals to achieve success and has often ignored other, more fundamental practices that have exacerbated the experiences of minority groups in organizations.

Thus, HRM must develop a much more systematic set of practices to support diversity management in organizations. First and foremost, this must involve a much deeper way to understand the experiences of diverse individuals and groups at work. This could involve the aggregation of identity categories, such as age, gender and sexuality, to analyse how they intersect with broader aspects of the workplace, for instance, pay, promotion and organizational design. This would require HRM to understand diversity as intersectional. In her seminal article, Acker (2006) draws on the notion of the 'inequality regime' to reflect on how formal and informal, actions and meanings perpetuate, reconfigure and contradict class, gender and racial inequality within specific organizational contexts. This reflects the complex and fluid nature of inequality, dominance and oppression. For instance, Acker (2006) describes how class hierarchies are organized through job tasks and responsibilities, which are, in turn, linked to organizational hierarchies and remuneration. The roles of women are often poorly defined in comparison to those of men and linked to lower rankings and wages. Acker (2006) also explains that employees use gender, race and class assumptions when interacting with others. Minority individuals might be devalued in the workplace through, for example, sexual harassment, exclusion in meetings and job performance reviews. Organizational controls that maintain these processes are both direct and indirect controls include bureaucratic rules, reward and remuneration and indirect controls, such as monitoring of telephone calls and internet use.

Second, HRM practices to diversity management must engage with broader ethical ideas and questions around the important role that work plays in flourishing and sustaining life. Butler (2009) suggests that engaging with precarity and precariousness requires an ontological move away from a focus on individualism and directing attention to the conditions that sustain life, which either enhance or reduce its precariousness. As Butler remarks, 'there is no life without the conditions of life that sustain life'. Lives are affected by basic socio-economic conditions of physical persistence – shelter, warmth and food – and normative conditions which shape who may be recognized within a culture as a subject capable of living in a way that counts. Thus, HRM must consider its fundamental role in shaping the conditions inherent in precariousness and the socio-political operation of precarity in organizations. Work is more than just maximizing profits or shareholder value; it is also fundamental in sustaining healthy corporeal and psychic experiences in the workplace. This represents a much broader motive for HRM practices. HRM cannot take the idea of 'human' or of 'life' for granted, as to do so would be to fail to think critically and ethically about the consequential ways in which a person is produced, reproduced and sustained in contexts of precarity and precariousness.

HRM must significantly reconsider how it understands inequality and its broader ethical and moral obligations to the conditions of sustaining life. Possible future research questions for scholars and practitioners could include:

- What are the ethical objectives of HRM?
- How can organizations build more ethically reflective HR functions?
- How can HRM understand more effectively intersectional identities and the complexity of inequality, particularly in relation to socio-economic or class inequality?
- What interventions can be designed at the group level to support the development, progression and potential of demographically diverse groups?
- How can HR create an inclusive organizational culture by changing the culture of dominant group members?

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7 Organizational outsourcing and implications for HRM

Fang Lee Cooke

Introduction

Organizations are under growing pressure to improve their performance in order to maintain their competitive advantage (in the private sector) or accountability to the public (in the public sector). Outsourcing part of the business activities is seen as a viable option, strategically and pragmatically, to improve efficiency and quality of services and to develop organizational capabilities. Outsourcing involves the contracting out of a business activity, including some of their human resource functions, which used to be carried out in-house, to an external party. Outsourcing may also involve the transfer of staff and assets from one business entity to a new party that is to perform the outsourced activity as part of the changeover process. The decision-making process as to whether to 'make or buy' (goods) or 'supply or buy' (services) has been conceptualized by Williamson's (1985) transaction cost economic model. According to this model, firms should decide whether to provide goods and services internally or to outsource based on the relative costs of production and transaction. Other scholars have argued that firms should focus on their core competence and outsource activities that are non-core or that others can do better (e.g. Prahalad and Hamel 1990) or outsource as a valuable learning process for the firm to acquire organizational competence (e.g. Barney 1991). In short, organizations' outsourcing decisions are underpinned by different motives (see Table 7.1), with diverse impacts which are not always well thought through beforehand or may only unfold in the outsourcing process.

In this chapter, we explore motives of organizational outsourcing and the trends and patterns these activities have taken in the last three decades or so domestically as well as cross-border. We assess a range of HRM implications for the outsourcing client and supplier firms, as organizations externalize their once-internal activities and employment relationships. We also examine the extent of offshore outsourcing fuelled by economic globalization and the impact this may have for the workforce domestically and offshore. We demonstrate that outsourcing, while providing a range of national, organizational and individual benefits, may have broader social and economic ramifications as a result of the restructuring of organizational activities and the extending of the global value chains, which have become 'buyer-driven' rather than 'producer-driven' (Flecker and Meil 2010: 681).

Trends and motives of organizational outsourcing

Outsourcing of organizational activities has long existed but has become more common and larger in scale in developed countries like the UK and US, first in the manufacturing sector since the 1980s, followed by the public sector since the 1990s, and then private and, to a lesser extent, public services since the late 1990s. These outsourcing trends are driven by different motives, financial and political, and business strategies, as indicated in Table 7.1.

Table 7.1 Summary of main motives/reasons and theoretical explanations of outsourcing

Examples of types of outsourcing and main starting period	*Main motives/reasons for (offshore) outsourcing*	*Theoretical perspectives*
Manufacturing activities mainly in the private sector (heavy involvement in offshoring) 1980s	• Reduction of operational cost (e.g. labour costs) • Economies of scale and scope from the outsourcing supplier firms • Focusing on organizational core competences • Increased flexibility • Overcoming trade union militancy • Closer to the market	• Transaction cost economics • Resource-based views • Strategic/dynamic capability • Political economy • Institutional theory • Competitive advantage • Resource-dependence theory
Functions in the public sector Late 1980s and accelerated in the 1990s	• Political agenda • Fiscal constraints and the need to cut cost • Improving efficiency of public sector management • Pressure to reduce public sector size • Cultural change • Increased flexibility	• New Public Management theories • Politics (e.g. neoliberal reform) • Organizational learning • Macro and micro politics • Agency theory
Business processes, IT and R&D activities in the private and public sector (heavy involvement in offshoring particularly in the private sector since the 2000s) Late 1990s and 2000s	• Reduction of operational cost (e.g. labour costs) • Economies of scale and scope from the outsourcing supplier firms • Focusing on organizational core competences • Increased flexibility and responsiveness to customers • Increased speed in product development • Taking advantage of technological innovations in the market	• Transaction cost economics • Resource-based views • Strategic/dynamic capability • Resource-dependence theory • Competitive advantage • Agency theory • Real options theory • Innovation

Source: Compiled by the author; see also Cooke et al. (2005); Hitt (2011); Javalgi et al. (2009); Marchington et al. (2005); Mol (2007); and Wu and Park (2009).

Manufacturing outsourcing

Much of manufacturing outsourcing involves offshoring mass production from developed to less developed countries, with China and other Asian countries as the main offshoring destination countries. As Table 7.1 suggests, there are several main reasons for this move, ranging from the reduction of operational cost, economies of scale and scope from the outsourcing supplier firms, focusing on organizational core competences, manufacturing flexibility, to developing dynamic capabilities by moving up the value chain and so forth (e.g. Chandler 1990; Michael and Michael 2012; Scherrer-Rathje et al. 2014; Wernerfelt 1984).

One vital aspect concerning HRM is the attempt to weaken workers' bargaining power through outsourcing, since traditionally the manufacturing industry has been the heartland of unionism, and it was believed that union militancy has crippled productivity in the UK and the US (e.g. Kessler and Bayliss 1998; Sallaz 2004). As Sallaz (2004) argued from a post-industrial production politics perspective, increased production mobility through outsourcing and plant relocation enables capital to wage wars on the workers in two ways. One is by moving plants away from areas where labour is strong and wages high as a result of unionism to places with no/weak unionization and repressive labour laws. The other is by forcing workers to accept concessions on their employment terms and conditions and play them off against another until finally they lose their jobs. Management strategy to weaken labour solidarity is also found in Germany through institutional change in industrial relations (IR), as Holst (2014: 5) put it, 'from organized to flexible capitalism'. Similarly, Mazzanti et al.'s (2011) study of production firms in Northern Italy shows that IR plays a salient role in outsourcing and offshoring decisions, more so than the transactional costs concern.

Public sector outsourcing

Public sector outsourcing in the UK and other developed countries became a prominent trend in the 1990s as the ideology about the role of the state and consequently the way public services may be delivered evolved (e.g. Hood 1991; Minogue and Hulme 1998). The public sector was seen as inefficient, overextended and overpaid compared with the private sector. An alternative approach, one that reflects the neoliberal reform agenda, was promoted through which to create a market-friendly, lean, decentralized, customer-oriented, managerially competent and democratic state. The aim was to improve accountability of public spending and provide better services (Hood 1991; Minogue and Hulme 1998). In addition to internal reorganizing, outsourcing of public services to private firms and not-for-profit organizations was used as a means to implement the New Public Management ideology to various degrees in different countries (e.g. Cunningham and James 2009; Grimshaw et al. 2015; Teicher et al. 2006). In the UK, this has been achieved through a series of government initiatives such as compulsory competitive tendering, Best Value and later on public–private partnership (PPP) (Cooke 2006a). While PPP initiatives have been spread around the world, the UK has been 'at the forefront in promoting PPPs' (Smith 2012: 96; see also Grimshaw et al. 2002; Marchington et al. 2003; Whitfield 2010). Although tangible financial benefits (e.g. cost savings) were reportedly evident from the contracting out, empirical studies from the UK and abroad have revealed hidden costs and negative impacts, including the reduction of quality of services and the declining well-being of the workforce (e.g. Kessler et al. 1999; Smith 2012; see also below for further discussion).

Activities outsourced from the public sector span a wide spectrum, such as cleaning, security, estate maintenance, social care, housing benefits administration, passport services, HR functions, IT system development and maintenance and financial services (e.g. Grimshaw et al. 2015; Marchington et al. 2005; Rubery et al. 2015; Smith 2012). Local governments' outsourcing decisions are influenced by internal conditions and ideological commitment from the government/political climate, as well as broader institutional factors such as the level of labour market regulation (e.g. Grimshaw et al. 2015). These factors in turn affect how the outsourcing will be carried out and what implications there may be for people management.

Business process offshore outsourcing

Business process outsourcing (BPO) in an offshore mode became popular from the late 1990s when private sector companies sought to enhance their competitiveness, although there is also a small but growing proportion of offshore outsourcing from the public sector where regulation permits. Javalgi et al. (2009) identified three main types of business activities for offshore outsourcing: people-based/customer contact services, IT and IT-enabled services and knowledge-based services. If the earlier PBO activities were more focused on the first two types of activities, then there is a trend of expanding into the third type in recent years as the human capital level increases in offshore BPO destination countries as firms continue to seek value creation through BPO to maintain their competitive edge (e.g. Javalgi et al. 2009).

Asian countries such as India, China, the Philippines, Indonesia, Vietnam, Sri Lanka and Bangladesh are among the popular offshore BPO destination countries, in addition to Central and Eastern European countries. India is by far the most popular BPO destination country owing to its strong IT competence and abundance of supply of university graduates who are conversant with the English language. It was reported that the global BPO industry was worth of US$186 billion as of 2017, with India taking 36 per cent of the business, though its market share is being encroached upon by other developing Asian countries (Ahuja 2017; see also Javalgi et al. 2009 for a review of BPO in emerging economies). According to Remesh (2014), BPO is one of the sunshine sectors of the Indian economy that arose in the late 1990s and grew rapidly. However, job growth in the offshore BPO sector in less developed countries has been characterized by quantity rather than quality, as we shall see below (e.g. Beerepoot and Hendriks 2013; Combs et al. 2010; Remesh 2014).

Outsourcing and the restructuring of value chains

As we have seen, outsourcing from the public to private sector typically involves the transfer of service provision, including, for example: social care (e.g. Cunningham and James 2009; Rubery et al. 2015), administration activities, hospital ancillary services and IT services (e.g. Marchington et al. 2005). These largely take place domestically, although a small proportion of services may be offshored. By contrast, outsourcing in the private sector mainly involves the transfer of production, R&D activities, IT software development, back office administration and services across firms within the sector domestically in developed economies as well as to offshore locations in less developed countries, notably Asia, Eastern and Central European countries and, to a much lesser extent, African countries.

Outsourcing and the need to manage the outsourcing relationship creates a value chain or extends the existing one, which is often captive. For example, Flecker and Meil (2010: 687) observed 'captive software value chains' in the offshore outsourcing of software industry in which the dependent captives carry out 'dedicated work for the core unit'. Where the outsourcing client firms are large and influential, they may have the power to (re)shape the industry and restructure the value chains in hierarchical order where less developed destination countries and smaller firms at the lower end of the value chain may have little bargaining power. While highly interdependent, these hierarchical relationships often exhibited in the outsourcing relationship have direct impacts on a wide range of aspects of HRM, as we shall see in the rest of the chapter.

Outsourcing and HRM implications

In spite of the espoused benefits of outsourcing of organizational functions, extant research has revealed a range of mixed but primarily negative consequences of outsourcing on HRM for both the client and supplier organizations, with the latter generally more affected than the former (e.g. Kessler et al. 1999; Rubery et al. 2004). It also has implications for the organizations concerned. Implications seem to be more diverse in offshore outsourcing relations, in part contingent upon the nature of the business and the destination countries. Table 7.2 summarizes the key elements of HRM implications for employees and the organization involved in the outsourcing activities (see also Fisher et al. 2008). These aspects are discussed in this section under several sub-themes, including:

- Job security and employment terms and condition;
- Work organization and control;
- Human capital development and career opportunities;
- Psychological impacts;
- Workers representation;
- Innovation, knowledge transfer and absorptive capability;
- Labour market effects;
- Additional HRM implications for offshore outsourcing; and
- Ethical and diversity issues.

Table 7.2 Implications of outsourcing for HRM in outsourcing client and supplier organizations

HRM/IR implications for client organizations	*HRM/IR implications for supplier employees/firms and the labour market*
Potential positive implications	***Potential positive implications***
• Acquisition of new skills to manage the outsourcing relationship (e.g. inter-organizational management skills, communication skills, report writing skills, problem-solving skills) • Organizational learning and capacity building	• Training and skill development opportunities for individuals • Opportunities to work on different projects • Opportunities to cross over and become client firm employees (not very common) • Enhanced employability for individuals due to human capital development, especially in offshore outsourcing destination countries (mainly less developed countries) • Creation of employment
Potential negative implications	***Potential negative implications***
• Job insecurity (e.g. downsizing, plant closure, ongoing threat of further outsourcing) • Loss of organizational identity and status for those transferred to the outsourcing supplier firm • Loss of technical/professional skills due to tasks being outsourced • Reduction of training, development and career advancement opportunities • Work intensification due to reduction of in-house staff and trouble-shooting/doubling up of workload when supplier firms fail to deliver services adequately • Negative psychological outcomes (e.g. survivor mentality; increased stress, anxiety, fear and turnover intent; reduced organizational commitment and engagement) due to organizational restructuring and other changes (e.g. downsizing, loss of colleagues, destruction of work routines and work teams) • Dilution of union strength and workers' collective representation • Cultural clashes between the two organizations and societies in offshore outsourcing situation • Social cost for mass redundancy as a result of outsourcing	• Job insecurity due to the short-term nature of the outsourcing contract • Lower remuneration income (e.g. wage, pension, benefits) than those performing similar tasks in the client firm • Limited training beyond immediate skill needs • Lack of career development opportunities • Lack of autonomy and decision power • Performance managed by employees from outsourcing client firm • High level of performance pressure and client as well as customer (for those providing customer services on behalf of the client firm) expectations • Hidden hierarchy in which client firm employees implicitly assume a superior position • Lack of workers' collective representation/organizing (not necessarily seen as a negative implication by the firm) ***Additional implications for offshore outsourcing supplier employees/firms*** • Unsocial working hours/work–life conflicts due to time zone differences (with gender impact) • Well-educated (and often relatively young) employees performing routine tasks and managed by staff from outsourcing client firms who are less well-educated but more experienced with the business • Poor psychological outcome and well-being • High attrition rate due to e.g. lack of career opportunities, low job satisfaction and poor pay • Poor employee performance due to the lack of motivation, commitment and engagement • Increased cost of training due to skill shortages and high attrition rate • Poor business strategy of client firms leading to all sorts of HRM issues • Inequality in gender, ethnicity, religiosity and social class in the labour market as a result of offshore outsourcing supplier firms creaming off the best employees, leaving those less competitive trapped in less competitive domestic firms

Source: Compiled by the author.

As indicated above, and in line with this volume, we adopt a relatively broad analytical framework of HRM here to include issues related to organizational behaviour, functional HRM, industrial relations, employment and the labour market. It is important to state at the outset that the list of positive and negative implications for employees and organizations in the outsourcing relationship are indicative rather than exhaustive. These implications are also potential rather than actual, contingent upon how employees experience the outsourcing process and outcomes, particularly those who have been transferred from the client to supplier firm (e.g. Kessler et al. 1999).

Job security and employment terms and conditions

Job security and decline of employment terms and conditions are some of the major socio-economic impacts of outsourcing on employees from the client organizations. Extant research has shown that redundancy is common when public organizations and private firms outsource their business functions. In developed economies and organizations where there is a strong industrial relations institution, such as the strong presence of the trade unions, to workers' rights and interests, job cuts are often accomplished through voluntary redundancy programmes with attractive severance packages. Such practices are particularly common in the public sector in the UK (e.g. Marchington et al. 2005; Smith 2012). This means that the organization might end up losing the most marketable employees and retaining those who are less marketable or productive, thus reducing the efficiency of the organization. Another situation may be that marketable employees take redundancy package and then find employment in other civil service departments, thus creating hidden costs for such organizational restructuring at the tax players' expense (e.g. Smith 2012). In addition to layoffs, organizations may offer redeployment opportunities, but these are often associated with new employment terms and conditions that may require, for example, a greater level of flexibility (e.g. Cunningham and James 2009).

Downsizing or closure of the internal business unit as a result of outsourcing is often achieved through the transfer of employees from the client to the supplier organization (e.g. Cooke et al. 2004; Grimshaw and Miozzo 2006). Although national laws in countries like the UK may provide some legal protection in principle to preserve the employment terms and conditions of the transferred employees, employment terms and conditions can still be changed, and often eroded, when the new employer carries out business restructuring legitimately (Cooke et al. 2004).

For the employees in the outsourcing supplier firm, short-term employment contracts are common due to the short-term nature of the business outsourcing arrangements. They also tend to earn less, especially in low-skilled jobs. For example, Berlinski's (2008) study of the outsourcing of cleaning and security services in the banking sector shows that employees in the outsourcing supplier firms earn 15–17 per cent less than their counterparts employed by the client firms. Increasingly, it is common for outsourcing supplier firms to deploy staff from employment agencies to provide staffing flexibility and reduce financial risks, adding further complexity in people management (e.g. Rubery et al. 2004). In general, these agency staff may suffer from lower job security and other inferior employment terms and conditions than the formal employees directly hired by the supplier firm. However, there may be situations where these agency workers receive a higher level of pay where their skills are in short supply in the labour market. Individuals may deliberately opt for agency employment to maximize their short-term financial return and work flexibility, as is found in the case of the housing benefits administration in the UK (e.g. Marchington et al. 2003).

Other research also reveals a multi-tier workforce staffing strategy in the outsourcing supplier firm in which managers and specialists may be hired on individual contracts with lucrative employment packages but are under intense pressure to deliver and are in precarious employment position at the upper end of the job ladder (e.g. Smith 2012). Working in the same firm with these key employees may be temporary workers or agency staff on inferior employment terms and conditions, only to lose their job when the company is able to offshore work to lower-cost countries (Smith 2012). These pragmatic and strategic staffing arrangements offer firms labour cost advantages as well as labour flexibility but may also bring risks and negative impacts (see below for further discussion).

For highly skilled/professional occupations, outsourcing from the public to the private and often multinational firms may actually present better opportunities for the IT professionals to be working in a more technically enabled environment to keep pace with the technological development. They may even enjoy good employment terms and conditions, as found by Flecker and Meil's (2010) case study of software development outsourcing in European countries. Therefore, lengthening the value chain and network relationships does not always lead to negative employment outcomes for the employees delivering the outsourcing services (Flecker and Meil 2010).

Work organization and control

Outsourcing triggers not only work reorganization in the client organization but also specific ways of work organization and control in the supplier firm, often involving some monitoring and supervisory role from the staff of the client organization (e.g. Davis-Blake and Broschak 2009; Marchington et al. 2005). As noted earlier, outsourcing relationships create a value chain in which the client firm usually exerts a commanding position, via its employees, over the supplier firm. For example, Rubery et al.'s (2003) study of ground handling services at a large airport in the UK shows that airline employee representatives, even though they are employed at relatively low level, play a rather hands-on role in managing the passenger handling agents' work and performance despite the latter being employed by another company and have no formal management–employee relationship with the airline representatives. However, cross-organizational control and power exertion from the client firms may not always be accepted. As Flecker and Meil (2010: 690) found in the IT outsourcing relationships, although 'the governance of inter-organizational ties can largely be termed 'relational' . . . the power relations are often contested'.

Existing research evidence often points to the devaluing of work and the lack of autonomy of those delivering the outsourcing service. For example, Howcroft and Richardson's (2012: 111) study of an IT-enabled service outsourcing delivered through shared service centres shows how standardization of work processes has been used by organizations in the study 'as a means of facilitating organizational restructuring into shared service centres' by reframing highly skilled back office work as routine service work. As Howcroft and Richardson (2012: 111) argued, standardization

> is the vehicle that drives the commodification of the labour process as tasks are fragmented, quantified and traded in the global sourcing of services, allowing work to be lifted out of traditional organisational structures and placed elsewhere, or outsourced to other service providers.

Similarly, Rubery et al.'s (2015: 753) study of the outsourcing of social care services in the British context 'reveals widespread tendencies' among domiciliary care providers 'to use zero-hours contracts and limit paid hours to face-to-face contact time, leaving travel time and other work-related activities unpaid'. Owing to the 'strict time-based local authority commissioning', care workers are demanded to work most efficiently on the one hand, and demonstrate a high level of work engagement to provide the best care service on the other (Rubery et al. 2015: 753). As a result, care provider organizations 'can at best adopt human resource policies that are partial routes to failure, as evident in widespread recruitment and retention problems' (Rubery et al. 2015: 753).

The need for flexibility and work intensification are perhaps the two most distinct features in outsourcing service provision. This happens not just at the lower end of the skill level but also in specialist work as organizations seek efficiency and competitiveness relentlessly though outsourcing. For instance, Flecker and Meil's (2010: 688) study of software development shows that there is 'an overall trend toward an increasingly flexible use of working time and an intensification of work', with some countries more able to take advantage of their national labour market institutional arrangements than others. For instance, in less regulated labour markets, firms are more able to require staff to work longer hours, weekends and long-distance work that leads to long periods of absence from home.

When employment terms and conditions and work processes are managed in a highly cost-oriented/transactional manner, the quality of work may be compromised, sometimes with serious security consequences. For example, Ball's (2010: 294) investigation of 'data protection (DP) compliance in the multi-client outsourced call centre' in South Africa reveals that 'compliance is affected by the manner in which employees are paid, contracted and performance managed' (Ball 2010: 294). This finding suggests that cross-organizational control (e.g. providing tight scripts for workers to follow in handling client calls to make sure clients' confidential information is not disclosed in an unauthorized manner) may not be an effective means to secure performance standards. Instead, the quality of the employment relationship has strong implications for information security of the organization (Ball 2010).

In public sector service outsourcing, 'cost-cutting and work intensification associated with PPPs present a significant threat' to public sector values such as a concern for the public's welfare and well-being instead of profit orientation characteristic of the private sector (Hebson et al. 2003: 481). In addition, Hebson et al.'s (2003: 481) examination of PPPs in the healthcare sector and housing benefits administration services shows

> a clear weakening of traditional notions of managerial accountability and bureaucratic behaviour, reflecting both a shift to new lines of accountability (private sector shareholders) and a vicious circle of monitoring and distrust between partner organisations, in place of the old faith in bureaucratic process.

In this sense, the public sector has not been able to gatekeep its values and ethos despite attempts to exert a certain level of control through contractual agreements and other soft monitoring mechanisms.

In the private sector, client organizations may also play a highly active role in ensuring that the organizational culture and value propositions are projected properly to the customers by the workers from the outsourcing supplier firms. This is necessary to create an external image that the customers are receiving services from the client company directly. Such interventions represent a form of control from the client organization on the staff of the outsourcing supplier firms. And when the staff have to work on several client contracts, this may add further demand on the individuals (e.g. Rubery et al. 2003, 2004). Other studies also found that cultural clashes may occur between the outsourcing client and supplier firms and require HRM interventions for cultural integration (e.g. Davis-Blake and Broschak 2009; Presbitero et al. 2016).

Human capital development and career opportunities

Outsourcing has implications for skill development and retention as well as career opportunities for employees in both client and supplier organizations. For employees in the client firm, outsourcing means that they are no longer required to perform the (routine) tasks they used to do. Instead, they may be performing difficult tasks, such as problem-solving, that cannot be performed adequately by employees in the outsourcing provider firm. They may be acting as supervisors to oversee the performance of employees in the outsourcing provider firm. Therefore, client firm employees may experience skill obsolete due to the discontinuation of skilled tasks on the one hand but encounter upskilling (i.e. upgrading their skills through performing more difficult tasks) and enskilling (i.e. expanding their skill sets such as supervision, communication, negotiation and contract and relationship management skills) experiences on the other (e.g. Cooke

2002; Davis-Blake and Broschak 2009). However, client employees' career ladder may be truncated as the business unit shrinks as a result of outsourcing and downsizing.

For employees in the outsourcing supplier firm, they are likely to develop human capital through training for skill development and opportunities to work on different projects. These experiences are helpful for them to climb up their career ladder by joining the client firms and to enjoy better employment terms and conditions as well as organizational prestige. For example, Rubery et al.'s (2003) study of a large airport in the UK found that some passenger handling agents who were employed by the ground handling firms were keen to use that as a stepping stone to get a better job with the airlines to which they provided the handling services. Skill development opportunities are particularly welcome, and one of the main reasons for employees in offshore outsourcing destination countries to take up employment with the outsourcing supplier firms (e.g. Beerepoot and Hendriks 2013). However, these skill training initiatives, while widespread, are mainly focusing on the acquisition of basic skills and developing firm-specific knowledge necessary to perform the tasks efficiently (Beerepoot and Hendriks 2013). Further skill training and development opportunities may be restricted to a small proportion of the workers performing high-level tasks. Beerepoot and Hendriks' (2013) study of employees working in the Baguio BPO sector in the Philippines reveals that these graduate employees tend to be under-employed for their competence and academic training. However, they are motivated to work in this sector for short-term financial gain, but more importantly to enhance their language proficiency and acquire work experience in order to migrate to developed countries to advance their career opportunities and financial well-being. A downside for the employers is that these employees tend to lack long term commitment to the job.

Psychological impacts

Job losses, organizational restructuring and work intensification characteristic of outsourcing as a form of organizational change, particularly in the public sector in its efficiency drive, tend to impact employees physically but perhaps more so psychologically (e.g. Marchington et al. 2005; Smith 2012). For instance, redundancy tends to create a strong sense of job insecurity among those who remain and causes anxiety and other problems associated with the 'survivor syndrome' (Turnbull and Wass 2000). Trusson and Woods (2017: 542) provide an emotional account of the stressed experience that an ex-IT professional employee had to go through following the replacement of the established in-house workforce with 'an alternative labour supply provided by a global IT services company'. Such a move has led to the 'loss of confidence and status of technical professionals', as well as the withdrawal of good will from these IT professionals to exercise their tacit knowledge to solve problems that cannot be dealt with by employees from the outsourcing provider firm due to their lack of experience with the complex IT systems that have evolved through time (Trusson and Woods 2017: 542).

Outsourcing may set the two groups of workers competing against each other explicitly or implicitly, adding further challenges for managers to manage the relationship and the workforce. As Mir et al.'s (2007) study revealed, post-offshoring employees in the client firms experience an accentuated sense of alienation and engage in power struggles and inter-organizational bargaining with offshore workers. Michael and Michael's (2012) study of mass job losses associated with IT outsourcing in the US between 1996 and 2010 further reveals the social cost of such organizational decisions, with the level of impact contingent upon the extent of layoffs and the re-employment experience of those who were displaced. Michael and Michael (2012) call for more serious consideration of the wider cost of outsourcing, instead of adopting the economic transaction cost model as a narrow frame for decision-making.

Negative psychological impacts are not restricted to the (ex-)employees of the outsourcing client organizations. A number of studies have revealed the lack of motivation, commitment and engagement of their workforce, attrition, burnouts and stress that have plagued the BPO industry due to the unsocial working hours, unstimulating routine work and the absence of job security and career opportunities (e.g. Beerepoot and Hendriks 2013; Combs et al. 2010). Emerging studies show that such negative psychological outcomes may be mediated through HRM interventions, for example, managing employees' feeling of hope (Combs et al. 2010).

Workers representation

Extant research shows that many private firms that opted for offshore outsourcing are unionized, particularly those in the manufacturing sector (e.g. Mir et al. 2007). Similarly, unionization has been relatively strong in the public sector in countries such as Australia and the UK (e.g. Marchington et al. 2005; Teicher et al. 2006). By contrast, many private firms are not unionized, particularly in offshore locations. In fact, one of the reasons for outsourcing is to weaken union power, as discussed earlier. Even where outsourcing supplier firms are unionized or organized by professional associations, these organizing bodies may hold much less bargaining power compared with their counterparts in the public sector or private client firms (e.g. Noronha and D'Cruz 2009; Taylor and Bain 2001). They may also encounter identification problems with the young graduate professional workers. The deployment of a multi-tier workforce common in many outsourcing supplier firms presents further challenges to establish effective union representation (e.g. Mackenzie 2000; Smith 2012).

Innovation, knowledge transfer and absorptive capability

Outsourcing may impact organizations' innovation, knowledge transfer and absorptive capability. As noted earlier, some firms outsource for strategic reasons, for instance to take advantage of the outsourcing supplier firms' capability (i.e. resource dependence). In this situation, firms may outsource core activities and become dependent on the supplier firms. Similarly, for outsourcing supplier firms, they may lack firm-specific knowledge or expertise required to deliver the service effectively, especially at the early stage of the outsourcing. Research evidence suggests that the transfer of staff from the client organization to the supplier firms is critical to ensure the smooth transition of the service delivery. They are often seen as the linchpin in the outsourcing relationship. For example, Grimshaw and Miozzo's (2006: 1243) investigation of 13 IT outsourcing contracts in European countries, including the UK and Germany, shows that 'the transfer of IT staff from the client organization was essential for acquiring firm-specific knowledge of IT systems and business processes', and that 'losing key people in those transformation processes is the death of outsourcing', as a Germany manager remarked.

Outsourcing business functions that are knowledge-intensive or require high levels of firm-specific knowledge and the transfer of (key) staff as part of the process open up new avenues for HRM research and practices (e.g. Cooke 2006a; Grimshaw and Miozzo 2009; Marchington et al. 2005; Weeks and Thomason 2011). For instance, how may the transferred staff act in their boundary spanning role and gain bargaining power to advance their own interest? How do they adapt to the transferred experience, i.e. losing the original organizational identity and status and gaining new ones with supplier firm? How may they reconcile competing demands from the client and supplier organizations, and how does this affect their loyalty and professional identification on the one hand and is influenced by their loyalty and professional identification on the other? How should the client and supplier organizations manage the inter-organizational relationship to create a conducive knowledge transfer environment and absorb any new innovation from each other? And what should the supplier organizations do to create an effective HRM system to integrate the transferred employees as part of their corporate HR strategy? The understanding of these issues is important because it has a strong 'bearing on levels of absorptive capacity and innovation outcomes', as Weeks and Thomason (2011: 303) argued.

Labour market effects

As alluded to in the above discussion, HRM in the outsourcing context is not confined at the organizational level. Instead, it is affected by and, at the same time, affects the labour market in which the client and supplier organizations operate and beyond. On the one hand, outsourcing decisions are affected by the labour market institutions, which may facilitate or constrain outsourcing decisions as well as post-outsourcing operations. Grimshaw et al. (2015) examined 'the influence of labour market factors (e.g. statutory minimum wages, employment protection and social clauses in contracts) on public authorities' decisions to outsource public services in five countries. They identified 'a set of country-specific interconnections between labour market factors and outsourcing', which has led to 'variations in both managers' and unions' approaches towards outsourcing and in outcomes for pay and working conditions' (Grimshaw et al. 2015: 296). It is clear that labour market regulation and employment systems affect outsourcing decisions, arrangements and effects of HRM.

On the other hand, outsourcing may shape the labour market in the outsourcing destination country through outsourcing client and supplier firms' HRM strategies and practices. This effect is particularly salient in leading BPO destination countries, such as India and the Philippines, where the BPO industry is a key stake of the national economy. As Beerepoot and Hendriks (2013: 833) revealed in the Philippines context, the willingness to work in the BPO sector for low-skilled 'routinized work' and 'graveyard shifts' may be seen as a viable career advancement strategy for young and inexperienced graduate employees with 'limited alternatives in the local labour market'. In spite of the potential brain drain of the trained and experienced graduate employees from less developed countries, offshore outsourcing has undoubtedly helped create jobs (albeit the quality of them being debatable) and provided valuable opportunities for the younger generation of the workforce to develop their human capital. Raising the stock of the human capital of the country further helps integrate the country into the global economy and production system.

Additional HRM implications for offshore outsourcing

Research on the BPO sector in Asia reveals further HRM implications that we have not discussed so far. For example, D'Cruz and Noronha (2012: 1019) argue that the overwhelming motive of setting up offshore call centres in India is to reduce cost 'while simultaneously providing high quality service'. This twin-objective is believed to be contradictory and, as a result, quality gets neglected and some employees even 'resorted to conning the customers to meet targets and be eligible for incentives' (D'Cruz and Noronha 2012: 1036). Behaviour like this and poor HRM practices 'could have serious repercussions for an organisation's survival' (D'Cruz and Noronha 2012: 1019). D'Cruz and Noronha's (2012: 1019) study further revealed non-socially responsible HRM practices during call centre closures, including the lack of communication of dismissal and unpaid wages and bonuses for several months prior to the business closure.

Mehta and Mehta's (2009: 191) study identified several related HRM problems in the offshore IT outsourcing provider firms in India prior to the 2008 Global Financial Crisis (GFC): skill shortages, high employee turnover, low levels of employee well-being and motivation and high employee training costs for developing specialized skills. While subsequent fieldwork conducted by Mehta and Mehta (2009) revealed that HRM challenges have changed following the GFC, close collaborations between the client and supplier firms remain essential to addressing these HRM issues to ensure the viability of the outsourcing business.

The key message of the above studies is clear: that a cost-oriented outsourcing relationship engenders high risks of failure and that close working relationships between the client and supplier firms are essential to eliminate the additional hurdles posed in the offshore delivery of business activities. While it may be argued that the same issues may occur in domestic outsourcing relationships, offshore outsourcing presents further challenges in large part due to the less stringent legal environment in the less developed destination countries compared with the developed countries.

Ethical and diversity issues

Outsourcing has raised concerns regarding ethical and diversity issues in HRM, especially in the offshore outsourcing context. Critics have long questioned the ethics of outsourcing production and service activities to poor countries to exploit their low wages, poor labour standards and the disregard of human rights (e.g. Legge 2004). Some authors call for the mobilization of corporate codes of conduct, international labour standards and other international regulations to mitigate some of the most serious concerns in offshore outsourcing (e.g. Doh 2005; Lee and McCann 2011; Rodgers 2002). Other scholars call for greater corporate social responsibility to create a moral economy in the context of economic globalization so that economic growth is achieved on a more equitable and just basis (e.g. Bolton et al. 2012; Kalleberg 2009).

It is important to note that incidents of poor labour standards and violation of human rights are not confined to low-skilled manufacturing jobs but are also found in the professional and knowledge-intensive jobs such as those in the IT BPO sector, as indicated earlier. More specifically, Remesh's (2014) study of the Indian IT BPO sector shows that a significant proportion of the employees are employed as non-regular workers, who are largely unprotected by labour laws in India. Remesh's (2014) study further reveals equality and diversity issues that are intersected with gender, ethnicity, religiosity and social class. In particular, firms providing offshore BPO services tend to cream off skilled workers and offer relatively better-quality jobs ('higher end') than the domestic BPO businesses ('lower end'). IT software engineers are more likely to come from highly educated families and from better-off segments of the social hierarchy. Therefore, employment in the IT BPO sector tends to entrench pre-existing social inequalities in Indian society, 'through disproportionately favouring higher caste and class groups' (Remesh 2014: 45). Furthermore, there is a clear gender divide – 'compared to their male counterparts, women are increasingly pushed to low-end and low paying jobs . . . with bleak career prospects and upward mobility' (Remesh 2014: 45). It is quite likely that similar equality and diversity issues may be found in the BPO sector in other south Asian economies that share broadly similar historic, cultural and economic development trajectory.

Outsourcing of HRM functions and implications

The discussion of organizational outsourcing and implications for HRM would not be complete without mentioning the outsourcing of HR functions as part of the organizational activities. HR outsourcing shares many of the rationales of the outsourcing of other organizational activities identified earlier (cf. Adler 2003; Alewell et al. 2009; and Cooke et al. 2005 for further discussion of HR outsourcing decisions). Klaas (2008: 1500) observed that the rise of HR outsourcing for firms in North America has 'produced significant changes over the last decade in how the human resource function delivers services'. Klaas (2008) further observed that firms outsource different types of HR activities in pursuit of different organizational objectives and explained these phenomena from four theoretical perspectives: transaction cost economics, the resource-based view, the HR architecture literature and institutional theory.

HR outsourcing is found in both the public and private sector (e.g. McCracken and McIvor 2013). In general, administrative or transaction-oriented HR activities, such as payroll and benefits, are more likely to be outsourced than strategic ones. In addition, specialist HR activities, such as recruitment and selection, training and development, are more likely to be outsourced to overcome staffing or skill shortages in-house. While outsourcing transactional HR services may be largely motivated by cost savings, the outsourcing of specialist activities is more driven by strategic value addition. The outsourcing of the execution of redundancy programmes and the management of performance deficiencies, by contrast, is often a deliberate organizational tactic to externalize organizational politics and minimize sensitiveness and uneasiness in-house.

The growing use of HR outsourcing, particularly for transactional activities, is facilitated by the emergence of shared service centres (e.g. Glaister 2014; McCracken and McIvor 2013; Ulrich 1995; Ulrich et al. 2008). It is also inspired by Ulrich's (1997) model, in which the HR function is categorized into four roles: functional expert, people champion, change agent and strategic partner, which were refined to functional expert, employee advocate, human capital developer and strategic partner by Ulrich and Brockbank (2005). It is proposed that outsourcing the administrative HR activities to specialist service providers who can provide the service professionally and efficiently can enable the in-house HR team to focus on the strategic matters to add value to the organization. In practice, however, the HR activities and therefore the HR roles may be more intricately linked than is proposed by Ulrich (1997) and Ulrich and Brockbank (2005). Coordination and connected knowledge between the roles and activities may be required if the in-house HR team is to play their strategic role effectively to influence strategic decisions at the corporate level (Cooke 2006b).

In fact, after years of HR outsourcing and debate of the strategic role of HR, the HR function is still searching for hard evidence to justify its value to the organization as a strategic partner. Getting non-HR executives to adopt a strategic approach to HRM remains a challenge. As McCracken and McIvor's (2013: 1685) argued, while organizations may benefit from HR outsourcing, for the HR function 'to make a strategic contribution to the organization, they need to ensure that key internal stakeholders are fully engaged with throughout the process'. Reichel and Lazarova's (2013: 923) quantitative study of HR outsourcing in a number of European countries also suggests that 'strategic position of HR departments is negatively influenced by devolvement to line management and positively influenced by outsourcing of non-core HR tasks' and that no 'significant effect of outsourcing core HR activities was found'. Ulrich et al. (2008: 838) proposed in some detail what a twenty-first-century HR organization should look like and do, arguing that companies using HR outsourcing 'increasingly seek integrated solutions rather than isolate practices'. More qualitative empirical research is required to examine the extent to which Ulrich et al.'s (2008) prescribed model, or versions of it, is implemented in different national and organizational settings to uncover successes, challenges and opportunities.

In the meantime, HR outsourcing has implications for line managers, HR professionals and the employees who receive the services (Cooke et al. 2005; Glaister 2014). For example, line managers may become the *de facto* first point of contact by their subordinates if they have HR issues. HR professionals working for the outsourcing provider firms may have limited career progression opportunities as the conventional route for developing an HR career has been abridged by the marketization and fragmentation of the delivery of the HR function. Employees may be dissatisfied with the services provided externally due to the lack of face-to-face contacts and the lack of client-specific knowledge of the outsourcing provider employees in handling the tasks, a situation that may be exacerbated if there is a high level of staff turnover in the outsourcing supplier firm (see also Cappelli 2011 for more detailed discussion of HR sourcing decisions and risk management).

Conclusions

This chapter provided an analysis of trends and reasons for business outsourcing as one of the important developments in organizational management in recent decades. A growing and increasingly wide variety of organizational activities are found to be outsourced for political and strategic reasons. Outsourcing as a delivery mode of organizational activities has implications for people management across the client and supplier firms in different ways, and in the offshore outsourcing setting, this may have broader socio-economic and labour market impact within and beyond national boundaries. It is clear that some of the HRM implications are related and cross-cutting each other to create knock-on effects. There is still much to be understood as outsourcing expands in functional activities and new sites around the world as firms seek competitive advantage and new alliances strategically. Future research may examine in more depth the global value chain hierarchy and labour market segmentation that arise from business outsourcing and how these processes and phenomena can be regulated, if at all possible, to minimize the negative impact on HRM, on the one hand, and generate more gainful outcomes for the employees involved in the delivery of the services, on the other. Finally, the notion of shared economy, facilitated in part by rapid innovations in IT, may take outsourcing into new directions in the future. One example will be crowdsourcing, which may become a popular mode for organizations to source ideas and services (from the internet). This will potentially turn employment relationships into business relationships between the client firm and the service providing individuals and have major implications for organizational control and HRM.

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8 Reconfiguration and regulation of supply chains and HRM in times of economic crisis

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Introduction

Although it is commonly held that the present period of economic challenges dates back to the financial crisis of 2008, a longer view reveals that the global economy has suffered from volatile and uneven growth punctuated with recession since the early 1970s, in contrast to the long boom of the decades that preceded it. A feature of this long crisis has been the relative empowerment of owners and those leveraging highly fungible assets over long term investors and those with sunk capital – such as workers – in a specific firm and a particular locale (Wood 2013). In response to this, and to greatly heightened global competition, many firms have shifted larger components of production towards suppliers and, in many instances, adopted a more contingent and arms-length approach to contracting.

Given these trends, there has been growing interest – and concern – about the variation in the nature and quality of employment relations and HR practices down supply chains (Donaghey et al. 2014; cf. Gereffi et al. 2005). In particular, concerns have been raised about the way in which prominent Western organizations may base their competitiveness on the ability to source ultra-low cost components or finished products through the use of suppliers that deploy extreme forms of labour repression (Donaghey et al. 2014). These forms of labour repression, entailing violations of labour rights, have sometimes resulted in negative publicity for large multinational firms. The standard corporate line of defence of dominant firms in global value chains (GVCs) in response to such periodic exposes and scandals has been a lack of knowledge about the excesses of their suppliers (Lund-Thomsen and Lindgreen 2014). Global Value Chain (GVC) theory explores the operation of supply networks across national boundaries: its core concern is not only the volume and geographic reach of supplier networks, but the differences in the relative value accrued at different stages of the production process and disparities in relative power and autonomy (Gereffi et al. 2005). It is these disparities and their causes and consequences for human resource management that form the core concern of this chapter.

This chapter draws on a range of interdisciplinary perspectives from HRM, employment relations, global value chains (GVCs) and supply chain management to ask three main questions: to what extent do dominant suppliers explicitly or implicitly promote labour repression down their supply chains in hard times? How has the reconfiguration of supply chains impacted on the dissemination of practices up and down supply chains? And how might different – and in many instances, diminishing – forms of formal and informal regulation impact on both of these?

In response to the long crisis, firms have engaged in the unbundling of vertically integrated bureaucracies' direct ownership and control of operations. An integral component of this unbundling has been via outsourcing and the subsequent development and extension of supply chain relations, with the supply chain being simply defined as a network of companies that combine together in different ways to deliver goods and services to consumers, and in doing so crosses regional, national and continental boundaries (Christopher 1998, 2005; Kraus and Lind 2007). This creation of new 'intermediate markets' in formerly integrated production processes (Jacobides 2005, p. 465) has often been stimulated by intentions to focus more upon core high value-added competencies, and/or to save direct and indirect costs, and/or to develop greater flexibility with regard to demand swings and product or service innovation (see Kremic et al. 2006).

At the same time, with crisis has come the extension of the geographic scope of supply chains; traditional supply chain relations have become greatly extended across national boundaries, but with dominant parties retaining or deepening their influence over suppliers, interlinked in what has been termed 'global value chains' (GVCs) to reflect disparities in power and relative resource allocations and both geographical and organizational reconfiguration (Gibbon et al. 2008). These developments have meant that, in practice, it is often no longer individual firms but supply chains that compete in particular markets. Therefore, the management of supply chain participants' inter-organizational relationships, as a basis of competitive advantage, has assumed ever-greater importance (Ageron et al. 2013). The resultant vertical disintegration of what Powell (1990) defined as conventional bureaucratically ordered production and control 'hierarchies', and the associated emergence of global value chains have together served to 'redefine the work and employment nexus' for many employees (Grimshaw and Rubery 2005: 1027).

Reconfiguring of supply chain networks and competitive advantage

Two major episodes of value chain development have occurred: the first was in response to the start of the long crisis in the early 1970s, and the second in response to its intensification from 2008 onwards. In the case of the former, it constituted a strategic response to the exigencies created by structural changes in input costs, technological change (and the unanticipated consequences thereof) and intensified global competition (Reve 1990; Harland et al. 1999; Kraus and Lind 2007). The restructuring of operations implicit in the development and extension of supply chains entails, to varying degrees, a vertically integrated bureaucracy: 'downsizing' to a core of high value-added competencies which include a brokerage role for coordinating the network (Budros 2004), 'outsourcing' upstream supply and downstream distribution activities and 'delayering' since internal hierarchical chains of command can become less important and possibly attenuated (Jarillo 1993; Nassimbeni 1998; Christopher 1998). Different strategic choices with regard to such organizational unbundling were thought to lead to different types of network. For instance, Miles and Snow (1986) first differentiated between: internal network structures, which rely on internally developed units to provide goods and services to a core organizational unit; stable network structures, which utilize external providers selectively; and dynamic network structures, which make extensive use of outsourcing through contracts with external providers. Other commentators classified networks according to variation in different aspects of the inter-organizational relationships which evolve between participants in terms of: strategic alignment (Campbell and Wilson 1996); direction and orientation (Hinterhuber and Levin 1994); the extent of collaboration (Cravens et al. 1996); the types of coordination mechanisms (Grandori and Soda 1995); the nature of the social and economic exchanges occurring (Rosenfeld 1996); the number of lateral links, reverse loops and two-way exchanges (Harland et al. 2001); and the degree of supply chain maturity (Tomkins 2001).

To varying degrees, supply chain networks may therefore be seen to entail the vertical disintegration of the agglomerated bureaucracy primarily associated with Fordism and the blurring of organizational boundaries (Amaeshi et al. 2008). Here, a range of participatory suppliers specialize in the provision of a range of usually relatively lower value-added goods and services to lead or buyer firms who have usually retained higher value-added work (Kaplinsky 2005). In part enabled by technological developments in communication allowing the hyper-mobility of capital (Kraus and Lind 2007), networks were also seen to potentially constitute 'lean', 'flexible', low-cost organization structures (Womack et al. 1990; Krause 1997; Cooper and Slagmulder 2004) capable of 'unblocking' organizational learning, communication, innovation and change (Badarocco 1991; Bush and Frohman 1991; Hamel 1991; Bolton et al. 1994; Womack and Jones 1996) while enabling risk-sharing (Blos et al. 2009) and the leveraging of inter-firm network resources (Gulati 2007). In other words, networks were seen to be able to gain faster access to new markets and develop new products more quickly (Van der Meer-Kooistra and Kamminga 2010) so as to create long-term competitive advantage by being particularly suited to the contingencies arising in an increasingly globalized, uncertain and competitive environment (Antai 2011).

These organizational developments have been accompanied by numerous claims regarding the economic 'upgrading' of firm-level competitive advantage (Selwyn 2013: 76) and improved flexibility. For instance, it has been argued that it is the network as a whole which is usually seen to be flexible rather than the individual supplier, since, due to the asymmetrical dependencies often created, it is the mixture of goods and services available to the buyer which can be reconfigured by either varying the combination of participants (Piore and Sable 1984; Burnes and New 1997; Christopher 1998; Handfield et al. 2000) and/or by enhancing the ability of existing participants to alter their product or service offerings (Gosain et al. 2005). In either case, there is also the perceived potential for reducing the cost to the buyer of changing products or processes while seeking out lower, or squeezing extant, material and labour costs.

Reconfiguring of global supply chains and HR practices

The reconfiguration of supply chains has been associated with the rise of more contingent and arms-length contracting in many sectors, with important but complex implications for employer–employee relations and HR practices. Instead of vertically integrated bureaucracy, there has been the development of various combinations of post-bureaucratic, flexible, high-performance forms of organization and management wherein network development plays a significant role as a vehicle for further marketizing the employment relationship and associated broader HR practices (see Hastings 1993; Heckscher 1994; Osbourne and Plastrik 1998; Volberda 1998; Applebaum et al. 2000; Hendry 2006; Josserand et al. 2006). These organizational developments arguably reflect the rise of a neoliberal institutional trajectory, thought to be shared, to varying degrees, by most 'advanced' economies (Streeck 2009). Closely associated with this perceived trajectory is the demand to open organizations to the discipline and associated efficiencies provided by the logic of the free market (Harvey 2005; Kunda and Souday 2005; Cerny 2008; Skorstad 2009; Vallas and Hill 2012). This trend towards more 'arms' length' employer–employee relations seems to happen in two interrelated ways.

First, global competition and capital mobility exerts pressure to outsource particular elements of production processes in order to exploit cost-saving differentials in employment conditions (see Flecker 2009), while simultaneously increasing the pressure upon retained employees to be competitive vis à vis the prospective offerings of alternative external lower-cost subcontractors (see Appay 1998; Flecker and Meil 2010: 695). In this context, Hendry (2001) has argued that agglomerated, vertically integrated bureaucracies usually protected many employees from the operation of market forces. However, post-bureaucratic developments are characterized by 'relationships between firms and their employees, and relationships between employees, governed quite openly, by rules of the market rather than those of traditional obligation' (Hendry 2001: 213; see also du Gay 1996, 2000, 2005; Vallas and Hill 2012). Second, it has been widely noted that as an alternative to, or as a complement for, bureaucratic control, management may actively attempt to inscribe retained direct employees with the ethos and logic of free market enterprise as part of various culture management initiatives which blur the distinction between the identities of consumer and employee (du Gay and Salaman 1992; Needham 2003; Salaman 2005; McCabe 2008; Keenoy 2009; Makela 2013).

It is also evident that through redefining organizational boundaries between internal and external labour markets, a significant outcome of vertical disintegration has been the further development of segmented labour markets.

These processes appear to potentially entail three interrelated developments. First, it has led to the retention of a relatively stable functionally flexible core of employees doing high added-value work and to a degree being relatively sheltered from the negative consequences of such change (Hassel 2014). Second, it has resulted in the direct employment of usually less skilled employees, sometimes located in numerically flexible peripheries, undertaking more precarious and vulnerable jobs (Holst 2014). Third, it has contributed toward the outsourcing of lower added-value work to smaller external organizations which, to varying degrees, compete in the open market to provide a range of goods and services (Atkinson 1984; Masters and Miles 2002; Kalleberg 2003). Within these supplier firms, there are sometimes also moves to develop relatively stable and skilled core workforces (Selwyn 2012: 206). Therefore, the implications for employment conditions are complex, with the potential for a range of different employer–employee relationships and HR practices to emerge in response to variable supply chain network configurations (Kalleberg 2003; Doellgast and Greer 2007; Taylor 2012).

While such potential for variation cannot be ignored, Kalleberg (2009) also argues that with the push for flexibility by governments and employers, generally there has been a move towards more precarious employment contracts. It is thought that by encouraging the proliferation of non-standard employment, the organizational developments noted above have served to reduce job security and increase feelings of insecurity (Fullerton and Wallace 2007; Hacker 2008), erode wage rates and extend low-wage sectors in western economies (Appay 1998; Gautié and Schmitt 2010), intensify work (Wills 2009), increase inequality (Wilkinson and Pickett 2010; Emmenegger et al. 2012), encourage anomie (Sennett 1998, 2006; Johnson and Duberley 2011) and individualize work (Gherardi and Murgai 2013). Moreover, these tendencies have been associated with the expectation that management and employees must act as competitive free-agents who are often required to sell their labour, directly or indirectly, in multiple organizational sites to any available bidder with the responsibility for maintaining their own employability being delegated to the self-investing individual (Arthur and Rousseau 1996; Cappelli 1999; Barley and Kunda 2004; Cooper 2005; Baruch 2006; Dardot and Laval 2013). Here, following neoliberal logic regarding the efficiency maximizing attributes of competition, employees are subjected to the discipline of market forces: something that emphasizes their instrumental value for companies and their ever-present potential for disposability (Boltanski and Chiapello 2007; Flecker 2009). This situation is sometimes exacerbated by deteriorating employment conditions caused by opportunistic employers eschewing or undermining labour standards and ILO conventions (Harney 2008; Vachani and Post 2012; Locke 2013), often in response to the buyer's lack of commitment to long-term supply chain relationships (Kaufman and Saravanamuthu 2009: 298) and their strategy of exploiting competition between multiple suppliers to reduce costs (Appay 1998). Nevertheless, it has been argued that in some situations, the search for lower labour costs has served to relatively improve the extant employment conditions of some suppliers, although this may have been primarily motivated by branding concerns (Bartley 2007).

The degree to which HR practices are influenced may be mediated or intensified by the nature of buyer–supplier relationships. The nature of relationships has increasingly been conceptualized in terms of 'transactional' and 'relational' contracting, both among organizations (Lorenz 1991; Bolton et al. 1994; Brown et al. 2004; Shub and Stonebreaker 2009; Cadden et al. 2013) and within them (see, for example, Rousseau and Parks 1993). As with other conceptualizations, such as 'coercive' and 'enabling' (Free 2007) or 'arm's length' and 'obligational' (Sako 1992), the transactional–relational classification seems to largely derive from MacNeil's ideal-type formulation (1978, 1985) of contract governance. In this formulation, the transactional approach to contract governance was conceptualized in terms of a formal adversarial relationship between buyers and suppliers, characterized by a short term economic exchange and zero-sum conflict of interest in which integration and control are achieved through the implementation of binding, legalistic contractual specifications and the discipline of quasi-market forces where there is an expectation of no altruistic behaviour between parties, and communication is limited and formal. In contrast, a relational approach entails a long-term, collaborative, social and economic exchange between parties that is characterized by informality, mutual trust, the assumption of mutual gains, interpersonal attachments, commitment to specific partners, reciprocal altruism, cooperative problem-solving and extensive formal and informal communication. In principle, any firm may manage inter-organizational relationships within supply chains using either strategy or some blend of these ideal-types in any particular contract, or different contractual forms with different suppliers (Blois 2002). The nature of buyer–supplier relationships may impact upon employment conditions by, for example, either moderating or exacerbating the operation of marketization and either enabling or disabling regulation (Grimshaw and Rubery 2005). Where firms and their suppliers work closely together there might be transfer of knowledge, which could potentially result in the supplier mimicking the good practices HR of the lead firm. However, the extent to which knowledge transfer of HR practices is likely to happen may be affected by the supplier's own cost-cutting agenda and external factors such as global competition and national legislation (Wood et al. 2016).

The regulation of employment conditions in supply chains

Where employment conditions are adversely affected, there have been calls for increased regulation. One of the key actors potentially involved in regulation is the trade union. However, vertical disintegration and marketization create considerable operational problems for trade unions that could undermine their ability to regulate employment conditions through collective bargaining. Since outsourcing usually moves employment to smaller organizations that are often located abroad, it undermines prior approaches to employment regulation as it disrupts mutual dependencies between workers and employers, crucial for meaningful collective bargaining. As Wills (2009: 444–445) argues, vertical disintegration creates ‘spatial and emotional distance’ between many workers and their ‘real’ employer at the top of the contracting chain who ultimately determines their employment conditions. As Riisgaard and Hammer (2011: 168) also note, the result is that ‘power in the employment relationship now transcends organizational boundaries’. Simultaneously, the threat of outsourcing has also been used to wring concessions out of retained employees (see Flecker 2009). In some cases, this has led to the adoption of what amounts to a defensive position by trade unions with a focus upon protecting core workers to the exclusion of others, thereby increasing labour market segmentation (Emmenegger et al. 2012). Nevertheless, in some sectors trade union pressure and demands from wider society have promoted better labour standards and employment practices among suppliers (Hassel 2014), although the extent to which social upgrading has happened has been increasingly questioned (Barrientos et al. 2011). Here, much may depend upon the prevailing form of network governance, which can influence the ‘vulnerability’ of employers to trade union action (Riisgaard and Hammer 2011: 185–186).

Another potential form of regulation is internal to the firm. There have been some institutional attempts to articulate voluntary labour standards aimed at influencing contractors’ employment practices, especially in global supply chains, to militate against the evident potential for a rush to the bottom, possibly encouraged by what may be seen as a governance deficit (Locke 2013). Generally, the form that these attempts at supply chain regulation take varies considerably (Reinecke et al. 2012). Such interventions could include: voluntary codes of conduct, training programmes and supplier audits (see, for example, Ford 2011); international framework agreements between MNCs and global union federations in specific industries (see, for example, the examples provided by the International Organisation of Employers 2006); labour clauses in Generalized Systems of Preferences (GSP) and free trade agreements; international guidelines and voluntary labour standards. Company codes are often derived from more general codes of practice, such as the ICFTU/ ITS basic code of labour practice, the ILO conventions, or Standard SA 8000, a management system tool aimed at regulating working conditions. However, Kaufman and Saravanamuthu (2009: 317) argue that if voluntary labour standards such as SA 8000 are to deliver long-term benefits to employees, they have to be based upon informed worker participation in their design, implementation and monitoring and require long-term sustainable relationships between buyers and suppliers with added market-based incentives for improved social performance. Such a situation is rare: the result, they claim, is that voluntary labour standards are primarily directed towards ‘reducing consumer guilt instead of protecting the (weaker) stakeholders’ (Kaufman and Saravanamuthu 2009, p. 309; see also Locke 2013). Thus, codes of conduct are arguably the weakest form of private regulation (Donaghey et al. 2014). Moreover, voluntary labour standards are constantly undermined by the cost-minimization pressures present in highly competitive global markets (Anner et al.

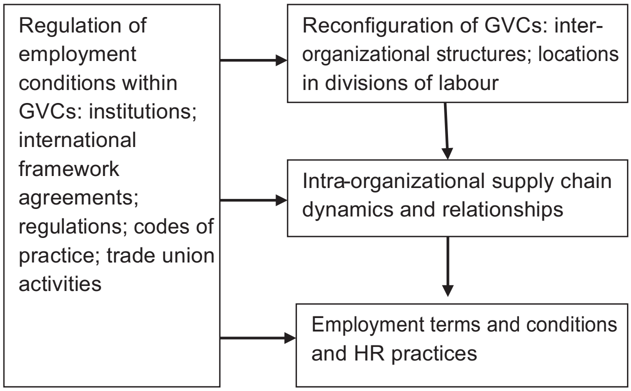

Figure 8.1 Reconfiguration and regulation of supply chains and HR practices

2013; Barrientos et al. 2011). Thus, labour standards can often decline down the supply chain (Taylor 2012). However, the extent of decline may vary and is also influenced by factors such as supply chain strategies of multinationals and their fear of reputational damage, trade union and consumer pressure and industry and ownership form (Taylor 2012; Donaghey et al. 2014).

The implications for HR practices can therefore vary according to a range of extra, intra- and inter-organizational factors, including location of a particular workplace in the supply chain, the nature of the work being undertaken, the availability of alternative sources of labour and, significantly, the nature of the social and economic relationships between customers and suppliers. Although the broad process of liberalization and contingent contracting may have intensified since 2008, it can be argued that variation persists according to sector and locale. As Jessop (2012) notes, while neoliberalism has attained global ecosystemic dominance, its consequences are unevenly spread, with the persistence of different types of national mediation. In terms of global value chains, low-cost production in some locales may undermine higher value-added production paradigms elsewhere, and in others help to shore them up.

The way in which the different trends are interrelated is outlined in Figure 8.1.

Conclusions

Although the intensification of the crisis from 2008 onwards may have been the direct response to the neoliberal reforms which flowed from its original onset in the 1970s, its consequences led to further strengthening the hand of highly mobile and uncommitted investors following on from lavish state bailouts of the financial services industry, and a blind rush towards quantitative easing that saw trillions conjured out of the air, and just as mysteriously vanish again. All of these developments have greatly strengthened the hands of owners and those leveraging highly fungible assets; this grouping is far removed from traditional rentiers, and Sovereign Wealth Funds, the overseas investment arms of national governments, have been added to their ranks (Wood 2013). Although the global investor ecosystem is an undeniably diverse one, many have little commitment to any industry or locale, which is particularly bad news for workers, who do not enjoy the same mobility as is the case for capital or production processes.

The financial strategies undertaken mean that many of the processes highlighted within this chapter have been greatly accelerated. Even where firms are seeking to embrace a high-quality paradigm, trends such as outsourcing represent a weakening of the cognitive capabilities of organization, reflecting the cumulative knowledge and understanding of groupings of employees working closely together; hence, they may have negative consequences for firms seeking advantage on the basis of quality or incremental innovation (Aoki 2010). Moreover, outsourcing is one of the main mechanisms driving precarity: this constitutes part and parcel of a move away from relational and toward ever-more transactional employment relationships, with some workers being regarded as core to the business function and others as peripheral, reflected in changes to conditions of service and job security (Kalleberg 2009). The focus on numerical flexibility through outsourcing down supply chains can lead to unintended outcomes and costs; the monitoring of contingent labour and outsourced work further down supply chains is necessary if reputational scandals are to be avoided and quality upheld (cf. Wilkinson and Pickett 2010; Dibben et al. 2016).

Yet, there are significant counter-pressures and potential alternatives to this low-road scenario: consumers have exerted some degree of influence on the practices of a number of high-profile firms. Meanwhile, major coordinated markets such as Germany and Scandinavia have revitalized since the shocks of 2008, and in contrast to the period of neoliberal triumphalism in the 1990s and early 2000s, their convergence with liberal market, shareholder dominant models no longer seem inevitable or likely. Further afield, the fastest growing emerging markets are generally distinguished by not following the liberal market model. This does not mean that they are necessarily associated with high labour standards, but rather that there is a capacity and appetite for regulation that is absent in the liberal markets. Therefore, the lessons from the most recent turn of the long crisis suggest that the patterns identified in much of the existing literature on HRM and value chains – that of contingent contracting and worsening labour standards – may not necessarily represent the inevitable global norm.

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9 Knowledge and organizational learning and its management through HR practices

A critical perspective

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Introduction

The interest in knowledge stems from findings that knowledge, particularly knowledge in its unique, rare, not easily substituted or imitated form, or tacit knowledge, is a key source of sustainable competitive advantage (Lyles and Salk 1996; Tsai 2002; Zahara et al. 2000). It is argued that the turbulence of the business environment or the VUCA (volatile, uncertain, complex and ambiguous) context in which organizations now operate is the driver of this interest. Without negating evidence that knowledge transfer is shown to positively impact organizational performance and innovation (van Wijk et al. 2008), a degree of cynicism is also worth adding to this debate. First, the *Economist* (2015) questions whether the world is indeed accelerating. In light of a lack of evidence to verify this claim, it reviews a number of measures by which the speed of business can be quantified and finds mixed results; in some areas there is acceleration and in other areas 'sloth'. Second, more knowledge is not always better. Some research highlights that too much knowledge results in rigidities that tend to be counter-productive (Leonard-Barton 1992; Levinthal and March 1993; March 1991), result in some diverse perspectives being ignored (Bowker and Star 1999) and may produce unwanted accountability (Schultze and Stabell 2004). Third, not all learning produces positive changes in behaviour.

However cognizant we are of the questions posed at the drivers for the knowledge movement, it remains a strong academic and practitioner discourse and a key business concern, and there is evidence that knowledge has value for organizations (van Wilk et al. 2008); too little produces inefficiencies and results in too much uncertainty and expensive mistakes (Schultze and Stabell 2004). Consequently, the knowledge discussion moved to one on how to manage such a valuable resource. The early work in this area of knowledge and its management was centred in the IS/IT and practitioner-oriented literatures (Scarbrough and Swan 2005). The organizational learning view on knowledge received much less attention (Scarbrough and Swan 2005). Indeed, the knowledge management (KM) and organizational learning (OL) fields traditionally failed to acknowledge each other's domains, despite the similarities in the underpinning concepts (Vera and Crossan 2005). However, the fields have evolved more recently with greater integration of concepts and cross-fertilization of ideas (Vera et al. 2011). This is not surprising, as the KM field alone is rife with debate and disagreement, with the fundamental issues revolving around definitions of knowledge and whether it is manageable.

This chapter explores the key elements of these debates. Specifically, it first outlines the key scientific and social paradigms in the KM discourses and the implications of the choice of paradigm on definitions of knowledge, strategies for its management and the critiques levelled at it. This section concludes with consideration of how the paradigms may more usefully be both considered and possibly unified. Second, in acknowledging that the KM literature focuses on what is learnt or the content, that is, knowledge, and the OL literature focuses on the process of learning and also drawing on the similarities between the social paradigm of KM and organizational learning discourse, this chapter discusses convergence and divergence in these fields. Again, it explores the value in further integration of the KM and OL fields. Finally, the chapter draws on recognition that the social paradigm of KM and OL discourse points to the value of HR practices for the purposes of knowledge circulation and organizational learning. A critical perspective is utilized to examine the role of individual, interpersonal or social and organizational HR practices for knowledge circulation and organizational learning.

Knowledge and its 'management'

Defining what knowledge is and what forms of it are available, and consequently defining knowledge management, is challenging because a complete and agreed-upon definition of knowledge and knowledge management is still contested and much debated (Collins 1993). Additionally, the knowledge management field and concept are considered prescriptive, whereas the organizational knowledge (OK) field is theoretical, rooted in the resource-based view of the firm (Barney 1991), though the focus of both is the same; knowledge is a key organizational resource and source of competitive advantage. The foundations of the debate lie in the particular set of assumptions and theoretical lens adopted by specific researchers. At opposite sides of these debates lie, first, the knowledge management researchers who identify that tacit knowledge, as opposed to explicit knowledge, is a source of sustainable competitive advantage and assume that in order to manage it, it must be explicit or codified (e.g. Nonaka and Takeuchi 1995). As such, researchers adopting this lens assume that knowledge can exist in the form of an object or entity, separate from people, and can be codified, and that tacit and explicit knowledge are separate and distinct types of knowledge (Hansen and Haas 2001). At the other side of the debate are knowledge management researchers who assume that knowledge is deeply personal and embodied in people, embedded in and inseparable from their work practices and cultures and socially constructed, and as such, tacit and explicit knowledge are interlinked and inseparable (Tsoukas 1996). These researchers shift the debate away from knowledge as a commodity and towards a focus on knowledge and knowing as something that individuals and organizations do (Polanyi 1967; Blackler 1995; Cook and Brown 1999).

Alternatively, it can be argued that when knowledge management researchers engage with the debate from the position of either of these extremes, they miss the opportunities and implications of considering, and possibly integrating, the alternative perspective. Schultze and Stabell (2004) argue that contradictions are an intricate part of everyday life and source of dynamic change, and so they seek not to resolve the contradictions but to engage with each of the perspectives and discuss the legitimacy of all perspectives. Similarly, Hazlett et al. (2005) explore discussions which highlight the need to break the paradigm mentality (Wilmott 1993) in relation to 'one right way' and recognize epistemological continuums' and how multiple paradigms provide enhanced ability to analyse organization phenomena (Palmer and Dunford 1996; Gioia and Pitre 1990), identify syntheses (Nonaka and Takeuchi 1995) and facilitate cross-disciplinary debate and learning (Hassard 1995). More specifically, Ambrosini and Bowman (2002) provide a means through which to connect some of the perspectives on the issue of tacit and explicit knowledge being separate or inseparable by proposing that there are degrees of tacitness ranging from explicit, to tacit that could be articulated, to tacit that can be imperfectly articulated, to the deeply ingrained, personally held inarticulable tacit knowledge. However, while acknowledging some of Ambrosini and Bowman's arguments, Tsoukas (2011) argues that tacit and explicit knowledge are not two ends of a continuum but two sides of the same coin and that the most explicit knowledge is still underpinned by tacit knowledge. With respect to knowledge 'management', Alvesson and Karreman (2001) present a framework of approaches to manage knowledge which reflects the diversity of perspectives on knowledge and its management. Their framework enables the selection of a suitable approach based on a researcher or practitioner's prior assumptions and theoretical lens.

Discourses/paradigms on knowledge and implications for defining and 'managing' knowledge

Two metalevel paradigms of knowledge are the scientific view and the social view (Hazlett et al. 2005). Schultze and Stabell (2004) label these paradigms the neo-functionalist discourse (discourse is used in place of paradigms to reflect the extent of debate within them and that the edges of the views are not clearly demarcated) and the constructivist discourse, respectively. The scientific view identifies 'knowledge is truth', as a body of facts and rational laws (Alvesson and Willmott 1996: Swan and Scarborough 2001), as an asset; something that can be owned, bought, sold to maintain competitive advantage. Neo-functionalist discourse identifies knowledge in binary, mutually exclusive terms (Schultze and Stabell 2004) such as tacit–explicit, individual–collective, declarative–procedural (e.g. Kogut and Zander 1992; Nonaka 1994; Henderson and Clark 1990). It is also referred to as the computational paradigm where knowledge is viewed as rational, static and acontextual, and based on heuristics and mathematical models that aim to capture 'preferred' solutions and 'best practices' in response to organizational problems.

Knowledge and its 'management' in the neo-functionalist discourse is centred on converting it into explicit knowledge (Dougherty 1992; Hedlund 1994) or managing the people who possess it (Hansen et al. 1999). It concentrates on hardware and software and, as such, adopts a system/techno-concentric approach to knowledge and its management. It stresses the need for technology, identifying knowledge, classifying it, categorizing it, storing it explicitly and retrieving it. Knowledge management is through a codification strategy focused on using information technology to codify and store knowledge (Hansen et al. 1999). This techno-structural form of management can be enacted via weak or strong management control, as illustrated in Alvesson and Karreman's (2001) framework, via extended libraries or enacted blueprints, respectively. Extended libraries implies a definition of knowledge management that 'involves blending a company's internal and external information and turning it into actionable knowledge via a technology platform' (DiMattia and Oder, cited in McInerney and LeFevre 2000: 1). The stronger form of management of knowledge, that is enacted blueprints, requires knowledge to be carefully codified and stored in databases, where it can be accessed and used easily by anyone in the company (Hansen et al. 1999: 107). The idea is that knowledge can be extracted from individuals and converted into databases. The stored knowledge provides templates for thinking as well as action, thus making relatively unskilled workers productive on a higher skill level more or less instantaneously. As Hansen et al. (1999) point out, the idea of codification is typically motivated by an economics of reuse, where organizational members are encouraged/forced to reuse codified knowledge, rather than develop new solutions/knowledge.

This discourse and the associated knowledge management approaches are not without critique. First, if tacit knowledge is managed through making it explicit, it can be imitated and thereby no longer a source of competitive advantage, so managing it destroys organizational knowledge advantage (Barney 1991; Kogut and Zander 1992). Second, if KM focuses only on the capture and storage of facts and best practices, there is likely to be only limited organizational transformation other than increased efficiency rather than the reframing necessary to produce challenging innovation (Pitt 1998). Third, to attempt to manage workers' tacit knowledge is managerial exploitation of workers aimed at extracting power from and exerting control of workers, further exacerbating the management–employee divide (Smith and Willmott 1991). Finally and most significantly are the criticisms levelled at the very nature and definition of knowledge adopted by those of the scientific paradigm – 'tacit knowledge has been greatly misunderstood in management studies' (Tsoukas 2001: 15), 'tacit knowledge cannot be "captured", "translated" or "converted" but only displayed, manifested in what we do' (Tsoukas 2001: 16).

The corollary to the scientific neo-functionalist discourse is the social paradigm or constructivist discourse of knowledge, which views knowledge as being socially constructed, complexly intertwined and mutually constitutive (Burgoyne et al. 1994; Schultze and Stabell 2004). This is also an organic paradigm and places emphasis not on computer science but on group dynamics (Malhotra 1998), people and organizational context and issues such as people's interactions, work structures, processes and organizational culture. Proponents of this view don't reject technology but rather an overly technological view without concern for social networks of individual knowledge workers (Moffett et al. 2002). Constructivist discourse contends that knowledge is continuously shaped and being shaped by the social practices of individuals in communities and thus there can be no separation between individual and social knowledge (Pentland 1992; Von Krogh and Roos 1995). This view is people-centric, recognizes both tacit and explicit knowledge and thus is of the view that often knowledge cannot be explicitly elicited and modelled. Tacit and explicit knowledge are mutually constituted and should not be viewed as separate types of knowledge, as explicit knowledge is always grounded on a tacit component (Tsoukas 1996). Constructivist discourse also challenges the notion that knowledge can be managed as an object separate from human action. It argues that the locus of knowing is not in the head but in practice (Tsoukas 1996; Brown and Duguid 1991). As such, knowledge and its 'management' through the lens of the organic paradigm would adopt a personalization strategy based on person-to-person contact (Hansen et al. 1999). Knowledge and its management is viewed from a social rather than techno-structural perspective. Alvesson and Karreman (2001) identify the community and normative control knowledge management approaches as reflecting this paradigm. The community approach specifies that knowledge management requires human and information systems that make information available and help people think together; developing communities that share knowledge and maintain diversity; creating an environment that truly values sharing knowledge; and developing individuals to be open to the ideas of others and to share ideas (McDermott 1999). Managing tacit knowledge through the lens of the constructivist discourse implies imitation through participation in communities of practice (Lave and Wenger 1991), perspective making and perspective taking (Boland and Tenkasi 1995) and through social capital (Cohen and Prusak 2001). The normative control approach to knowledge and its 'management' is also socially grounded but adopts a stronger form of managerial intervention in the form of attempts to exercise normative control possibly through creating an organizational culture which values knowledge sharing.

Criticisms levelled at this paradigm and its management approaches come from both sides of the debate. The community approach to knowledge management is weak and sometimes devoid of 'management', with more emphasis on community, sharing, caring and nurturing social relations (Alvesson and Karreman 2001). As such, this weak form of managerial control does not reflect organizational needs to identify, replicate, protect, develop and capitalize on any source of competitive advantage. An organization which does not manage its critical tacit knowledge is unlikely to grow or dominate (Schultze and Stabell 2004). The fact that management in this paradigm is focused on the people who possess tacit knowledge points to an organizational vulnerability. When people to whom the tacit knowledge is bound leave an organization or are re-located within an organization, the competitive edge is lost (Schultze and Stabell 2004). The normative control approach with its emphasis on culture attracts criticism from those that argue that tacit knowledge is a more complex inaccessible phenomena than the values, beliefs and norms referred to in organizational culture and, further still, that engineering culture is a difficult undertaking (Alvesson 2001; Alvesson and Karreman 2001).

Knowledge and learning

The ultimate focus in the knowledge management field, irrespective of whether the chosen paradigm is scientific or social, is on the content of the processes discussed, which is knowledge. The processes required are in fact learning processes, but the knowledge management field did not traditionally mention learning despite the relationships and similarities in the underpinning concepts. The knowledge management (KM) and organizational learning (OL) fields failed to acknowledge each other's domains (Vera and Crossan 2005) until more recently where there is greater integration of concepts and cross-fertilization of ideas (Vera et al. 2011). This gradual convergence is grounded in the basic recognition that learning occurs first and foremost at the individual level (Sadler-Smith 2006) and that it is processes of learning that develop knowledge for both individuals and organizations. Vera et al. (2011) neatly summarize the relationships and differences between knowledge, knowing and learning. Knowledge can be obtained through the mind and through the body by reflection and by doing. Knowledge is accumulated in our minds and in our bodies as declarative or procedural knowledge. Knowing is practice or knowledge that is part of action (Cook and Brown 1999). Learning is the change in knowledge and in knowing through changes in cognition and behaviour. Additionally, the definitions of learning illuminate that the products of learning are knowledge, skills, values and worldviews (Vera and Crossan 2005). For example, Davenport and Prusak (1998) define knowledge as information acquired through implicit or explicit learning means and in the process combined with experience, context, interpretation and reflection. Similarly, Sadler-Smith (2006: 183) states that 'the root of knowledge creation is learning'. Argote (1999) defines learning as 'knowledge acquisition' and states that learning involves the processes through which members share, generate, evaluate and combine knowledge. KM authors adopt process or life-cycle definitions such as the creation (acquisition), refinement, storage, transfer or sharing of knowledge (King et al. 2008).

The most evident overlap in the KM and OL fields is through the social paradigm on knowledge management. The social paradigm on KM illuminates people, social interaction, sharing knowledge, knowledge in action and practice, thinking together and imitation. Fundamental to these processes is that individuals have learnt and thereby possess knowledge to share and that through processes of sharing, practice, imitation and social interaction they further learn and this knowledge develops and changes. However, the underlying learning process is not explored or referred to typically within the KM field. The KM field focuses on knowledge processing, whereas OL focuses on people processing (Scarbrough and Swan 2005). KM focuses on how to mobilize the knowledge base, whereas OL focuses on how organizations design themselves to value, manage and enhance the skills and career development of people for continuous organizational transformation (Scarbrough and Swan 2005). The OL literature focuses on and engages more in discussions about creating the conditions in which individual and collective learning may flourish through people and values, attitudes, beliefs, languages and discourses (Scarbrough and Swan 2005). Broadly, the OL literature emphasizes culture management and leadership as a means of encouraging socialization and internalization of explicit knowledge into the values and tacit understandings of employees.

Thus, while the dominant KM paradigm is the scientific paradigm (Scarbourough and Swan 2003), when the concept of knowledge is considered dynamic and not static and when discussions about knowledge and its management move from managing knowledge assets to managing knowledge associated processes, such as creation, transfer and sharing, there is significant opportunity to unify the insights from both the OL and OK fields (Vera et al. 2011). Schendel (1996) emphasizes a need to understand learning as a process, as the capacity to develop organizational capability may be more important in creating competitive advantage than the specific knowledge gained. Thus, human resource practices such as training and development, a focus on organization design, cultural change, top management support and employee empowerment are central since a learning organization continuously transforms itself by developing its people (Pedler et al. 1991; Dovey 1997). The OL field is therefore a useful addition to the knowledge management field, in particular when exploring knowledge and its 'management' from a HR perspective.

HR practices and organizational learning and knowledge circulation

Cognizant of the criticisms levelled at the concept of knowledge 'management' and the fundamentally scientific connotation and assumptions attached to the knowledge management concept, this section is labelled to focus on knowledge circulation. However, this too is a rather ambitious label as the majority of empirical research on knowledge management or circulation focuses narrowly on only one part of the circulation process i.e. knowledge sharing or transfer (Gubbins et al. 2013; Gubbins and Freeney 2017; Kennedy et al. 2015, 2017). By doing so, the literature focuses only on the unidirectional exchange of knowledge from the knowledge provider to the knowledge seeker/recipient (Gubbins et al. 2013; Gubbins and Freeney 2017; Kennedy et al. 2015, 2017; Hansen et al. 2005; Kim et al. 2011) i.e. the knowledge 'provider', 'supply' or 'push' perspective (Kim et al. 2011; Lin et al. 2005; McElroy 2003). Research from this perspective focuses on increasing the individual's exposure to knowledge and expecting that learning will then take place. However, knowledge which is 'pushed' or 'shared' will not necessarily be successfully transferred or learnt if the 'recipient' cannot or does not 'pull' that which they require (Quigley et al. 2007). Research on learning identifies that knowledge is only learnt from others in the workplace (Eraut 2000; Le Clus 2011) when people have the need, motivation or opportunity for learning (Marsick and Watkins 2001). In fact, control of learning rests primarily in the hands of the learner (Marsick and Watkins 1997), who is trying to learn from an experience (Foley 2004). The recipient or seeking perspective focuses on the need for employees to successfully seek and learn from the knowledge they seek (Argote and Ingram 2000; Quigley et al. 2007). However, given the absence of all but limited research on knowledge seeking (see Kennedy et al. 2017), the reminder of this section will review empirical research on HR practices for organizational learning and knowledge *sharing*.

The plethora of factors with which HR can engage to facilitate knowledge sharing is extensive but can broadly be classified as organizational, interpersonal or social and individual. In a comprehensive systematic review drawing on the fields of information systems, psychology, organizational behaviour and strategic management, Wang and Noe (2010) identify the factors, at these three levels, which are studied or need further research in the knowledge-sharing field. This framework and the factors illuminated will be used for the purposes of structuring this section of this chapter.

'Managing' the organizational context and knowledge sharing

Four aspects of organizational context emerge as central in HR efforts to manage knowledge processes: organizational culture and climate; management support; rewards and incentives; and organizational structure (Wang and Noe 2010).

Developing a culture where knowledge sharing is valued and seen as a norm is one suggested strategy for 'managing' knowledge (Pan and Scarbrough 1999; Cabrera et al. 2006). This is most evident in the normative control approach to knowledge management (Alvesson and Karreman 2001). The evidence available provides some support that a culture which supports knowledge sharing is necessary for knowledge-sharing technologies to be beneficial (De Long and Fahey 2000). Subjective norms and norms of reciprocity also encourage knowledge sharing, but the results are inconsistent, suggesting that other factors are also at play (Wang and Noe 2010). Norms are positively related to knowledge-sharing behaviour in communities of practice (Brown and Duguid 1991; Chiu et al. 2006). Prior research on online communities or electronic knowledge-sharing repositories finds that social norms and related concepts (i.e. pro-sharing norms, norms of reciprocity and collaborative norms) have significant positive effects on knowledge transfer (Gopalakrishnan and Santoro 2004; Chang and Chuang 2011) and intentions to share knowledge (Bock et al. 2005). Quigley et al. (2007) found that mutual norms for knowledge sharing enhanced the impact of incentives for knowledge sharing and consequently knowledge sharing. In a study focused on life scientists and professional norms held by referent groups, the results show that scientists often look to reference groups within the scientific profession to guide their behaviour, indicating they value professional norms. However, there is also research which contradicts some of these findings on the relationship between norms and knowledge sharing. Wasko and Faraj (2005) found a negative relationship between norms of reciprocity and knowledge sharing. Kankanhalli et al. (2005) found perceived reciprocity to be positively related to participants' likelihood to contribute knowledge to the community under weak rather than strong pro-sharing norms. There are also mixed results with respect to learning culture and knowledge sharing (Taylor and Wright 2004; Lee et al. 2006). Trust emerges as very important in efforts to develop knowledge-sharing cultures with climates that emphasize competition posing a barrier to knowledge sharing, whereas cooperative climates help create trust and consequently facilitate knowledge sharing (Schepers and Van den Berg 2007; Wang 2004; Willem and Scarbrough 2006).

Evident from the available research on culture and norms, as a knowledge management strategy, is a lack of consistency and clarity on how and when culture effectively facilitates knowledge management. Critical perspectives on organizational culture more generally identify that organizational culture is difficult to 'manage' in itself (Ogbonna and Harris 2002) and that many organizations do not have one culture but rather many sub-cultures (Currie and Kerrin 2003; Alavi et al. 2005).

Management support, specific to knowledge-sharing, positively impacts knowledge-sharing level, quality, perceptions of a knowledge-sharing culture, willingness to share knowledge, perceptions of the usefulness of knowledge sharing and knowledge exchange (see Wang and Noe 2010). However, critics argue that some HR practices are simply packaged to present the illusion of support when in fact they are just another form of control and exploitation (Legge 1995). Management supports employees to share and codify their knowledge for the interests of the organization. However, in doing so employees may lose their valuable knowledge and potentially the associated power and status, thus widening the management–employee divide. It can also make it easier for the organization to let the employee go or for another employee to gain power and status (Currie and Kerrin 2003).

Incentives including recognition and rewards are often recommended as practices to facilitate knowledge sharing and help build a supportive knowledge-sharing culture; however, empirical support for the effects of extrinsic incentives is mixed. Rewards and perceptions of a high level of incentives positively influenced knowledge contributions to a knowledge management system and knowledge sharing (Kankanhalli et al. 2005; Kim and Lee 2006; Minbaeva et al. 2012). However, Bock et al. (Bock and Kim 2002; Bock et al. 2005) found that anticipated extrinsic rewards had a negative effect on attitudes toward knowledge sharing. Other studies reported no relationship (Kwok and Gao 2005; Lin, H. F. 2007; Chang et al. 2007). Research on how different types of reward systems influence knowledge sharing finds that cooperative rewards systems positively influence knowledge sharing, whereas competitive systems have a negative effect (Ferrin and Dirks 2003).

Group-based incentives generally produce positive knowledge-sharing effects compared to individual incentives (Quigley et al. 2007; Taylor 2006).

Critics argue that to attach incentives to knowledge sharing and thereby encourage employees to give up their knowledge power can endanger their status and jobs. It may be a source of stress for employees in either trying to identify knowledge which they can share and so meet the knowledge-sharing objectives or stress in considering the cost/benefit of sharing or not sharing. It also possibly stimulates unhealthy competition between employees. On the other hand, however, it is providing a reward for knowledge gained and shared and a sense of achievement and value in being acknowledged as a source or provider of valuable or useful knowledge.

Segmented organizational structures and strong divisional or group identities are generally found to inhibit knowledge sharing across their boundaries (Lam 1996; Tagliaventi and Mattarelli 2006; Liebowitz 2003; Yang and Chen 2007). Breaking down divisional barriers through enabling communication and job rotation across groups, units, shifts, levels in the hierarchy and communities is recommended to facilitate knowledge sharing (Wang Noe 2010). Socially identified groups are likely to have greater solidarity, reciprocity norms, trust and sanctions against self-serving behaviours (Granovetter 1985; Krackhardt 1992). Employees nested within such organization sub-units essentially attribute positive characteristics to members of that same unit and evaluate them as more trustworthy, loyal, helpful and valuable (Hewstone et al. 2002). Research shows that individuals who identify with a group hold attitudes and behave in ways that benefit the group (see Brewer and Brown 1998; de Cremer and Van Vugt 1999). Social identification enables increased trust (Inkpen and Tsang 2005), mutual understanding of norms and sanctions (Huysman and De Wit 2004), shared goals (Inkpen and Tsang 2005), symbolic interactions and social learning (Ashforth and Mael 1989; Bandura 1977) and, as a result of feeling comfortable within the in-group, increased psychological safety (Kahn 1990; May et al. 2004). In the context of knowledge sharing, such group identification and connection enables ease of knowledge flow between members of the in-group but poses challenges for knowledge flow with members of the out-groups. Identity (with a team) is significantly positively related to intention to share knowledge (Liu and Phillips 2011).

Concomitantly, excessive group closure can also lead to strong norms against associating with the out-group (Brewer 1979). Attributing membership to an out-group can be based on something as simple as a different department, role, rank or even demographic factors such as age group (Tajfel and Turner 1985). This may have implications for with whom the knowledge is shared. For example, strong levels of group identification are associated with lower levels of knowledge sharing between groups (Gargiulo and Benassi 2000; Burt 1992) because it prompts competition between groups (Argote and Ingram 2000; Fisher et al. 1997; Moreland and Levine 2000; Tsai 2002). A lack of knowledge flow between groups negatively affects group performance (Oh et al. 2004). Additional arguments levelled at communities of practice – a form of group – include that they exaggerate the extent to which consensus exists, members have shared values, and they ignore the influence of power and politics within the community (Roberts 2006). The trust literature also acknowledges this issue but points to how group closure enables the development of other forms of trust such as deterrence-based trust (Shapiro et al. 1992), which is based on consistency of behaviour – that people will do what they say they will do. This type of trust is developed and sustained through fear of punishment (e.g. loss of reputation, relationships) and provision of rewards for preserving it (Lewicki and Bunker 1996). Internal opportunism is unlikely to occur in closed groups due to the penalties or negative repercussions imposed by the group for corruptive behaviour (Inkpen and Tsang 2005). However, the overall impact of excessively demarcated organizational structures, group boundaries, social identification and group closure is limited to the extent to which knowledge is not shared outside the group and where there are failures to accept knowledge from those outside the group. These actions in turn inhibit the organizational knowledge circulation processes.

'Managing' interpersonal relationships and knowledge sharing

Two aspects of interpersonal relationships are central in HR efforts to manage knowledge processes: diversity and social networks (Wang and Noe 2010).

Diversity of team members, based on such characteristics as gender, marital status or education, influences knowledge-sharing behaviour. Individuals whom consider themselves a minority are less likely to share knowledge with team members (Ojha 2005), teams with higher female–male ratios are more likely to engage in knowledge sharing (Sawng et al. 2006) and socially isolated members are more likely to disagree with others and contribute unique knowledge (Phillips et al. 2004; Thomas-Hunt et al. 2003).

Social network research investigates how the structure and content of social networks influences knowledge searching and transfer and the value of knowledge shared. Originating in work by Granovetter (1973), the basic proposition is that weak structural ties are more likely than strong ties to act as a bridge between two unconnected social groups and connect individuals or groups who are more likely to be significantly different from each other (Granovetter 1973). Resulting research interested in knowledge searching and transfer subsequently finds that by virtue of connecting unconnected social groups, weak ties provided *access* to non-redundant knowledge i.e. have greater search benefits (Hansen et al. 1999) as compared to strong ties, which are more likely to provide access to similar others who reside in the same social groups and so have access to knowledge already circulating. Levin and Cross (2004) furthered this line of research by identifying that weak ties are also more beneficial for *transferring* valuable knowledge where competence and benevolence-based trust exist. This is an important nuance to explore as typically while weak ties were associated with access to non-redundant knowledge, strong ties were associated with its transfer (Reagans and McEvily 2003). However, a study by Maurer et al. (2011), which separates knowledge transfer into the more detailed processes of knowledge mobilization, assimilation and use, finds that trusted strong ties enhance the extent of knowledge transfer. They also report that the transfer of knowledge is one of the key processes linking social capital to organizational performance. In another line of research focused on where the knowledge is flowing from and to, Tortoriello and Krackhardt (2010) found that individuals were more likely to demonstrate higher innovative performance when they maintained cross-unit knowledge transfer relationships that were characterized by closure (i.e. network cohesion). Reagans and McEvily (2003, 2008) also considered how network features contributed to knowledge flows. However, they did not distinguish within-unit transfers from cross-unit transfers in their empirical analysis. Equally, Tortoriello and Krackhardt did not analyse the flow of knowledge directly. Instead, they assumed that network cohesion increased the amount of knowledge acquired during cross-unit transfers. Tortoriello et al. (2012) progressed knowledge transfer research by focusing on these gaps and identified that tie strength, network cohesion and network range had a positive effect on the amount of knowledge acquired in cross-unit transfers.

The social network perspective in general and on knowledge sharing more specifically has received limit critique despite some obvious issues and Granovetter's (1985) original recognition of the duality within social structures; they can be a source of both opportunity and constraint for individual behaviour. Economists argue that the maintenance of social capital entails honouring obligations which may conflict with the pursuit of self-interest. Changing contextual circumstances such as changes in the environment or task in which one operates may necessitate new relationships. However, pressure to maintain current relationships which are no longer advantageous may hinder the ability to cultivate new relationships due to the time and energy involved and the reciprocal promises made in past or current relationships (Gargiulo and Benassi 1999). From a knowledge-sharing perspective, an individual's knowledge requirements are likely to change over time and with changing contextual circumstances; however, the need to concomitantly alter one's social network is not as easy as research and practice guidelines would imply.

'Managing' individual characteristics and knowledge sharing

The most evident individual level characteristics and components in research on knowledge sharing include trust, expertise, confidence and self-efficacy, perceived benefits and costs and attitudes and intentions about knowledge sharing (Wang and Noe 2010).

There is a solid body of research focused on trust and knowledge sharing. Affect and cognition-based trust are shown to have positive influences on knowledge sharing at dyadic and team level (Chowdhury 2005; Mooradian et al. 2006; Wu et al. 2007). It is found that individuals tend to share less knowledge with others who are perceived to be very capable and more knowledge with those who are perceived to be honest and fair and who followed principles (Bakker et al. 2006). Andrews and Delahaye (2000) found that knowledge sharing was based on the perceived trustworthiness of the knowledge recipient. Levin and

Cross (2004) found that competence-based trust had a more significant impact on tacit over explicit knowledge sharing. They also found benevolence-based trust to be significant in both tacit and explicit knowledge exchanges. Studies focused on the influence of expertise, education and work experience on knowledge sharing finds mixed results. Constant et al. (1996) found that individuals with higher expertise, a higher level of education and longer work experience were more likely to share knowledge when others asked questions on a KM system. However, Wasko and Faraj (2005) found no relationship between expertise and knowledge sharing.

With regard to self-efficacy, research finds that it positively impacts attitudes toward knowledge sharing (Bock and Kim 2002), willingness to share knowledge (Liu and Liu 2011), intention to share knowledge (Cho and Li 2007; Cho et al. 2014), tacit knowledge-sharing intention (Yang and Farn 2010) and knowledge contribution or sharing behaviour both within and outside of electronic repositories (Cabrera et al. 2006; Kankanhalli et al. 2005; Lu et al. 2006). Studies on confidence to share knowledge generally identify that individuals who are more confident in their ability to share knowledge have more positive intentions towards and engagement in knowledge sharing (Cabrera et al. 2006; Lin, H. F. 2007).

Drawing on social exchange theory, which suggests that individuals evaluate the perceived ratio of benefits to costs and base their decision on the expectation that it will lead to rewards (Blau 1964; Emerson 1976), perceived benefits and costs are one of the most studied antecedents of knowledge sharing. Perceived benefits are positively associated with knowledge sharing (Lin, C. P. 2007: Hew and Hara 2007; Wasko and Faraj 2000, 2005), while perceived costs are negatively associated (Kankanhalli et al. 2005; Hew and Hara 2007). More specifically, some research identifies that where individuals believe that their shared knowledge is useful to others is more strongly related to knowledge sharing over the personal benefits they gain (Chiu et al. 2006; Siemsen et al. 2007 : Wasko and Faraj 2000). Hislop (2009) compares this cost/benefit decision making process to a public good dilemma where individuals may feel they need to contribute to the public good, the organizational knowledge bank, as otherwise the resource will diminish. However, individuals are also concerned with negative personal consequences from sharing their knowledge, such as it is time consuming; giving away sources of individual power and status; and the fear of ridicule. Such fears negatively impact knowledge sharing (Empson 2001; Ardichvili et al. 2003; Martin 2006; Mooradian et al. 2006; Renzl 2008). However, by sharing knowledge, the benefits to individuals include intrinsic and extrinsic rewards, enhanced status, being perceived as an expert and gaining recognition for what they know.

Drawing on the theory of planned behaviour (TPB) in the context of knowledge sharing, there is some research on intentions to share knowledge. Ryu et al. (2003) demonstrated that professionals' knowledge-sharing behaviour is affected by their attitudes, subjective norms and perceived behavioural control. In a study on senior managers in Taiwan, Lin and Lee (2004) revealed the main determinants of organizational knowledge-sharing behaviour were the intentions of senior managers, which in turn were predicted by their attitudes, subjective norms and perceived behavioural control. In a study on knowledge workers, Chennamaneni et al. (2012) find that knowledge workers' attitude, subjective norms and perceived behavioural control were significant in explaining knowledge-sharing intention. Knowledge-sharing attitude was the strongest influence, followed by subjective norms and perceived behavioural control, which exhibit moderate influence. Intention towards knowledge sharing also emerged as a significant predictor of actual knowledge behaviour. In the context of communities of practice, Jeon et al. (2011) equally found support for the theory of planned behaviour applied to knowledge-sharing. Recently, Stenius et al. (2016) tested the TPB for knowledge sharing and found that attitudes predicted intention to share knowledge, which subsequently predicted knowledge-sharing behaviour; however, subjective norms did not predict intention to share or behaviour.

Research concerned only with intentions to share knowledge generally reports that it positively impacts knowledge-sharing behaviour, for example a study on knowledge-sharing on Facebook (Cho et al. 2014). However, a study by Yang and Farn (2009) found that an employee's tacit knowledge-sharing intention is not significantly related to tacit knowledge-sharing behaviour. Drawing on the theory of reasoned action, Bock and Kim (2002) find that individuals' expectations of the usefulness of their knowledge and the beliefs that through sharing they can improve relationships with colleagues are positively related to knowledge-sharing attitudes and subsequently intentions and behaviours.

Conclusion

Notwithstanding the high level of debate and controversy in the organizational knowledge field about what is knowledge and the extent to which it is manageable, this chapter aims to illuminate, through critical examination, the opportunities in acknowledging and in cases unifying the discourses and the field of organizational learning. This chapter emphasizes the social paradigm of knowledge and its management as a means to illustrate the role of HR practices. It aims to demonstrate, with a degree of caution, how HR can facilitate knowledge circulation and organizational learning at a number of levels. The critical perspective adopted illustrates how HR can be useful but also that there are challenges with implementation, contradictions contained within the solutions due to the complex nature of knowledge and, effectively, there is no one 'best way'. More generally, empirical research which can inform HR practices aimed at facilitating knowledge circulation suffers from a number of other gaps. There is generally insufficient research on the plethora of possible HR initiatives which address the knowledge circulation challenge; inconsistency of results; an excessive focus on knowledge management in the form of information technologies; a failure to acknowledge both tacit and explicit knowledge (however defined) and, thus, an emphasis on the more measurable explicit knowledge; and a failure to explore all phases in the knowledge-sharing process from the perspective of both the knowledge provider and the recipient (Gubbins et al. 2013; Gubbins and Freeney 2017; Kennedy et al. 2017, 2015).

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10 HRM in small and medium-sized enterprises (SMEs)

Tony Dundon and Adrian Wilkinson

Introduction

Small and medium-sized enterprises (SMEs) are often deemed critical to the economy of many countries. The reasons for this are twofold: first, there are so many smaller firms that they make up a large proportion of employment; and second, the way people are managed is regarded as central to the competitive standing of firms and industries (Boxall and Purcell 2015). Such recognition has provoked debate about the role of human resource management (HRM) as a means to enhance organizational effectiveness (Kinnie and Swart 2017). Within OECD economies, SME businesses employ more than 60 per cent of the labour force and generate around 55 per cent of national gross domestic product (OECD 2005). Smaller firms are also established as global enterprises, operating in international markets, and feature as important supply chain network agents with larger global partners in many parts of the less developed world (Briscoe and Schuler 2005). SMEs are important in terms of engines of growth, international trade and numbers employed. However, much of the HRM literature and normative models tends to be based on mainstream and large firm settings. Indeed, it is often assumed that the lessons from these larger organizations can be applied to people management practices of SMEs, writ large (Harney and Nolan 2014). However, larger firms tend to be structured much more formally with bureaucratic command and control arrangements (Edwards and Ram 2009). Large firms can be shaped more directly by their national environment and formal institutional effects, whereas among smaller enterprises informality is much more common. Many SMEs tend to have a very particularistic approach to HRM, with varying management styles ranging from authoritarian to personal and friendly relations influenced to a large extent by the values of founding-owners (Briscoe and Schuler 2005).

The purpose of this chapter is to review the nature and extent of HRM among SMEs. We adopt a generalist approach to HRM, which includes employment relations broadly defined. In this way, the chapter can report on various practices while providing an analysis about the meanings and interpretations of management action in the context of a smaller rather than larger firm. The chapter starts by asking what an SME is, commenting on the importance of SMEs in a global and local economy and for human resource management specifically. Traditional approaches to HRM are then considered, assessing how they have been applied to smaller businesses. From this it is suggested that much theorizing about HRM in SMEs is limited in that analysis often gravitates around one of two polarized perspectives: the 'small is beautiful' versus 'bleak house' scenario. (Wilkinson 1999). The remainder of the chapter then reviews current research evidence concerning the core dimensions of HRM among SMEs (e.g. informality, recruitment, training, employee involvement/voice and related management practices).

What is an SME?

Storey notes 'there is no single or acceptable definition of a small firm' (1994: 8). The American Small Business Administration once defined as small to medium-sized a firm if it employed fewer than 1,500 people. Earlier definitions in Britain defined a small manufacturing firm as one that employed fewer than 200 workers (Bolton Commission 1971). These definitions have been frequently criticized given their lack of context. The European Commission (2015) defines SMEs as consisting of *micro* (less than 10 employees), *small* (10–49 employees) and *medium*-sized enterprises (50–249 employees) which have an annual turnover not exceeding €50 million (European Commission 2015: 3). However, as a definition for SMEs, such technical classifications based on numbers employed and financial turnover can be problematic (Dundon and Wilkinson 2004). Small firms differ considerably in terms what they do and who they employ: for example, a hairdressing shop employing 10 or 12 people would be quite large for this segment of retail. Furthermore, the nature of each firm differs not only in terms of market sector and conditions but also social relations and whether an enterprise is family-run. Some firms are dependent on larger organizations for their survival through outsourcing and contract services, while others operate in discrete and niche markets, such as hi-tech or business consultancy (Goss 1991). As Edwards et al. (2006) remind us, many studies fail to capture the specific economic position and social norms that govern management actions in each firm, and models of HRM tend to be applied to smaller firms as though they are the same as larger organizations (Harney and Dundon 2006). In short, SMEs are not homogenous but differ in terms of context, family and kinship along with variable labour and product markets (Edwards and Ram 2009). These conditions need to be recognized more fully in much of the mainstream literature surrounding HRM and SMEs.

The importance of SMEs for employment and economic growth cannot be overstated. In most westernized economies, smaller firms account for a significant proportion of economic activity. In Britain, 99 per cent of all business are defined as an SME, accounting for around 40 per cent of non-government employment. Of all SMEs, 82 per cent are '*micro*' enterprises, 16 per cent small and only 2 per cent medium (BIS 2016). Across Europe as a whole, nine out of ten enterprises are SMEs, which, cumulatively, employ two out of every three workers (European Commission 2015: 3). However, there are dangers in using such figures in a general or deterministic way. For example, a number of smaller firms are not actually 'companies' but rather 'sole proprietorships' (Rhodes 2016; BIS 2016). The latter may reflect concerns about bogus self-employment in areas such as the gig economy, where workers are defined as self-employed rather than legal employees as a way for firms such as Uber or Deliveroo to avoid employment relations laws on matters such as redundancy and holiday entitlements (Chapman 2016). SMEs that do have employees tend to be prominent in key sectors of the economy such as retail, hotels and restaurants, transport and communications, financial services and business services. Many SMEs are also family-owned (69 per cent), with the majority managed by first or second generation family members (BIS 2016: 36). Indeed, the role of familial relations has been noted as one of the more important set of factors that can influence how a small firm manages its human resource (Ram 1994). In particular, the prevalence of dominant family values is crucial in order to understand employment relations at the workplace level, including the ideas of a founding owner or the ethnicity of family-run businesses on its people management practices (Edwards and Ram 2009). Key challenges limiting the diffusion of more sophisticated HRM among SMEs can be a lack of professional in-house managerial skill and having to rely on external sources for information (Hann 2012; European Commission 2015).

Yet the role of SMEs stands in stark contrast to our limited understanding of HRM activity within them (Arthur and Hendry 1992: 246). Efforts to explain this deficiency typically point to definitional complexities, access difficulties or resource constraints inherent within SMEs (Hann 2012). Much of this neglect can be traced back to an implicit assumption that findings concerning HRM in large organizations have a universal relevance (Boxall and Purcell 2015). HRM prescriptions assume a ready-made, large scale, bureaucratic corporation and in so doing suffer from what has been labelled 'little big business syndrome' (Welsh and White 1981). The implications for both theory and practice are of particular relevance, with concerns that research about HRM in smaller firms is dislocated from their environmental context (Barrett and Rainnie 2002).

Theorizing HRM in SMEs from 'bleak house' to 'small is beautiful'

Some of the earlier studies about employment and HRM among SMEs tended to conflate the characteristics of smaller firms along opposite ends of a continuum (see Table 10.1). At one end, the 'small is beautiful' view argues that informal communication flows between employees and owner–manager helps to generate commitment and loyalty. This perspective was epitomized in the findings of the Bolton Commission (1971), suggesting that SMEs provide a better [*sic*] employee relations environment than that found in larger firms. SMEs were believed to have a more committed and motivated workforce accompanied by lower levels of conflict.

The opposite end of this continuum paints a Dickensian picture of employment conditions in many SMEs (see Wilkinson 1999). According to this view,

Table 10.1 From small is beautiful to bleak house

Small is beautiful perspective	*Bleak house perspective*
Positive HR	Negative HR
Harmonious	Hidden conflict
Good HR	Hostile IR
Little bureaucracy	Instability
Family style	Authoritarianism

Source: Adapted from Wilkinson (1999: 207).

employees suffer poor working conditions, inadequate health and safety and have less access to union representation than employees in larger establishments. Conflict is not so much lacking but rather expressed through higher levels of absenteeism and labour turnover (Rainnie 1989). The argument posits that the 'happy family' image of many SMEs hides a form of authoritarian management, with few employees capable of challenging management decisions without reprisals or that workers become bound by a network of family and kinship ties that govern employment relations, or strategies that enhance entrepreneurship among ethnic minority supply chain companies (Ram et al. 2011).

As might be expected, these polarized perspectives are the subject of much debate and criticism. While there is the possibility of some truth to each extreme, in reality SMEs are best characterized by a complex web of social and familial norms, economic conditions and sector variability (Edwards et al. 2003). Informality, for example, cannot be automatically associated with harmonious work relations (Marchington and Suter 2013); nor should the formalization of management techniques indicate a measure of the substance of HRM within the smaller enterprise (Gunnigle and Brady 1984).

Theorizing about HRM in SMEs in these 'either/or' terms can simplify practices that are much more complicated in reality (Wilkinson 1999). Studies show that employees who work in smaller firms display a high degree of satisfaction in relation to their counterparts in larger establishments (Forth et al. 2006). However, what is more difficult to explain is whether such satisfaction is attributable to the size of the firm or is because of other contributory factors such as the role of management, leadership style or familial culture (Tsai et al. 2007). The work of Rainnie (1989) and Goss (1991) addressed the issue of variability among different types of SMEs. *Dependent* and *dominated* small firms are those that rely on large firms for their main customer base, responding to market pressures with low cost-differentiation strategies. Smaller supply chain firms embedded in larger firm supply networks can be vulnerable in many parts of the world (Taylor et al. 2013). As such, employees tend to experience low wages and generally poor conditions, although there can be variation between these types of firms. Examples are often found in sub-contacting or retail outlets competing with larger firms. In contrast, *isolated* and *innovative* small firms tend to operate in markets that large firms avoid due to limited or minimal financial returns. *Isolated* often have to compete on the basis of low costs, whereas *innovative* SMEs may be competing in high-risk markets that require specialist expertise or high employee skills.

While these typologies offer a greater degree of specificity about the wide range of SMEs that exist, they have been criticized for being too deterministic by reducing factors to external market influences and neglecting internal social relations at enterprise level. It is certainly evident that many smaller firms are dependent upon larger organizations for their economic survival, with the larger firm often holding a degree of market power over the actions and decisions of managers (Bacon and Hoque 2005). However, many smaller firms do operate in niche markets characterized by innovation and employee creativity, such as high-tech and business services (Harney and Dundon 2006). These sorts of debates have led to some rich and varied studies concerning SMEs. One school of thought suggests that it is not size *per se* which best explains HRM in SMEs but rather the specificity of sector and market economy in which smaller firms have to operate (Curran 2006). In contrast, other commentators argue that it is the type of management style or entrepreneurial support systems associated explaining a more universal HRM approach among SMEs (Hayton 2003). Some evidence does indicate that many employees appear satisfied with their working experience within smaller enterprises (Forth et al. 2006). Of course, employee satisfaction and business unit size may not be related at all. Tsai et al. (2007: 1780), for example, explain that job satisfaction in SMEs may be a function of closer and more 'personal' relationships that exist across the SME sector. In other words, small social setting may engender more friendly relations which in turn can help understand satisfaction, but also familial tensions in other types of family-run small businesses (Ram 1994)

Given that many workers in SMEs appear satisfied while others face exploitative practices, both the 'small is beautiful' and 'bleak house' perspectives are likely to be too polarized to reveal the complexity and unevenness of people management practices among the diverse range of SMEs (Harney and Nolan 2014). Therefore, in the following section we examine some of the main trends and developments in HR practice among SMEs to provide a more holistic overview. While this can never be exhaustive in a single chapter, we paint a broad picture of the central components of HRM and comment on the meanings and interpretations of these practices for smaller firms. These include: the prevalence of informality; recruitment practices and training policy; union membership and employee involvement and voice; and the emergence of so-called newer management techniques.

HRM in practice in SMEs: informality and people management

It is generally accepted that an informal rather than bureaucratized relationship is one of the key defining characteristics of HRM in SMEs. Small firms rarely consider formalizing their working practices and rely on an emergent approach with an absence of structured or professional HR management (Marlow 2005). This is partly the result of a lack of resources, with 'informal routinization' playing a large part in the day-to-day running of the firm. Informality, however, does not imply a particular view of the substance of work relations: it could be associated with an autocratic as much as a harmonious enterprise. This results in a situation where management policy and practice is 'unpredictable' and at times 'indifferent' to the human resource needs of a firm (Ritchie 1993: 20). The significance of informality on any subsequent HR approach cannot be overstated. One implication is that personalized and family ties can overlap and shape the nature of employment contracts and management actions in very informal ways.

In terms of HRM, informal interactions offer both the owner–manager and workers a range of advantages, such as speed of decision-making, clarity of instruction and opportunities for employees to voice their ideas and concerns (Marchington and Suter 2013). It is evident that these informal arrangements are much more challenging to sustain as a firm grows in size (Hann 2012). One study found that an informal people management approach is more problematic when a firm employs more than 20 or more workers (Roberts et al. 1992: 255). This fits with the view that once the organization grows above a certain size, management needs to become more professional and structured (Loan-Clarke et al. 1999). In many smaller firms during a growth stage, the owner–manager simply becomes 'harassed' with the day-to-day work pressures of customer demands and finds little 'spare time' to handle the varied and emerging range of people management issues (Roberts et al. 1992: 242). In such situations, HRM is often accorded a low priority over meeting targets and production schedules.

Evidence shows that few SMEs have a strategic plan concerning HRM: 40 per cent of smaller firms compared to almost 90 per cent of large organizations (Forth et al. 2006). The WERS[1] data used four indicators to assess the extent of formalized strategic planning among SMEs (see Table 10.2). As might be

Table 10.2 People management strategies in large and SME firms (%)

	All private sector	*Size of firm*			
		All SMEs	*Small firms*	*Medium firms*	*Large firms*
Strategy covering employment relations	52	34	30	54	77
Strategy does not cover employment relations	8	6	6	10	11
No strategy	40	59	65	35	12
Investors in People (IiP) accredited	31	15	12	25	57
Strategic HR index					
0	40	59	63	39	11
1	13	8	8	8	20
2	29	23	21	31	40
3	18	10	8	21	29

Source: Forth et al. (2006: 26).

expected, there is a greater tendency to have a strategic plan as the size of a firm grows. Owner–manager firms were less likely to have specific HR strategies (30 per cent) than family-run businesses (38 per cent). Between 2010 and 2015 SME owners reported a growing awareness in the needs for business planning, rising form 59 per cent in 2010 to 81 per cent in 2015 who felt they were strong in terms of people management planning (Rhodes 2016: 50).

The WERS data created a ‘strategic index’ to reflect the extent to which SMEs have a strategy towards employment and HR-related matters (see bottom half of Table 10.2). The scale, running from zero to three, shows that 59 per cent of all SMEs scored zero, with just 10 per cent attaining the highest ranking of three (Forth et al. 2006: 26). The summary of this data suggests that while SMEs are less likely to have a formalized approach to HR than larger organizations, there does appear to be a degree of diversity between small and medium-sized enterprises, and between family-run and non–family-owned businesses. At one level, it is evident the absence of HR specialists or formalized strategies is because many owner–managers see such policies as burdensome. The owners’ particular sensitivity to market pressures and the need for speedy operational decisions has been employed as an argument against formalized procedures. It is generally advanced that matters such as employment legislation is burdensome to smaller businesses, that is, restricting expansion or constraining entrepreneurial innovation because of ‘red tape’ or costly bureaucracy (Hann 2012). However, Mayson and Barrett (2017) advance that such an argument is limiting. It is not necessarily true or generalizable that regulation is somehow inevitably all-constraining to all smaller firms. Rather, they argue, it is more fruitful to appreciate the embedded social networks in which owner–managers operate. In this way, external macro factors can be seen to influence micro social actions of owner-mangers: what can be called embedded sense-making influences. In that way, owner–manager ideologies and values to HRM and employment rights can be refined against the context in which they are relevant. At another level, however, it also seems probable that many managers in SMEs recognize the need for policy to control employees, but these are often used in tandem with informal relations. Therefore, procedures need to be understood alongside owner–manager preferences for informality and the social action networks in which they are situated.

Recruitment and training in SMEs

Smaller firms are less likely to use personality tests when recruiting new staff and place a lower priority on off-the-job training than larger firms. Arguably, difficulties of labour supply can be can be magnified for smaller firms compared to the experiences of many larger organizations given the lack of available recourses and the absence of HR specialists (Hann 2012). While there is a preference for informality, recruitment methods have also shown to vary between industries and sectors. What is almost self-evident for SMEs is that because they have fewer employees to begin with, it is extremely difficult to maintain or develop an internal labour market based on recruitment and career development (Taylor 2005).

For most SMEs, recruitment of new staff is via *closed* and *responsive* methods that rely on informal networks (Carrol et al. 1999).

The implications of how SMEs recruit people can lead to potential problems of discrimination. For example, owner–managers can lack knowledge about equality regulations or diversity best practice options, with around one-third of SMEs seeking external advice, most asking for financial advice followed by employment law (BIS 2016:116). According to the WERS findings, very few SMEs monitor their recruitment methods with regard to equal opportunities (Forth et al. 2006). Further problems can arise with an *ad hoc* and informal approach to recruitment. For example, 'indirect' discrimination can be evident when workers are recruited from the same ethnic group or from within a particular familial and social milieu (Ram et al. 2011). Indeed, the use of family and ethnic labour can be extremely gendered, with women occupying positions of subordination in smaller (ethnic and family-run) firms: 'roles are rewarded accordingly, influenced by the "male-breadwinner" and female "actual or potential wife and mother" ideology' (Ram and Holliday 1993: 644). Over time, evidence reiterates that owner–managers prefer informal practices (Hann 2012). Carrol et al. (1999: 24) concluded that:

> Word-of-mouth recruitment methods are potentially discriminatory. On the other hand, given the lack of in-house expertise in human resource management techniques and the nature of the labour market, it could be argued that these methods are the most appropriate. Hiring 'known quantities' could be seen as a very effective way of reducing uncertainty in recruitment decisions

The recruitment of new employees also has the potential to inject new skills and experiences into the organization. Thus, recruitment can to some extent substitute for training, which tends to be less among SMEs. However, there is also the argument that training could be based on informal learning and the development of tacit skills. Therefore the lower incidence of formal off-the-job training among SMEs may not be the same as a lack of learning and skill development found in larger organizations (Kitching and Blackburn 2002). This debate aside, it seems that many owner–managers are either 'ignorant' of the softer people skills such as training, or are so busy and pre-occupied with 'getting the products out the door' that they have little time to consider training needs in a coherent manner (Westhead and Storey 1997). A further explanation for the lack of formal training in SMEs is that managers simply fear they will lose newly trained employees to competitors (Hann 2012). Wynarczyk et al. (1993), for example, found that many small business owners expected line managers to leave the company if they wanted to advance their career.

In summary, SMEs have a different approach to recruitment and training than larger organizations. It is an approach that is less formal and based on owner–manager views about what is appropriate for the business at a particular time (Taylor 2005). Smaller firms have little internal labour market movement through promotion or career development, and recruitment can be one way to inject new skills into the organization. Yet such recruitment methods raise a number of concerns about the potential discrimination surrounding informal and *ad hoc* processes.

Trade union membership and employee participation in SMEs

The available data on union membership in SMEs is patchy and disjointed. It is generally understood that union membership among SMEs is much lower than in larger organizations, although there is some international variation. For example, in the UK, around 7 per cent of workers in small *firms* are union members, rising to 10 per cent in *medium*-sized (50–249 employees) organizations. This compares with about 28 per cent in larger organizations (Forth et al. 2006: 47). In contrast, in Germany union membership is 8 per cent in *micro* firms (0–9 employees), rising to 14 per cent in *small* (10–49 employees) establishments. In Norway, union density is around 30 per cent in *small* and 51 per cent in *medium*-sized respectively (Broughton 2011). Further to this is that a greater proportion of employees in SMEs have never been a trade union member (in the UK): 71 per cent compared to 55 per cent in larger firms (Forth et al. 2006: 47).

As might be expected, owner–managers are less likely to recognize a union for bargaining purposes than is the situation for larger companies. Compared to 31 per cent of large firms, only 3 per cent of SMEs recognize a union (Forth et al. 2006: 48). There is only a modest variation between sectors: 5 per cent for manufacturing firms and 3 per cent for service sector establishments. Given the absence of collective representation for workers employed in SMEs, it is perhaps not surprising that most owner–managers prefer to communicate with employees directly. For example, 86 per cent of managers said they would rather consult with employees than deal with a trade union (Forth et al. 2006: 45). While most managers (72 per cent) say they have a 'neutral' attitude towards unions at their establishment, a growing proportion indicate they either 'actively discourage' union membership or are 'not in favour' of unions (see Table 10.3).

Despite the informal nature of communication flows noted earlier as a characteristic feature of smaller organizations, many report a range of communication and consultation methods (see Table 10.3). Over two-thirds have formal meetings with employees and half have team briefings. For most SMEs, face-to-face meetings are the dominant mode of communication (80 per cent among all SMEs: 93 per cent in large firms), while written communications are less common. In addition to the reported existence of such communication and involvement methods, the WERS survey asked employees in SMEs about the quality of management information. In this regard the utility of information-sharing from management was more favourable among employees in small firms compared to those employed in medium-sized and large organizations. One particular feature seems to be that among those SMEs without an owner–manager on site, employees were more positively disposed toward management communications than in those firms that are run by the owner (Forth et al. 2006: 55). This may suggest that owner–managers have a tendency to guard company information as privy to them or their immediate family rather than sharing this or consulting with employees (Wilkinson et al. 2007).

Table 10.3 Employee communication channels in SMEs (%)

	All private sector	*Size of firm*			
		All SMEs	*Small firms*	*Medium firms*	*Large firms*
Face-to-face meetings:					
Meetings between senior managers and the whole workforce	74	68	67	77	81
Team briefings	58	50	45	73	68
Any face-to-face meeting	85	80	78	88	93
Written two-way communications:					
Employee surveys	32	16	14	23	56
Regular use of email	34	25	22	39	47
Suggestion schemes	25	13	11	20	43
Any written two-way communication	57	40	35	58	81
Downward communications:					
Notice boards	64	49	44	70	85
Systematic use of management chain	52	40	38	51	68
Regular newsletters	38	16	11	41	69
Intranet	27	8	6	16	54
Any downward communication	72	57	51	81	93

Source: Forth et al. (2006: 52).

As insightful as the WERS studies have been for exploring HRM in SMEs, it is also known that large scale surveys cannot capture the complexity and unevenness associated HRM. And when these practices are determined by an owner–manager or an owner who may also be the head of a family unit, then the outcomes can be very different for workers. For example, a paternalistic or friendly managerial approach does not negate the fact that owner–managers discriminate against workers and devise soft HR strategies to ensure the firm remains union-free (Dundon and Rollinson 2004). In one study concerned with the extent to which SMEs are prepared for European employee information and consultation regulations, most owner–managers inform staff but fall short of the consultative requirements (Wilkinson et al. 2007). Added to the complexity is what Ram (1994) describes as a 'negotiated order' between owner and employee which serves to constrain the power of owner–managers, especially when influenced by family and kinship links that override the formalized structures of an employment contract. It is these sorts of qualitative studies that suggest the meanings ascribed to specific HR practices may not be the same as the picture derived from large-scale surveys. In a study of SMEs, for example, Cullinane and Dundon (2014) report the prevalence of a strong unitarist ideology among owner-managers, with a distinctive anti-union posture concerning social dialogue or collective bargaining. Furthermore, reporting the existence of team-working in a smaller firm is not the same as a team-based structure in a large organization. In SMEs employees tend to work together by definition of the smaller work environment: this is not a team as conventionally understood in much of the mainstream literature on HRM (Boxall and Purcell 2015).

Pay among small firms

As already noted, pay tends to be lower among SMEs than in larger firms. Surprisingly, research has shown that many SMEs have conformed to and found they have benefited from statutory National Minimum Wage (NMW) and the more recent National Living Wage. The latter, while legal in the UK since April 2016, is premised on what a person is supposed to need in order to meet minimum living standards. In the UK, the Living Wage Foundation suggests it should be set at £9.40 for London and £8.25 elsewhere in the country. The statutory National Living Wage, as of April 2016, was legally established at £7.20 for over-25s, therefore lower than that recommended. While exact numbers are difficult to quantify, it seems those SMEs that do pay the higher recommended rate (as opposed to the lower statutory) Living Wage do so for ethical reasons. At the time of writing, about half of all 2,800 organizations in the UK that have been accredited as Living Wage employers are private sector SMEs (Werner and Lim 2016: 11): as many as 77% reported the main motivation for paying the higher living wage was for ethical reasons (e.g. management felt it was the 'right thing to do').

Notwithstanding progressive SME living wage employers, only a small proportion of workers (5 per cent) have the opportunity to discuss and negotiate their pay by collective bargaining (Forth et al. 2006). Around 20 per cent of SMEs utilize a performance or incentive-based system for employee remuneration (Forth et al. 2006: 61). However, these have also proved to be difficult for SMEs, with a desire for more informal approaches overriding formalized variable pay schemes (Cox 2005). Much more common are *ad hoc* wage payment and wage negotiation systems, which can lack transparency about what other employees earn, even in the same firm (Gilman et al. 2015). Arguably, pay determination in the context of an SME is often based on managerial 'gut instinct', 'prejudice' by owner–managers or 'market pressures' at a given moment in time. In our own research (Dundon et al. 1999), one garage mechanic explained the procedure for a pay increase:

> I know when we get a rise. It's each Christmas. It's not automatic though, you only get a rise if they think you should have a pay rise [and] . . . that's based on not dropping a bollock in the year . . . It's a letter in the Christmas card saying we're getting a rise . . it really pisses the lads off. I mean a little card, 'all the best and all that', but nought about your money and so and so next to you gets something.

Overall, pay remains lower for workers in smaller firms, even though many report a higher rate of satisfaction than their counterparts in larger organizations (Forth et al. 2006). It is also important to be critical of wide-sweeping generalizations, as a great deal can depend on the precise occupational category or sector in which employees work. For some owner–managers, statutory instruments such as the NMW have limited their freedom to impose unilateral decisions. In other SMEs, variable pay schemes have been implemented, although they are not without difficulties when they formalize an established informal routine (Cox 2005). Moreover, many variable pay schemes in smaller firms seem to be based on managerial 'gut instinct' rather than clear systematic and objective performance criteria (Gillman et al. 2015).

High-c HRM in SMEs

One of the more contradictory images of HRM in smaller firms is the apparent coexistence of 'informality' with particular 'bundling' of HR practices that are claimed to support organizational performance (Boxall and Purcell 2015; see Wood, this volume). Examples include devolved managerial responsibilities, sophisticated and formalized recruitment and selection techniques, contingent rewards, team-working and a range of employee involvement initiatives. According to Bacon et al. (1996), the use of such strategies among many SMEs may not necessarily be 'new', but rather less formal. Initiatives such as quality and cultural change programmes may have been present for as long if not longer in many SMEs but based on informal arrangements. In a study by Downing-Burn and Cox (1999), for example, smaller engineering firms used various high-commitment practices such as quality audits, team-working, job rotation and communication techniques. Harney and Dundon (2006) show that smaller firms had a range of innovative practices, including employee voice and reward systems based on contingency market strategies. However, Peetz et al. (2017) reported that while emerging firms were more casualized, less unionized and experienced higher levels of market expansion and unpredictability, they showed remarkable similarity to older firms across a range of ER practices. WERS found that around one-fifth of SMEs use five or more advanced management practices such as those described in Table 10.4. Ogunyomi and Bruning (2016) report an association in SMEs between HRM practices and what are defined as some of the non-financial performance outcomes, such as employee satisfaction and health and safety. Other studies show the degree to which innovative HR strategies and cultural change programmes based on informal engagement tend to dominate in particular small firm settings, often dependent on owner–manager personal preferences (Grugulis et al. 2000). It is suggested that many SMEs utilize some advanced HR techniques that may signal a degree of institutional isomorphism; that is to say, what is believed to be good practice in larger organizations is replicated among those SMEs that are aware of such practice complementarity (Bacon and Hoque 2005).

However, how these practices actually translate to a smaller firm is debatable (Harney et al. 2018). In terms of the diffusion of sophisticated bundles of HRM practices that are claimed to underscore high-performing work systems,

Table 10.4 New HRM in SMEs (1998–2004)

	% of workplaces	
	1998[1]	*2004*[1]
Joint consultative committee	17	10
Equal treatment/Equal opportunity practices	24	36
Union representatives	n/a	1
Union recognition	12	3
Arrangements for worker/employee representation	10	17
Flexibility working arrangements	48	n/a
Any merit or payment-by-results payment scheme	n/a	34
Employment tribunal complaints/claims (rate per employee)	2.4	2.6

These figures are broadly indicative and should be treated with caution as some questions and scales were not identical between WERS surveys.

[1]Calculated from WERS data 2004 (Forth et al. 2006).

international data tends to suggest there is at best a moderate to low take up among smaller type firms in UK (Forth et al. 2006), the US (Hayton 2003), Australia (Wiesner et al. 2015) or Ireland (Harney and Nolan 2014). The possible explanations are multiple. First, as is often the case in larger organizations, it is unclear why these managerial techniques should be viewed as positive. Many of these so-called new managerial practices can implicitly and explicitly rely on more traditional 'harder' employment conditions of work intensification, which ensures a degree of managerial control over employee effort (Keenoy 1997). Second, it is often 'assumed' that communication flows in small firms are automatically good because of the flexibility and close proximity between employee and owner–manager. However, this may be 'one-way' communication and based upon a 'need to know' approach defined by the owner–manager. There is always a danger that samples reporting such change are self-selecting and therefore give a misleading impression of what is going on among SMEs as a whole (Curran et al. 1997). A third concern is that many SMEs can be dependent on larger organizations for business survival. In these situations, owner–managers may feel obliged to conform to certain (new) managerial practices deemed desirable by the larger firm and adopted in name only in order to pacify (large firm) customer relations (Kinnie et al. 1999). For example, Heffernan and Dundon (2016) found that HR performance was in part mediated by pressures that engendered work intensification. Other examples have reported a shift in risk from large firm to small supplier: in catering, cleaning, security and transport, in which a significant proportion of the employees work part-time, experience casual and temporary contracts and are low-paid women workers (MacMahon 1996).

Yet the exploitative bleak house perspective can be equally misleading. Reports from workers employed in smaller establishments have been surprisingly positive (Guest and Conway 1999; Forth et al. 2006). Tsai et al. (2007) argue that satisfaction among employees is best understood in the light of the personal relationships between employee and owner–manager: a factor evident across different economic sectors. One possible explanation is the way in which employees in smaller organizations experience and perceive their psychological contract (Cullinane and Dundon 2006). Employee perceptions of trust and mutual obligations can have a greater resonance in a small social setting where friendly relations can develop over time (Guest and Conway 1999).

Notwithstanding the utility in a social and psychological contract explanation, there remains a contradictory image of how employees experience their work environment in SMEs. Of course, this is also evident in larger firms. The idea that workers are satisfied in smaller firms and that relationships are friendlier is not always just a matter of size. HRM is often mediated on systems of 'unbridled individualism' with informality the central *modus operandi* in the day-to-day management of people. Many employees in smaller firms experience work-related illness, face dismissal and have less access to union representation than their counterparts in larger organizations: the fact they also seem highly satisfied is what challenges the discipline in seeking meaningful explanations that transcend polarized perspectives or static typologies of managerial action.

Conclusion

The numerical significance of SMEs to the economy, both nationally and internationally, means they warrant serious study and analysis. As Storey (1994: 160) has argued: 'any consideration of the small firm sector which overlooked employment issues would be like *Hamlet* without the prince'. This importance has begun to be addressed by a range of studies, of which the inclusion of SMEs in the WERS data is particularly insightful (Kersley et al. 2006; Forth et al. 2006). However, it still remains debatable about the extent to which the size of a firm is more or less important than other contextual factors such as labour and product markets, ownership, familial features, management ideology or industrial sub-culture, or the combinations thereof. Given that we do understand that in large firms HRM is not simply a function of them being large, the task of unravelling the relationship between factors in small firms should not be beyond us. If what constitutes 'smallness' is contextual and possibly subjective and interpretational, then we need to examine what factors come together to explain patterns of employment relations rather than assume one particular type, be it either small is beautiful, sweatshop or the innovative high-risk SME.

Given the general overview of this chapter, there are a number of concluding comments to the issues and debates raised thus far. To begin with, much of the extant literature on HRM in SMEs tends to be characterized by size determinism. Arguably this represents a simplistic labelling of HRM that has been perpetuated by the absence of a theoretical framework to understand and prioritize particular contextual influences (Harney and Dundon 2006). Smaller firms may manage their human resources differently than larger organizations, although in itself size by the numbers employed is not a very good predictor as to 'why' they are different. In this chapter, attention has been given to charting the extent of various HR and newer type managerial practices. By combining evidence from large-scale surveys and case study analysis, it is argued here that size is best viewed as a variable that mediates various priorities such as labour and product market pressures, supply chain relationships or inter-firm networks along with the political and familial environment for SMEs. In short, the context in which SMEs operate remains a crucial factor in explaining people management outcomes, be they employee job satisfaction or more hostile managerial attitudes towards collective representation. Issues concerning gender, industrial sector, occupational class and family ideologies are important explanatory factors that help unravel the nature and logic of management actions among a diverse range of small social settings. Which of these factors are more or less important is likely to vary over time and space. It is this dynamic that represents a key challenge for HRM.

Note

1 WERS is the Workplace Employment Relations Survey series that surveys a structured sample of organizations and employee view in Britain. It started in 1980 and the most recent survey was conducted in 2004.

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Part II

11 Recruitment and selection

Rosalind H. Searle and Rami Al-Sharif

Introduction

This chapter focuses on recruitment and selection processes. These systems may be the first formal interaction applicants have with the organization, and their impact can be immense not only in terms of who is attracted and selected to work in an organization, but also in the subsequent attrition of staff and attitudes of those rejected from the organization. In this chapter, two key aspects – attraction and selection – and the tools and instruments which comprise them are discussed. Three distinct paradigms for examining these initial HR processes are raised, and how these perspectives have shaped both research and practice is explored. The subsequent discussion of the attraction and selection tools notes the influences of these approaches. Finally, emergent concerns are discussed, including demographic changes, global recruitment and selection, and the role of trust in shaping perceptions and behaviours of selectors and applicants.

What is recruitment and selection?

While recruitment and selection are often consolidated together, it is worth being aware of key differences between them. Recruitment concerns the activities and practices organizations utilize to attract desirable candidates, and selection pertains to the techniques used to select the most suitable applicants (Klotz et al. 2013). These processes form the key opportunities for an organization to change the type of staff it employs; however, such changes may need to attend also to attrition levels to see precisely who is leaving (Schneider 1987). As a result, HR professionals strive to attract and retain quality employees and face pivotal challenges (Ryan and Derous 2016). These include: meeting organizational innovation and efficiency desires and demands and presenting consistent and transparent information in order to attract those who fit or have new skill sets to the organization, especially those from minority groups; inherent in this challenge is a balance between attracting demographically diverse, suitable applicants and standardizing recruitment and selection processes without enforcing stereotype threats that adversely impact certain groups.

Choices of recruitment and selection tools send signals about the organization and thus can make them less attractive for some groups (Carless 2006). Applicant attraction is, therefore, an important process of ensuring that organizational staffing requirements are met through a pool of potential candidates. As we shall discuss in more detail later, the attraction, selection and attrition of staff create *restrictions of range*. This is a reduction in the variance of individual differences in a setting that we would expect to see by chance. Thus, an organization, while seeking to attract a broad range of potential applicants from which to choose new staff, will actually have a reduced pool of actual applicants who are attracted to *that* type of job role within *that* type of organization. The range of diversity of employees is further reduced through the selection of successful applicants and any loss of existing staff. Thus, the homogeneity of employees within an organization can increase, potentially reducing its flexibility, innovation and thus long-term viability. Recruitment and selection is just one stage in the HRM cycle of a firm (Searle and Billsberry 2011), but is one that can have a very significant impact on the effectiveness and productivity of the organization in the future. While it is a central process at the onset of employment, it can have wide-ranging implications for other HR processes, such as organizational development and change, and attrition. Evaluating the effectiveness of recruitment and selection involves assessing not only the quality of the new recruit, but also their effective integration and retention, and their impact on existing employees and on organizational performance. Fit of new applicants and subsequent recruits into teams (Searle et al. forthcoming) and subsequently the organization's brand is important for enhancing organizational performance (Russell and Brannan 2016).

Three paradigms for recruitment and selection

Organizational and occupational psychology has much to say about the effective enactment of different selection activities; however, before we examine these processes in depth, it is important to step back and look at three distinct paradigms that determine the focus and the questions researchers use to arrive at these findings. Through understanding these distinct perspectives, we can begin to respond more meaningfully to the question, such as why there is a gap between research and practice.

a. Psychometric paradigm

There are three distinct paradigms involved within this field. The most well-established approach to recruitment and selection is the *psychometric* or *predictivist paradigm* (Schmitt and Chan 1998). Implicit in this approach is the dominance of the organization, which is regarded as able to identify, measure and select the applicant with the best knowledge, skills and abilities (KSA) for the job. Central to this paradigm are three key factors: *individual difference*, in which applicants are regarded as having discernible and stable differences (Sackett et al. 2017); *job roles*, which can be performed only one way and can be objectively captured and quantified to create a criterion space; and, finally, *rationality in the decision-making* of organizations and their agents. Despite much being known about the cognitive limitations of individuals and the bounded rationality of our decisions (Simon 1960), especially in a selection context (Zedeck 1986), the impartiality of organizations remains unchallenged by this approach.

In this paradigm, the role of an applicant is essentially passive; they provide to the best of their abilities data by means of undertaking the tests and tools designated to assess their KSA and thus their suitability. Much of the research undertaken in this framework is of high-volume multiple vacancy positions, such as government agencies, armed forces or accountancy. In such situations, recruitment involves a large-scale process with multiple applicants being screened. These volume processes are increasingly being outsourced to external recruiters. Given this type of volume process, a critical issue becomes the availability of a pool of qualified applicants from which a choice can be made, and the reduction of any job into a set of KSA. Indeed, because recruitment and selection becomes almost a routine process, an important feature of the success is the ongoing availability of a large pool of candidates (LaHuis et al. 2007). Candidates rejected in one round may in the future reapply, having developed sufficiently the skillset required to retake and pass the tests (Lievens et al. 2005) or, more cynically, they now have some familiarity with the process and may have learnt some tricks to help them succeed. As a result, the ongoing attractiveness of the employing organization and the job can become a significant concern (Lievens and Slaughter 2016).

A central critique of the effectiveness and validity of this paradigm is the stability of the job role criterion. There are a number of factors which challenge this assumption and are common in our modern world, such as rapid change in the structure and location of organizations, increasing flexibility in forms of organizing, further uptake of team-based working and a rising unpredictability concerning the future (Howard 1995). These fast-changing developments and the increasing export of jobs into a more global context are undermining the stability of the criterion space used to identify applicants (Anderson et al. 2004). As a result, it is necessary for selection and recruitment specialists to be able to predict the most likely components of the job role to change *before* they can begin to identify, with any accuracy, the job criterion. While this has resulted in the emergence of Future Orientated Job Analysis (Landis et al. 1998) and the identification of new, more adaptive facets of work behaviour, such as organizational citizenship behaviour and pro-social behaviour (Borman et al. 1997; Motowidlo 2003), nevertheless the predictive validity of this approach has been compromised.

b. Social process paradigm

An alternative paradigm, and one that holds increasing importance in a rapidly changing, more global context in which labour scarcity is emerging in certain roles, is the *social process approach* (Herriot 1987). This paradigm seeks to rebalance the recruitment and selection process by focusing attention onto the social interaction between the two central parties: the applicant and the recruiting organization. In this perspective, applicants become active negotiators and co-constructers of any recruitment or selection activity. They are no longer regarded as having one set of KSA, but as having multiple facets and skills that they can bring to the job role, not only potentially changing how their role is undertaken but also impacting on the jobs of others as a result of *their* distinctive enactment of the role. Attention is thus on the development of a relationship between the applicant and the organization, fostering a conducive environment in which trust between both parties is enhanced and thus the elevation of the level of disclosure.

This approach is far more effective in illuminating the process of specific, one-off vacancies, such as those found in senior professional roles where the organization is seeking an applicant with specific skills, abilities and approaches to the role that will, at best, mesh and potentially enhance the delivery of the job. The approach emphasizes that each event in the selection process, and each new person with whom the applicant interacts, provides information. Therefore, during the process of recruitment, both the applicant and the organization are continually assessing, and adjusting, their views of each other (Bangerter et al. 2012; Walker et al. 2014).

The change of emphasis found in this paradigm has significantly altered research attention and alerted practitioners to an alternative perspective. This perspective regards each selection event as unique. While this approach does not purport to provide an alternative as to how employees might be selected, it does identify new research topics and practical implications for organizations to consider in the design and implementation of their recruitment and selection processes (McCarthy et al. 2017). Increasingly, this paradigm is challenging researchers to look afresh at the pre-entry process (Ryan et al. 2000), especially the challenges to those from different ethnicities (Derous et al. 2017). This position regards applicants as already having perceptions of the organization and identifies some salience in their social identities before making the application (Herriot 2004; Kaplan et al. 2016; Searle 2006), rather than it being formed as a consequence of the selection process. This perspective makes more prominent issues, such as trust development and maintenance, which may not only enhance the selection process but also produce more committed and motivated new employees for the organization (Celani et al. 2008; Cropanzano et al. 2007).

A key and under-researched insight from this approach is the role of social identity within a selection context. Applicants can be argued to have a repertoire of social identities, some of which they bring to a selection context (Banks et al. 2015). During the process of selection, they are looking for clues as to the identity of the firm in terms of the beliefs, values and norms of behaviour of the organization, in order to evaluate the congruence between the two. For example, research suggests that organizations do have an identity and that they attract, recruit and retain staff who match a prototype in terms of personality (Schneider et al. 1998; Russell and Brannan 2016) and values (O'Reilly et al. 1991). Therefore, if we are to understand selection processes better, it is important to research how identities are formed and developed, as well as the planned events/practices that contribute to identity development (Ashforth et al. 2014). For example, which is more important in identity and therefore job attraction: organization-produced advertising or more independent social contacts and their testimonials? Are there differences in the identity formation between new job seekers and more experienced recruits?

Importantly, this paradigm does offer some valuable insights into research-practice differences, such as why there might be resistance to certain scientifically tested selection tools. While validity studies indicate biographical questionnaires are an effective selection tool, there is reluctance to use them, possibly due to the hostility of applicants who regard them as irrelevant and intrusive (Robertson et al. 1991). In contrast, evidence suggests applicants are far more comfortable with unstructured interviews (Cropanzano et al. 2007; Kohn and Dipboye 1998) and focus on the propriety of the questions they are asked when discerning the procedural justice of the selection process (Celani et al. 2008; Gilliland 1995; Searle and Billsberry 2011). Thus, the choice of test or tool used by an organization can alter applicants' perceptions of the organization (Carless 2006; Hausknecht et al. 2004).

c. Person Organization (PO) Fit

A third paradigm has emerged, highlighting the multidimensionality of these processes – *Person Organization (PO) Fit* (Bowen et al.1991; Levesque 2005; Schneider et al.1997). The focus of this approach is on the interaction between an individual and their surroundings. Mischel (1968) argued that the environment in which people find themselves dictates their behaviour. This is an indirect contrast with trait theory and the psychometric view, which contend that individual traits shape individual behaviour and the way people respond to situations. Following Bower's (1973) study, which identified the interaction of person and situation factors as being approximately twice as powerful as a predictor of behaviour of either person or situation factors. Interactional psychology emerged as the most accepted explanation of human behaviour (Krahé 1992). Like the social interaction perspective, this final approach focuses on a balance between both the individual and the organization, with a unique emphasis on achieving a mutually beneficial goodness of fit. Findings from two meta-analyses show the significant role PO Fit plays in applicant attraction (Chapman et al. 2005; Uggerslev et al. 2012). For instance, research into minority applicants shows they pursue organizations that value diversity and thus affirm their identity (Avery et al. 2013; Walker et al. 2012). In spite of the ongoing importance of PO Fit, there remains a concerning paucity of studies in recruitment and selection (Abraham et al. 2015).

In the next two sections, two key processes commonly found in recruitment and selection, namely attraction and selection, will be discussed. Due to the space constraints, the focus of this chapter is limited and so I would draw readers' attention to Hough and Oswald (2000) or Searle (2003) for a more comprehensive and in-depth review.

Attraction

A two-tier job market has emerged over the last few years with increased competition among employers to attract the most qualified applicants (Micheals et al. 2001), while those without qualifications find it increasingly difficult to become shortlisted for vacancies. Research on the predictors of applicant attractions revealed that, unlike perceived alternativeness, aspects including perceived fit, recruiter behaviours, hiring expectancies and the characteristics of the job, organization and recruitment process all contribute at different points in recruitment (Chapman et al. 2005; Uggerslev et al. 2012). Surveys from the CIPD (e.g. 2015) suggested that a majority of organizations (+77%) experience ongoing difficulty in recruiting staff. Thus, there is ongoing interest in attempts to understand the reasons behind job seekers' behaviours (Barber and Roehling 1993; Carless and Imber 2007; Imus and Ryan 2005).

Organizations have to both attract and retain a pool of potential applicants for their vacancies. Therefore, selection using tools such as realistic job previews (RJPs) may be vital in some types of occupations (e.g. study of dirty work, Lopina et al. 2012). For instance, applicants with high levels of cognitive ability and motivation to scrutinize the information provided by organizations exploit any available opportunity to assess the quality and veracity of such information (Uggerslev et al. 2012). This shows how unfulfilled promised expectations which breach trust perceptions can create subsequent deleterious work attitudes and behaviours (Breaugh 2008; Klotz et al. 2013). There are a number of tools that we will now explore utilized in the attraction of applicants, including: paper media and internet job advertisements; word-of mouth with existing or previous employees; and the use of specialist third-party recruiters, known as headhunters.

Media and internet

Over the last ten years, there has been a shift in the processes used to attract and recruit staff with the increased deployment of the internet. A CIPD (2015) survey showed that, across all sectors, 65% of responding organizations had developed and enhanced their corporate web sites to improve their corporate brand and in turn applicant attraction. The internet provides organizations with a more cost-effective and efficient means of reaching applicants on a global basis than through printed medium (Baum and Kabst 2014; Holm 2012). E-recruiting can reduce hiring costs by 87% compared to traditional recruiting (Maurer and Liu 2007). In addition, it offers a portal for organizations to provide relevant and dynamic job information in a far more consistent manner than in the past (Pisano et al. 2017) and the opportunity to showcase the organization, its achievements and credentials. They allow jobs to be previewed more effectively and therefore allow organizational fit to be assessed more effectively, deterring unsuitable applicants in a way that maintains their positive view that the organization that has done them a service by saving them from wasting their time, effort and face for unsuitable roles (Dineen et al. 2002). Therefore, the content of web sites, including job attributes, PO Fit information and page design and functionality are all crucial in creating positive impressions and in encouraging the right types of applications (Allen et al. 2013; Walker et al. 2012).

The rapidity of technology development has resulted in dual systems with companies developing both their own hosted sites on which vacancies appear and the creation of an additional presence on other sites, such as LinkedIn and Facebook, among others (Pisano et al. 2017), which are designed to appeal and raise their profile to an IT literate youth market. At the same time, such sites offer organizations potential access to information about applicants through the use of personal postings on these sites (Nikolaou 2014). This is a new application of the technology, the impact of which remains under research, as does more broadly our understanding of how and why technology changes the way people communicate with each other (McFarland and Ployhart 2015).

Applicants have never had such an immediate, quality and plethora of sites to assist them in their job search, plus the speedy dissemination of job vacancies from different networks (Uggerslev et al. 2012). This has resulted in a change in the way information is used in the job search, with more attention being given to independent non-company sites (Talmage 2012). The internet has provided the digitization of job search systems with message systems designed to enable the posting of vacancies by firms and CVs by those seeking new job opportunities wherever they may be. Potentially, this technology has removed previous geographical barriers to applicant attraction. However, it also offers organizations new developments in the identification of desirable candidates with the potential to use both legitimate 'spiders' or 'bots' to search for candidates, plus more covert and surveillance-based processes, such as 'flipping' and 'peeling', to gather such data (Searle 2006).

Word of mouth

One of the most enduring sources of job seekers' information is word of mouth (Breaugh 2008). Evidence suggests that it remains a highly credible and important source, especially when it is focused on the organization (Van Hoye and Lievens 2007). Its application, therefore, is not merely in supplying independently credible information about the potential employer (dependent on the reliability of the source (Fisher et al. 1979), but also as means of discerning organizational attractiveness and enabling insight into PO fit.

The internet has provided new means of communicating this type of more personal information, and so word of mouth remains a significant tool for applicants. It is clear that organizations have attempted, with some success, to mimic the type of process through the development of employee testimonials on their web sites (Fisher et al. 1979; Van Hoye and Lievens 2007). However, its role as a source of information remains under-researched (Stoughton et al. 2015), although some have speculated as to its more significant role among experienced applicants, who have wider networks they can draw upon (Searle 2006).

Headhunters

Increasingly third parties, such as headhunters, are becoming an important part of the recruitment process, especially for experienced staff. Shortages in key skill areas have created more opportunities for headhunters to use their in-depth knowledge of previous candidates to identify other potential candidates and provide shortlists for clients. This area is a key difference between experienced and inexperienced applicants. Given the bespoke nature of the process, it remains under-researched, with fresh scrutiny of these processes due to calls for greater gender and ethnic diversity at the top of organizations (Doldor et al. 2016). We can, therefore, only speculate as to its role in the attraction process. However, those interested in the social process of recruitment need to pay more attention to the potentially negative impact these third parties can have on the recruitment relationship (Searle and Billsberry 2011).

The selection process

The psychometric paradigm has long dominated research into the selection process. Seminal papers have identified and differentiated between the effectiveness of distinct selection tools. Among such research is the central role of intelligence testing as the best predictor of job performance, above that of personality assessment or value fit (Schmidt and Hunter 1998). However, senior HR professionals either challenge or remain unaware of such clear scientific findings (Rynes et al. 2007). Indeed, recent attention has shown a significant gap between research evidence and HR practices regarding selection tools. We now explore distinct tools commonly used in selection processes, including ability tests, work sample tests or situational judgement tests, integrity tests, interviews and personality assessment.

Cognitive ability tests

In examining the evidence from this psychometric perspective, cognitive ability testing remains one of the most effective means of selection to enhance job performance (for example, Robertson and Smith 2001). The job performance validity of cognitive ability tests alone is around 0.51, but taken together with structured interviews, in which the format of the interview is focused onto the job criterion, it increases to 0.63. Ability tests are designed to assess the maximum performance a candidate can currently achieve; as such, they are timed tests, which comprise multiple choice items based on abstracted situations, focusing on key skills, such as numerical and comprehension skills. Test developers have produced an array of different instruments designed for distinct job levels, such as graduate, managerial, clerical or craft apprentices. While evidence does show that these tests can differentiate between individuals, concerns remain as to the lower performance of ethnic minority groups (Bobko et al. 1999; Schmitt and Mills 2001). In addition, evidence suggests that the shift of many of these tools onto internet delivery platforms may serve to further advantage those who are more familiar with this new technology, such as young, more highly educated white males (Lin et al. 2015; Sanchiz et al. 2017; van Deursen and Helsper 2015). As selection processes potentially become more global in their applicant pool, care must be taken to ensure that the best candidate is indeed identified, and that build-it biases do not continue to result in the false-rejection of otherwise effective candidates.

The link between assessment and job performance has been identified as complex, but given the more dynamic nature of job roles and the aforementioned compromised criterion space, how certain can we be that the ability tools chosen can effectively differentiate and identify the best candidates? A factor in answering this question concerns what ability tests actually measure. Cognitive ability can be categorized into two distinct elements: fluid intelligence, which involves the application of reasoning skills into novel situations; and crystallized intelligence, which focuses on more culturally specific reasoning skills. An instrument may measure either or both of these dimensions. Much has been written about how tests are constructed and the problems associated with different development techniques (Searle 2003). Kline (1993) has long highlighted the role of statistical convenience rather than the underlying rational in determining item inclusion. Frequently, such measures are validated against other general intelligence instruments rather than through external work-related outcomes, such as on-the-job performance. In addition, the scores obtained from any assessment instrument are only part of the answer, because any result has to be assessed against the relevant norm group in order to interpret its meaning. Test manuals provide details of these norm groups, which should reflect the applicant population in terms of ethnicity, age, gender etc.; however, this might not always be possible, particularly where selection is being used as a tool to increase employee heterogeneity and so neither similar composition nor job performance data is in existence.

There are three important factors which may influence, to different degrees, the effective measurement of ability. One may be the failure of tests to actually measure fluid intelligence and instead concentrate on the assessment of more culturally specific crystallized knowledge. Research consistently shows that minority group members underperform on ability tests, particularly when their identity becomes salient (Gonzales et al. 2002; Shih et al. 1999; Spencer et al. 1999; Steele and Aronson 1995). There is a significant body of research showing differences across race (Chan 1997; Chan and Schmitt 2002; Chan et al. 1997; Ryan 2001). In addition, demographic studies suggest that assessment problems also emerge among older applicants (Bertolino et al. 2013; Rau et al. 2014), who are more likely to use culturally specific crystallized skills in their problem-solving (Horn and Noll 1994). Finally, while having a good brain does permit intelligent performance, it does not dictate it (Hunt 1999), and motivation to perform to your maximum remains a central underlying component in any assessment (Goff and Ackerman 1992). Some argue that the impact of these motivational differences is so significant that its elimination could reduce race-related cognitive ability test difference (Ployhart and Ehrhart 2002). Motivation remains an important but under-researched component to understanding the effectiveness and fairness of assessment.

Attention has shifted onto the candidate and the exploration of perception in shaping organizational attractiveness and performance motivation. The inclusion of information, such as the use of ability tests within selection procedures, has been found to raise suspicion and reduce organizational attractiveness for some applicants, regardless of their personal experience of these tools (Reeve and Schultz 2004). While the inclusion of test validity data can positively enhance or alter such perceptions (Holtz et al. 2005), evidence shows that accumulated historical experiences of certain groups, such as black applicants, may significantly reduce the effort they extend in recruitment and selection because they simply do not believe they will be offered a job even if they score well (Sanchez et al. 2000). The complexity of these different group differences remains a significant and important research topic if we are to improve the effectiveness and ultimately the fairness and veracity of these tools. This issue has clear and important society-wide applications, too, given growing concerns about radicalization.

Work sample

One of the central tools that appears to reduce the negative impact for ethnic minority groups and is perceived to have higher face validity, is work sample or situational judgement tests (Lievens and Klimoski 2001; Rockstuhl et al. 2015; Schmitt and Mills 2001). These selection instruments offer a more complex assessment focusing on applicants' work-based judgements, abilities and behaviours. Used alone in selection, they show consistently high job performance validity (0.56), which increases when coupled with ability tests (0.60) (Robertson and Smith 2001). One of the central ways these tests differ from ability tools is through the contextualization of the content into a specific work situation. These tools can, therefore, provide data on the applicants' specific skills, but also an insight into their cultural fit. This is an important development as increasingly there is a shift in emphasis, particularly within key professions, such as medicine, away from *what* is done, i.e. skill and ability assessment, towards an inclusion of *how* such job tasks are performed. With the incremental validity these instruments provide, above that of cognitive and personality testing (Chan and Schmitt 2002; Clevenger et al. 2001), their ease and cost-effective delivery through the internet, they are rapidly replacing the multiple assessor, multiple task approach of the assessment centre, or being used as a pre-screening device. This type of assessment provides a strong fidelity or relationship between the assessment and the actual work, which appeals to both applicant and recruiter (Kanning et al. 2006).

Work sampling is, however, not without its drawbacks. These types of instrument can require more in-depth job knowledge than those required to develop more generic ability tests. As a result, despite their obvious utility benefits, they can be time consuming and costly to produce, offering limited transportability to different contexts. Given their contextualized skill assessment, they may be difficult to use with applicants who have limited work experience, such as graduates.

Of more concern, however, is the increase in response bias or faking found with these tools. Despite the ease with which faking can occur, it can be reduced through altering instruction from behavioural-tendency (e.g. 'what are you most likely to do?') to knowledge-based formats (e.g. 'what is the best answer?'). This shift also adversely affects the racial discrimination of such tools (Nguyen et al. 2005). Finally, evidence suggests a higher level of shrinkage found in these tests over more generic ability tools (Siegel and Bergman 1975). However, this latter issue might be due to the erroneous assumption that jobs are static. These tools provide not just an assessment of how and what a candidate can perform, but also contain job preview information for applicants, enabling them to make more informed career decisions.

Integrity tests

A more recent introduction to the suite of tools available to recruiters is integrity testing. Together with ability testing, it shows high job performance validity (0.65) (Robertson and Smith 2001) and the ability to predict undesirable work behaviours, such as theft, absence or other behaviour which takes advantage of the employer without discriminating against ethnic minority groups (Ones and Viswesvaran 1998; Van Iddekinge et al. 2012). However, the reason we include them here is that they typify the gap between theory and practice through their limited adoption in recruitment despite strong research. Integrity tests are a tool in which the potential for faking is high due to the clear social cues about the preferred response in a hiring context. As a result, their value can be reduced as an accurate tool, but their inclusion also raises questions for candidates about the organization's ethos. They are likely to be found in situations where their inclusion may act as a legal safety net for employers should a violation occur. They raise interesting questions about the perceived trustworthiness of staff.

Personality tests

Personality testing is an increasingly common technique used to discern candidates' behavioural style and disposition. Its predictive validity varies considerably (Barrick and Mount 1991; Gardner and Martinko 1996). Its job performance validity is, however, quite low, between 0.21 (Schmidt et al. 1984) and 0.40 (Robertson and Smith 2001). There has been ongoing debate within the literature concerning the breadth of factors, or bandwidth, to which personality can be meaningfully reduced. Some favour a multiple factorial design of tools going into 30 or so factors (although there can be limited agreement as to their labelling), while others argue for the role of five main dimensions, including: openness, conscientiousness, extraversion, agreeableness and neuroticism (Costa and McCrea 1985). A further contention concerns the prominence of one dimension, conscientiousness, as the main predictor of job performance validity (0.22). The increasing use of meta-analytic studies ensures this debate will continue.

Popular personality tools continue to divert into novel fields, especially those related to candidates' derailment potential (Hogan 1992) and the more nefarious dimensions of personality (O'Boyle et al. 2012) or differentiating between behavioural styles and motivation to deploy them (Saville 2006). As with other psychometric tools, they do discriminate unfavourably for ethnic minorities; however, through contextualizing them to work, some of these differences can be reduced (Holtz et al. 2005).

Interviews

Interviews remain one of the most common methods of selection, although their criterion-related validity can vary widely from 0.19 (Schmidt and Radar 1999) to 0.62 (Wiesner and Cronshaw 1988). Bias and discrimination remain ongoing concerns with this selection tool (Billsberry 2008). A wide range of biases have been identified, including race, gender, appearance, age, attitude, non-verbal behaviour, physical setting and job-market situation (Avery and Campion 1982). On average, white applicants perform 0.25 SD above those from ethnic groups, although the magnitude of difference can be reduced through the use of structured formats with recruiters asking pre-defined questions and assessing responses against pre-defined responses (Huffcutt and Roth 1998). This type of structured approach can, however, place interviewing on a par with cognitive tests alone (0.51 (Robertson and Smith 2001), reducing the quality of the interaction to a verbally administered ability test.

Herriot (1993) identified the interview as the most important social process tool in assessment, representing an opportunity for both parties to meet and formally assess each other. Further corroboration has been added to this perspective in recognizing the role of recruiters in influencing the decision-making of applicants (Carless 2003; Searle 2006; Wang and Ellingson 2004). The interviewer behaviour has been found to significantly influence the attractiveness of the organization and the acceptance of job offers (Carless and Imber 2007; Goltz and Giannantonio 1995; Schmitt and Coyle 1976). In particular, recruiter characteristics such as empathy, friendliness, positive affect and show of interest have been found to have positive impact (Chapman et al. 2005). However, attention has also considered how applicants might use impression management with interviewers (Chen et al. 2010) and also in assessment centres (Klehe et al. 2014).

There can be important cultural differences in how interviews are used in selection with, for example, French recruiters favouring them as a means whereby everyone who would work with the applicant becomes involved, versus a more Anglo-American approach of one or two interviews (Shackleton and Newell 1994). Increasingly, some Anglo-American organizations, such as Google, are favouring a multiple interview format with talks ascending right up to director level for even fairly low-level vacancies. This reflects an increased attention on organizational and employee fit. These preferences around the interview highlight different approaches to selection as well as how candidates' *expectations* of the process might vary. This is also an increasing use of technology to allow an internationalization of applicant pools (Baker and Demps, II 2009).

Assessment centres

Assessment centres remain the most in-depth form of selection, comprising multiple exercises and assessors assessing multiple criterion. They involve many of the aforementioned selection tools, including psychometric tests, interviews and more work sample type exercises, such as group exercises, presentations, role plays or in-tray exercises. These approaches tend to be more commonly deployed for managerial and graduate level vacancies, although they have wider scale applications. However, their high development and running costs can focus their use on high volume and level vacancies. It is a topic in which there remains ongoing debate about what is actually being measured and how it can be improved and made more ethical (Lievens et al. 2009; Rupp 2009).

The process offers many advantages, allowing potential observation in a far fairer way, in which the candidate can preview the roles involved in the job and be seen by multiple assessors.

Emergent issues and concerns

In this final section, we reflect on some overarching concerns which have emerged from exploring the distinct attraction and selection tools.

Faking and culture

The use of the internet as a medium for delivering tests has enabled a most cost-effective high-volume administration of these tools across wider geographical areas. This change, while increasing applicant pools, has also seen an escalation in concerns about cheating and faking. Selectors have always been aware that in such high-stakes environments the temptation and reward for cheats is high. Salary details of CVs have long been finessed and job responsibilities expanded. However, the increasing proliferation of non-supervised testing has focused recruiters' and test developers' attention on how both to identify and reduce its impact. Solutions include: increasingly sophisticated candidate verification, from photographic systems to iris recognition; two-tier systems in which same form of tests are administered later in a controlled setting and the results compared; the use of sophisticated item response and item generation systems, which ensure that while the content of the test is the same, the items are not; additional in-test measurements, such as the applicants' latency of response, which increases with faking. All of these techniques maximize the benefits of large-scale un-supervised testing and reduce the damage of fraud.

However, there is another, more sensitive issue concerning cheating and faking that remains more limited in its discussion. This concerns cultural difference. The increasing globalization of some applicant pools means that the stakes in some contexts are far higher. Indeed, in some contexts, selection is viewed as a game in which the applicant uses every resource to acquire a job. In these contexts, behaviour such as using others to take tests, or taking the credit for others' work, especially if they work for you, might be perceived as acceptable. The intention behind this behaviour might not be to deceive per se, but to maximize one's chances. In this way, faking and cheating behaviour can be viewed as a complex, culturally determined function of the capacity, willingness and opportunity to fake. For example, a commonly used fake-checking item in a personality tests is 'I'm always willing to admit when I make mistakes'; however, this item might elicit very different responses in Japan or Greece in a high-stakes selection context than in the UK where a more socially conditioned response is expected. Thus, issues such as honesty and faking can be viewed as socially constructed. Until we have more insight into how cultural dimensions might colour perceptions of honesty and integrity within selection contexts, we should be cautious of the acceptance of global behavioural dimensions.

Global systems

A consequence and tension produced by the increasing internationalization of recruitment and selection is the need to balance systems that can be used across multiple countries with recognition of local particularities (Schuler et al. 1993). These tensions include not only the aforementioned tensions pertinent to assessment centres, but also wider issues such as differences in cultural values, such as individualism and collectivism, power distance and uncertainty avoidance (Han and Ling 2016; Ryan et al. 1999), as well as the value and acceptance of distinct characteristics and criterion, such as explicit proven job experience in Australia, Canada, Germany and the US, while innate potential and team-working are preferred in South Korea, Taiwan and Japan (Huo et al. 2002; Von Glinow et al. 2002).

In addition, the acceptance and value of these multiple tool selection processes varies across different cultures (Bartram 2013). While there are no studies which have examined the generalizability of criterion-related selection procedures on a global basis, evidence suggests the universality of selection exercises may be limited. For example, a study on assessment centres in Europe and Japan found support for group exercises as a predictor of future performance among Japanese supervisors, but not for presentations (Lievens et al. 2003).

Older workers

Demographic changes in many countries have altered employment patterns with older workers, through economic necessity or choice continuing or seeking to re-enter the labour market. The issues of attraction and selection of older workers remains under-researched (Rau et al. 2014). This emergent topic will create further changes, with work shifting to a more part-time occupation and becoming just part of how older adults spend their time. In addition, this might influence the criterion space, forcing more organization–person fit dimensions to the fore as social and esteem requirements of work can become more prominent (Hedge et al. 2006; Kanfer and Ackerman 2004; Ng and Feldman 2013). Limited attention has focused on validity of the assessment and measurement of older workers, but this is starting to change. Older workers can bring far more knowledge than younger counterparts to a workplace; they are able to compensate for potential declines through adopting new strategies to optimize their existing skills and abilities (Kanfer and Ackerman 2004), and thus they may in fact be doing things far smarter than their younger colleagues. Research is challenging prevailing narratives of older workers as a disadvantage for employers (Ng and Feldman 2013). This is likely to be a growth topic into the future.

Trust

At the pre-entry stage, applicants establish their initial trust perceptions through direct and indirect interactions with the hiring organization and its agents, with such perceptions changing or enduring through subsequent selection experiences (Celani et al. 2008; Klotz et al. 2013; Searle and Billsberry 2011). Nevertheless, little research has investigated the impact of trust and its breach during recruitment and selection, and the role of applicant propensity to trust (Klotz et al. 2013). Research is also needed to explore the factors influencing job applicant decisions (Harold et al. 2016).

Research call

Within this domain there remains a dearth of work focusing on the effectiveness of attraction processes for experienced applicants, with data gathered from student populations remaining dominant. As a result, much of the findings relate to hypothetical situations and thus the generalizability of their findings to real situations with experienced applicants is open to challenge. For example, there is an evident dynamic difference between attraction through a headhunter, where the identity of the recruiting organization may be initially hidden, with that of real applicant-led recruitment. There may differences in the criterion professionals with experiences apply to looking for a new job compared to those utilized by fresh graduates with far more limited work experience.

In terms of social identity, research has revealed that ethnic minority groups exhibit different patterns than less historically disadvantaged groups. Disadvantaged groups attribute their own behaviour to external, global and stable dimensions (Dyal 1984; Mirowsky and Ross 1983). As a result of past experiences of discrimination, perceptions are biased, such that even neutral events are interpreted negatively (e.g. Crocker 1999; Kluegel and Smith 1986). These findings suggest that the same selection situation might be perceived in different ways due to underlying fairness and trustworthiness concerns more widely. For example, historical experiences of black applicants may reduce the effort they extend within a job search context because they do not believe they will be offered a job even if they score well (Sanchez et al. 2000). The impact of these motivational differences is significant, with Ployhart and Ehrhart (2002) suggesting its elimination could reduce cognitive ability test differences. Applicants require favourable attributions about their would-be employers before they can make an application. The attributions they make concern the trustworthiness of the organization and therefore influence the application process. We can only speculate as to whether trust differences reflect racial and other ethnic group differences.

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12 HR planning

Institutions, strategy, tools and techniques

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Introduction

Human resource (HR) planning represents the range of philosophies, tools and techniques organizations may deploy to monitor and actively mould the ebb and flow of an organization's people, both in terms of numbers and attributes. As such, it encompasses broad approaches to recruitment, development, advancement reward and termination. This may imply that HR planning represents the entirety of HRM, but in practice HR planning has been taken to mean the usage of predetermined models, tools and techniques to predict, plan and adjust broad staffing, rather than the day-to-day implementation of the employment contract, and the nature and extent of the employee's involvement and participation in the organization of work (Gold 2001).

As is the case with HRM more generally, HR planning may assume a strategic dimension, aligned with broad organization-wide strategies, or remain a basic administrative tool. It also may be used as a way of deepening implicit contracts, promoting longer-term organizational commitment, or as a way of recasting them and providing *post hoc* 'scientific' justification for predetermined strategic choices.

This chapter is divided into two parts. In the first, we unpack what is meant by HR planning and how organizations are likely to use HR planning in different contexts and locales. In the second, we provided a broad overview of the different applied tools and techniques of HR planning, their underlying assumptions and their purported benefits and limitations. Here a caveat is in order. Tools and techniques of HR planning tend to be highly structured and often quantitative: in practice, their effects will reflect not just the nature of the model itself, but the information inputted and the manner in which the firm will choose to interpret and disseminate the results.

Philosophies towards and usages of HR planning in comparative context

HRM, HR planning, strategy and the firm

Human resource planning may be seen as simply a variation of the traditional practice of manpower planning, that is, monitoring and management of the ebb and flow of people within a firm. In more quantitative approaches to manpower planning, the supply of people was managed to meet set targets on the basis on analysing demand, predicting supply and designing interventions to solve any potential mismatches (Iles 2001: 139). The latter could be done through drawing on the tools and techniques of operations management, using statistical formula to analyse turnover, service length, etc. (ibid.: 140).

However, more ambitious strategic accounts of HRM have cast it as the crucial linkage between strategic business planning and strategic HRM, whereby the recruitment and selection of key types of employers, job specification, training and retention policies are aligned to overall strategic vision (Iles 2001: 139). However, as Gold (2001: 192) cautions, such approaches incorporate an inherent contradiction. Given that overall organizational strategies are likely to be geared towards specific numerical targets, HR planning will inevitably treat people as a factor in production, with the use of numerical models discounting the complexities of the human condition (Gold 2001: 192).

As with HR more generally, there are hard and soft interpretations of HR planning, with the former founded on an instrumental philosophy regarding the utilization of people and the latter on an emphasis on issues such as commitment and culture (Gold 2001: 192; Iles 2001: 129). While the tendency towards more hardline employer policies in liberal market economies may have encouraged the utilization of ever more sophisticated quantitative HR planning systems, the credibility of the latter was at the same time undermined both by a lack of evidence as to whether they actually worked, and by many organizations prioritizing numerical flexibility (Gold 2001: 193). Quite simply, many organizations opt for short termist downsizing strategies, making a non-sense of sophisticated HR planning systems, many of which represent incremental developments of traditional personnel/manpower approaches to planning.

This tension reflects the central challenges and contradictions of HRM. The rise of contemporary HRM mirrored the rise of the shareholder dominant model that eclipsed the traditional Fordist model of the firm. The latter was about both struggles for control between managers and employees, and bargained compromises, permitting the intensification of production as well as the deployment of new technologies (Jessop 2001). During the 1950s and 1960s, the stability of this model allowed for longer-term contracting, both regarding the usage of labour and in relations with customers and suppliers, imparting a predictability to organizational life that had beneficial effects for all parties, with firms enjoying high returns and employees enhancements in wages and general standards of living (Jessop 2001). In contrast, the contemporary shareholder-orientated model represents a more experimental approach aimed at restructuring firms to release resources, often entailing short-term costs to employees and other stakeholders in the interests of owners (Wright and Wood 2008).

The relatively longer time horizons that characterized traditional Fordism, and the use of technologies as a means of refining a particular production paradigm, rather than recasting it, fitted well with the manpower planning tradition. On the one hand, much of contemporary people management is still about the administration of existing systems, drawing on whatever proven tools and techniques are available (Storey 2001: 11). On the other hand, contemporary strategic approaches to HR planning stress issues such as flexibility, which necessitate a radical recasting or at least rethink of ways of doing things (Storey 2001: 14).

From an employee rights perspective, HR planning is similarly beset with contradictions. Manpower planning – and other consistent long-term models to monitor and adjust the ebb and flow of an organization's people – imparted a greater predictability to the employment contract and lowering transaction costs (cf. Marsden 1999). The implicit duration and trajectory of a job formed part and parcel of a wider implicit contract that allowed for both more harmonious employment relations within the firm and less opportunistic approaches to the external labour market by both employers and employees (cf. Marsden 1999; Jessop 2001). This is not to suggest that manpower planning was unequivocally good for employees: in the end, the choice of which model to opt for generally rested with managers, while the abstract and impersonal nature of such models coincided with the formalized and hierarchical nature of the classic Fordist production paradigm (Jessop 2001).

The shareholder-dominant model challenges such 'predictable' implicit contracts, holding that shorter-term instrumentalism is more conducive to the bottom line. While managers have an interest in predictability, and in co-opting employees in the interest of their personal empire building, proponents of the shareholder dominant model have charged that this is at the expense of their principles, the owners of the firm (Roe 2003). Does this mean that HR planning is incompatible with the strategic shareholder-orientated approach to HRM? In practice, HR planning may be still desirable for a number of reasons. The first is that both manpower and HR planning represent a technical system, that is, in some manner removed from bargained terms and conditions of service: while employees may expect that a specific approach to manpower planning may make for stability and predictability, its implicit nature gives a greater flexibility to management than an explicitly bargained employment contract, even if embodied in the latter may be some assumptions regarding the former.

This flexibility gives management some room to manoeuvre: they may, for example, decide to cut back on skills development, decide to view a particular job as an end, rather than a stepping stone, and/or cut back recruitment as part and parcel of a drive to intensify work among existing staff. In short, while management may desire flexibility, they may also have an interest in a planned approach to long-term resourcing, retention and development, in order to gradually recast the worth of a job, its trajectory and task intensity.

A second benefit for managers is that HR planning, by its technical and structured nature, may impart legitimacy to what is being done. From a post-modernist perspective, it allows for managers to dominate the knowledge regarding the usage of such systems, deploying abstract statistical models that will be unintelligible to the average worker, yet providing a scientific authority to potentially unpalatable decisions (cf. Foucault 1988; Toms 2008). The authors of this chapter remain sceptical as to the overall worth of post-modernism to studying organizations: the latter discounts the material bases of power imbalances within the firm and the open-ended labour commitment that is exchanged for wages in the employment contract (Kelly 1988). At the same time, post-modern accounts do help shed some light on why HR planning remains so attractive to managers in contexts characterized by extreme short-termism in hiring and deploying labour. Specific knowledge sets may be harnessed as *post hoc* justification, rather than determining outcomes in itself (Foucault 1988): hence, firms may use HR planning in such a way as to support what has already been decided, choosing between applied models and/or adjusting them in order to support a specific agenda.

Country, sector, organization type and HR planning

Before we turn to specific approaches to HR planning, it is worth giving some attention to what broad underlying philosophies regarding HR planning are likely to be encountered in different contexts. For what objectives are HR planning models likely to be deployed? In other words, where are organizations likely to take a longer-term approach to staffing, and where a shorter term? Where is tenure likely to be more secure? Where are firms more likely to invest in their people? And where less so? Or, to put it another way, for what objective are firms likely to use HR planning? While HR planning may presume a longer term 'scientific' way of managing people, as we have seen, it may be used to support an essentially short-termist way of doing things.

The Varieties of Capitalism (VOC) literature has pointed to the persistence of differences in corporate governance and internal firm-level strategies and policies (Dore 2000; Hall and Soskice 2001). Central to the VOC literature is the assumption that the shareholder-dominated model is not the only variation of capitalism in the post-1970s era. While liberal market economies (LMEs) are characterized by the hegemony of the shareholder dominant paradigm, collaborative markets (CMEs) are defined by a more stakeholder-orientated approach (Dore 2000). Within the former, employee rights are likely to be weaker, with firms basing their competitiveness on high-tech innovation ('Silicon Valley') or low value-added cost-cutting production ('McDonald's') paradigms (Brewster et al. 2006; Wright and Dwyer 2006). Meanwhile, in the latter, stronger employee – and other stakeholder – rights impart a more long-term approach to the employment contract, with firms and employees giving more attention to the development of organization-specific skills as a means of underpinning high value-added incremental innovation in manufacturing and services (Thelen 2001; Brewster et al. 2006).

Underlying approaches to recruitment may also reflect the wider variety of capitalism. Within LMEs, good supplies both of cheap unskilled and generic tertiary level skilled labour are conducive to supporting low-cost and 'blue skies' innovation respectively. Using the external labour market to meet broadly defined needs makes internal labour more dispensable, weakening the bargaining position of existing staff (Thelen 2001). In contrast, in CMEs, firms rely on labour with strong vocational industry-specific skills: through long-term contracting, employees have an incentive to develop and/or supplement these with organization-specific skills (Thelen 2001; Harcourt and Wood 2007).

Within CMEs, firms are thus likely to have an internal orientation, aiming to develop existing staff rather than plug skills gaps externally (Gold 2001: 208). Employees are likely to enjoy a high degree of task discretion and stable earnings, allowing for a more satisfying work experience, deepening organizational commitment (ibid.). In contrast, in LMEs, a focus on generic skills and/or low skills, both of which may be readily obtained on the external labour market, lower degrees of task discretion, unstable earnings result in lower organizational commitment, more rapid adjustments to organizational size and a prioritization of cost-cutting rather than the engendering of organization-specific knowledge and wisdom (Gold 2001: 208).

Harcourt and Wood (2007: 141) shed further light on the relationship between career trajectories, development and varieties of capitalism. They note that during the heyday of neoliberalism, employment protection was widely believed to be one of the main causes of Europe's poor performance. Yet, the high value-added production paradigms that have sustained the export competitiveness of a number of leading coordinated market economies like Germany remain dependent on high levels of firm-specific human capital made possible by extensive job protection.

In turn, job protection is conducive for human capital development. Employees have more incentives to develop skills specific to their employer, as it is more certain they will be able to use them over the medium and longer terms (rather than face ejection into the external labour market) and will be able to advance their careers by developing them (as adverse to seeking promotion by job hopping) (Harcourt and Wood 2007). However, a caveat is in order here. Any accommodation between employers and employees will invariably be contested, while national economies evolve in a dynamic and non-linear fashion (ibid.; Boyer 2006; Deeg and Jackson 2006). This means that, in addition to pressures to deepen, refine and strengthen existing collaborative national models, there will be countervailing pressures to greater short-termism, towards more instrumental approaches to HR planning (Harcourt and Wood 2007). In contrast, within LMEs, excessive short-termism has proved deleterious to many sectors, leading to minorities of firms experimenting with alternatives (Boyer 2006).

Recent research has also highlighted the nature of internal diversity within specific varieties of capitalism (Streeck and Thelen 2005; Boyer 2006; Brewster et al. 2006). Such diversity may be on regional or sectoral grounds, reflecting the uneven nature of systemic change, regional production systems and variations in technology (Lane and Wood 2009). We have already seen that common in liberal markets are both 'high-tech' and low value-added production paradigms; within collaborative markets, incrementally innovative production coexists with lower value-added strategies (Brewster et al. 2006). Even within sectors, individual firms may experiment with alternatives: while some of the latter may prove unsuccessful, others may throw up unexpected serendipitous complementarities that will be reinforced. In turn, this means that there will be variations in the manner in which firms use HR planning, not only between, but also within national contexts.

It will be apparent from the above that not only does the extent and nature of HR planning illuminate broader national, regional, sectoral and organizational philosophies and approaches to people management, but that certain types of organization are likely to make use of HR planning systems in particular ways. Organizations may use HR planning as a means of imparting greater stability and predictability into the employment contract and organizational life more generally. Alternatively, they may use HR planning as a means of bringing about and/or justifying more instrumental approaches to recruitment, job tenure and skills development. In the following sections, we review specific tools and techniques of HR planning, with the caveat that each individual technique has more than one application; each may be used in the pursuit of a number of alternative strategies to people management.

The human resource planning process

Human resource planning has, as we have seen, links to all of the HR functions of an organization (Macaleer and Shannon 2003): no strategy can be accomplished without people.

Figure 12.1 summarizes the HR planning process.

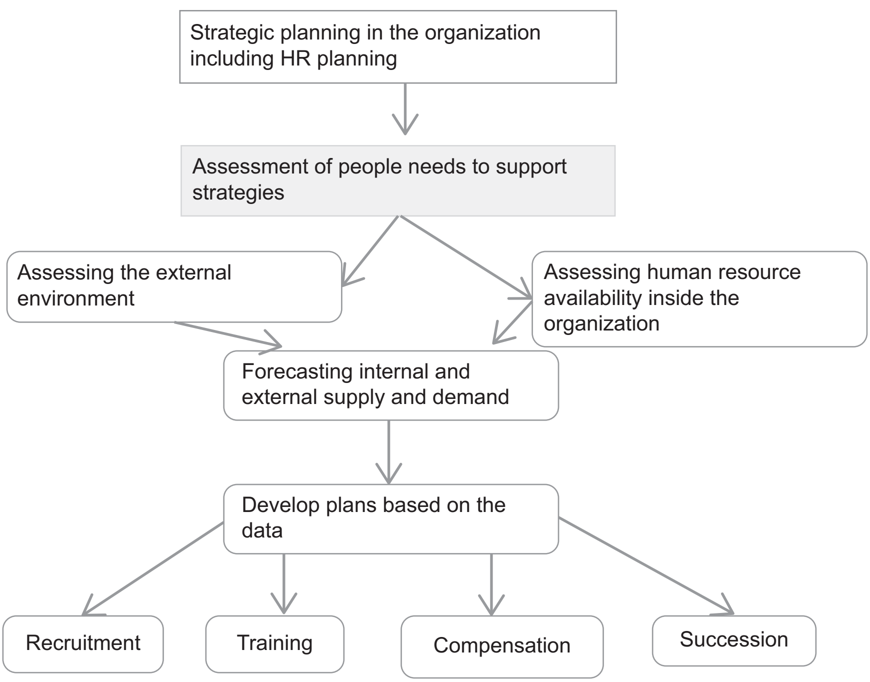

Figure 12.1 The human resource planning process

Source: Based on Mathis and Jackson (2006: 47) and Dessler (2011: 179).

Assessment of HR needs to support overall strategies

Although it is widely recognized that human resource allocation should be an integral part of a company's strategic planning process, the evidence on the ground is mixed. In 2014, Workday and Human Capital Institute (HCI) found from survey of nearly 400 professionals, that although 69 per cent thought the function has a high priority, less than half of them were actively engaged with it (Maurer 2015). Research done by the Human Capital Institute (2011) emphasizes the importance of integrated planning to achieve effective strategic talent management to inform all HR functions. Yet, others have argued HR is still not a strategic partner (Mundy 2012) because it cannot always 'enhance the flow of business' (Graber 2014). Marchington (2015) argues that lip service to HR as a strategic partner often coexists with a neglect of stakeholder interests.

As Lussier and Hendon (2016) note, strategic planning in HRM aims at gaining a sustainable competitive advantage. Mathis et al. (2014) argues that the core objective in HR planning is to: 'ensure that the organization has the *right number of people* with the *right capabilities*, at the *right times*, and in the *right places*' (p. 44.).

In practical terms, the process should start with the alignment of the organizational strategic plans and the HR plans. In the 1990s, there was a primary emphasis on deriving HR strategies from the master strategic plan of the organization. After 2000, there has been more interest in integrating closely into the primary strategy, logic dictating that the informational input from HR could significantly improve or rather change the overall approach. For example, if the organization is planning innovation, but the talent is lacking inside, then HR must take steps to serve this goal or warn against adopting it at all, if resources are not accessible or take too long to acquire.

Besides the strategy that it adopts, the culture of the organization also plays a role in the planning process. Many firms (for example, Procter and Gamble) hire most employees for entry-level jobs, and they have to progress through the company to achieve leadership positions. (Procter & Gamble 2017). Others hire senior executives with several years of leadership elsewhere; a number of prominent UK and US firms have become noted for hiring celebrity CEOs, who move quite rapidly between assignments (Moore 2009). Particularly in the case of firms that rely on the external labour market, the availability of competitive salaries and bonuses or the lack of those can either aid or constrain finding and recruiting talent (Mathis and Jackson 2006).

Evaluation

Having decided the course of action, then the next step is to assess resources regarding people: HR must make an internal and external evaluation of workforce. As the organization can utilize either talent from the inside or hire talent from the outside, HR professionals have to consider both environments.

The effects of technology

The advances in technology after the turn of the twenty-first century immediately found their way into everyday management practices, among them to HR. Both the CIPD and SHRM have emphasized the necessity of incorporating technology to everyday HR practice. According to SSHRM HR, this has forced significant investment in HR tech systems and platforms (Bersin 2017). In Europe, the CIPD has emphasized that technology must be used to ensure human potential is utilized (HR must lead . . . 2016).

Here we list some highlights that affect planning.

Big data, cloud computing and mobile technology

The development of computer technology both in hardware and software opened up manipulation of data in the extent and in depth that was not in the domain of HR before. Big data – large volumes of information impossible to handle without sophisticated technology – has enabled firms to more easily make usage of labour market statistics, immigration trends and wider demographic developments in setting HR planning strategies; this is sometimes termed 'people analytics' (Vulpen, 2018). However, in the end, 'big data' is just that: the ultimate planning decisions require choices by actors, who will have to face managing imperfect or incomplete information in key areas.

Demographics

The changes in the labour force also affect planning strategies. Both in Europe and in the United States, the workforce is ageing. According to the CIPD's policy report (Avoiding the . . . 2015), in 1992 one in five people employed was over 50 years of age; by 2016, it was one in four. In the European Union, the labour force is shrinking because of the ageing population (Europe 2020 indicators 2016). The labour market situation is similar in the US: Paullin (2014) writes the forecasted percentage of growth for workers aged 65 or older is 74%, much higher than for any other age group. In planning, age is a controversial issue: on the one hand, older employees may be less inclined to turnover and avoidable absences (Robbins and Judge 2017); on the other hand, older workers may not want to work over 65 if they can support their lifestyle on their savings. However, with the decline of occupational pensions in the UK and elsewhere, the proportion of workers forced to seek employment after 65 is likely to increase.

Mass migration provides a major new resource of labour: many migrants are relatively youthful and will have obtained some or other level of education elsewhere (and funded by the sender nation). However, the right-wing populist governments in the UK and the US owe their rise to successfully whipping up xenophobia. They are committed to enacting stringent anti-migrancy measures. However, rather than halting migration, the likely outcome will be forcing ever larger numbers of migrants into the underground economy, the main beneficiaries being human traffickers and unprincipled employers who base their competitiveness on cheap – and often unfree – labour.

The other end of the spectrum, career-starting young workforce 'Millennials', have different work values: it is argued that they are often more family-centric than work-centric and harder to keep and motivate (Generation Y goes to work 2009); however, this may simply be due to the diminishing pool of regular, secure and decent jobs in liberal markets such as the US and the UK. For planning, it means more contingency-based plans, taking into account a more volatile and high-maintenance workforce.

Setting priorities in human resource planning: forecasting

There are many alternative methods for forecasting; the choice management may make is invariably moulded by the wider institutional context and the relationship between management and other stakeholders, including employees. More subjective judgemental models tend to be used more in an uncertain environment, although the accuracy of 'soft methods' is questioned by researchers. Judgment-focused firms can be found in any industry and the size of the company is not an affecting variable. Researchers claim that alternative, more quantitative-focused approaches have lower error rates and more accurate forecasting (Sanders and Manrodt 2003). However, it can be argued that quantitative methods have their own limitations; they involve managerial judgement on issues such as accountability, the future suitability of a selected employee or the consequences of a layoff. If uncertainty is perceived to be rising, then sophisticated techniques will not be used since they have less value; likewise, if uncertainty decreases to a large extent, than forecasting will no longer be needed at all (Stone and Fiorito 1986).

Workforce demand forecasting techniques – judgmental methods

DIRECT MANAGERIAL INPUT OR UNIT FORECASTING

Each unit or each manager forecasts the future needs for employees. This could be done by both 'bottom-up' planning, that is, by unit forecasting, or by 'top-down' planning, where each unit is allocated a certain budget for employee payroll expenditure and this budget is then divided by management to serve the desired business need. Direct managerial input is based on 'hard' data, that is, on cash flow, rate of return, return on capital employed and on discounted cash flow on investment. Although a mathematical method and based only on financial data, this works well if the company wishes to concentrate on decreasing staff numbers. However, since it does not involve investigating either the skills which the company needs or the jobs which they cut, it may be mechanical and not have the desired effect. If a company reduces staff numbers with the simple aim of reducing the payroll, then it may be counter-productive by inadvertently discarding people they need most (Ward 1996a; Mello 2005).

UNIT FORECASTING

This can be used to estimate future employee needs in a positive manner when managers at all levels decide how many employees they need for future improvements and new contracts – a 'bottom-up' approach. This technique can be most responsive to the needs of the market (Mello 2005) since the responsibility for the decision lies where the decisions on production and services are made. However, it does have the disadvantage of tempting managers to 'hoard' employees for later needs and not to allocate them to those parts of the organization which could use them better (Mello 2005).

Both bottom-up and top-down approaches show their own efficiency: the top-down variety is efficient from the perspective of resource allocation while the bottom-up variety addresses the requirements of the marketplace. Ideally, an organization would use both approaches in order to serve the market (and its own managers) well and also to nurture the efficiency of organizational resource allocation (Ward 1996a; Mello 2005).

'BEST GUESS' FORMALIZED MANAGERIAL JUDGEMENT

According to Ward (1996a, 1996b), it was developed by a few companies and is essentially similar to unit forecasting, but with the difference that the forecast contains:

- current headcount requirements;
- a 'best guess' estimate of the impact of expected productivity and technology changes;
- the managers' best guess of headcount changes due to expected business changes.

The future employee need is the sum of the 'best guesses'. It is a guessing method, which may or may not be accurate, and assumes that managers correctly forecast the future impact of technology and of the marketplace and that they can translate these to HR needs in terms of numbers and skills. It also assumes that managers have adequate time to use this method.

Ivanchevich (2007) identifies *trend projection* as finding a relationship between a factor related to business and a desired number of employees. Sales levels are usually related to employment trends, and in trend projection the planner relates employment to one single factor.

HISTORICAL RATIOS

Ward (1996a, 1996b) argues that historical ratios can be good predictors if there is a significant correlation with headcount and certain business factors, such as the number of customers served and the number of units manufactured. This method provides a general estimate of all workers, but it cannot differentiate between temporary and permanent workers and cannot handle outsourcing requirements.

Skills and other 'soft' issues cannot be taken into consideration here, although it is easy to administer and can be used with Lotus or Excel spreadsheets.

These two methods can also be termed *rule of thumb*, as in Meehan and Basheer's (1990) example: 'one new production worker for every 1,000 additional items produced'.

THE HYPOTHETICAL APPROACH BASED ON PROCESS ANALYSIS (BUSINESS PROCESS RE-ENGINEERING)

This is mentioned in Ward, although he asserts that it has never actually been used! The concept is sound, since it says that in process analysis a detailed analysis of process components of work activities should be developed and human resource needs could be quantified based on each unit. This concept has never been translated to an operational model, although it could have definite advantages in that qualitative thinking could be incorporated and the analysis could involve aspects of skills and competencies.

THE DELPHI TECHNIQUE

This technique was originally developed by the RAND Corporation and is characterized by trying to bring experts to a consensus while eliciting as many different opinions as possible (Durnham 1996). An important factor of the technique, however, is that it must be used anonymously. The target is problem-solving, planning and decision-making and the method involves a facilitator who coordinates the process. The physical presence of the participants is not required – and, in fact, a lack of physical presence makes for greater effectiveness. In the first round the facilitator sends a questionnaire to the participating specialists and collects the answers. For the second round all of these ideas are incorporated in a new questionnaire. This iteration process continues until no new ideas emerge. This procedure gives specialists the chance to change and improve ideas, and, since it is anonymous, there are no personality or other constraints on participants.

THE NOMINAL GROUP TECHNIQUE

Also called 'the alternative way of brainstorming' (Ivanchevich 2007), it involves a facilitator inviting group members to write down their ideas privately and then, one by one, each member of the group presents the ideas, one at a time. These are recorded on a flipchart but with no discussion. Each member can opt out of a round and the ideas need not be from the list written by a member; they could be invented when requested. After all ideas have been listed, the group discusses the ideas for a set period of time. Each member then, privately, ranks all of the ideas, and the resulting overall ranking will be their aggregate ranking (Nicholson 1995). In human resource forecasting it can be a powerful tool, as this method can incorporate a number of qualitative factors which others cannot. Moreover, it is sufficiently comprehensive and can successfully eliminate group decision-making problems (such as 'group-think', or a dominating group member). It can, however, preserve the idea-generating effect which physical presence can have on people (further developing others' ideas). It may also be inaccurate, especially in a fast-changing environment, when unexpected occurrences simply cannot be taken into account by specialists in the specific setting.

SCENARIO ANALYSIS

A method very similar to the other two 'brainstorming' methods, but with the difference that ideas are then built into workforce scenarios of the future (Ward 1996a, 1996b). Managers then work backwards in order to identify important turning points. The discussions can be wide-ranging and participants can identify more crucial factors than otherwise. Scenario-building is commonly used in strategic management. The creation of imaginary future event sequences leads to attempts to determine the places in the sequences where managerial intervention is needed and where such intervention might change an unwanted future. Both positive and negative possibilities are weighed. One problem, however, is that this method cannot provide accurate, quantifiable data; it can merely encourage flexibility and adaptability – which is no novelty to any HR professional.

BALANCED SCORECARD APPROACH

This model focuses on the 'human resources deliverables' – that is, those factors which are critical to business success and lie within the human resources range (Mello 2005). There are five components:

> Workforce success – Goal accomplishment, that is, did the workforce accomplish business objectives in the organization?
> Right HR costs – Is our investment in the workforce sufficient, and do we spend enough on HR in the whole organisation?
> Right types of HR alignment – Do we harmonize our HR activities with the other activities of the organisation, and do we differentiate in different positions when needed?
> Right HR practices – Do we design and use the 'world class' HR practices in the organization?
> Right HR professionals – Do we have a HR specialist workforce that is able to implement these practices, and do we have the knowledge, skills and abilities to continuously learn, grow and apply what they know?
> (Huselid 2009)

All of these methods can also be termed judgemental, since they all involve managerial judgement and decision-making and since they are based rather on a subjective evaluation of facts rather than on quantifiable statistical methods. Accuracy is most certainly an issue in forecasting, but subjective judgement (the 'gut feeling') can sometimes be more accurate than any statistical method, since they can take into account non-quantifiable factors, such as sudden changes in technology and political events (e.g. the transition in Central–Eastern Europe).

Talent management

An alternative contemporary approach is the new literature on talent management. The literature on talent management often emphasizes the need for speed in filling gaps, through a close linkage between all the different aspects of the HR function (Huselid, 2009). It also emphasizes the differences in individual talents and the need to take account of this. But is this really anything more than HR practice? While, as Lewis and Heckman (2006: 140) note, this term is often used interchangeably with talent management, the contemporary understanding argues for something more: linking talent to the overall make up and hence to strategy. This can be done through either a resource-based view that links talent to overall results or through an approach that calls for talent to be approached in a similarly quantitative way to financial resources, allowing the latter to be linked to wider organizational decision-making in a scientific fashion (ibid.: 146). In the latter regard, the HC BRidge® Decision Framework developed by Ramstad and Boudreau focuses on critical competencies and key performers who have these competencies and on the practices which enable these people to achieve maximum performance. The key elements here are: impact, effectiveness and efficiency (Lewis and Heckman 2006).

Assessing demand – statistical methods

TIME SERIES ANALYSIS

This method examines historical employment patterns and trends in the environment; from these two it attempts to extrapolate the future employment need. It is effective in a stable environment when the user can reasonably expect that trends can be extrapolated and that the employment pattern will remain the same. It is useful in industries where cyclical peaks and downturns are common (e.g. in services such as the leisure industry). It is relatively simple, but in large organizations where several job groups are in evidence the planner has to use more than one time series, since the trends can reflect only one job group. It is not useful in small organizations, when there are no historical data, or in a dynamic business environment.

The method projects past trends into the future, using time as the independent variable. This analysis can identify long-term trends, seasonal effects, cyclical effects and the residual effects which emerge from unpredictability in the environment and from the randomness of human action. It is especially good in predicting seasonal effects, recurring fluctuations, such as the effects of holidays, or other seasonal variations. Since the model uses time, it cannot cope with organizational circumstances and cannot be used for scenario analysis; it can, however, be used effectively to identify turning points (Gallagher 2000).

WORK–STUDY

In the absence of historical data present but with a requirement to identify future needs, work–study is an alternative approach. This method is, for example, useful in new businesses. The actual work process is studied, together with the individual activities of the worker. This approach has a long history, going back to F. W. Taylor. He monitored how long it took to perform the individual activities that make up a job with a view to closer and better time management, linking pay with output, and its track record in terms of production work is controversial: close monitoring and control of output may make it even more unpleasant. Where work is non-standard, such as some forms of white-collar work, it is not a suitable method. Work–study engineers study the work process and assess rates of employee activity. This is known as 'effort rating'. From this a formula is created which defines 'standard performance' and, based on this formula, effort can be rated and the appropriate number of employees calculated.

TIME SERIES ANALYSIS COUPLED WITH PRODUCTIVITY TRENDS

This method is best suited to industries where long-term planning is possible. There is no assumption that productivity trends will remain the same, and improvements in productivity are factored into the calculations and projected. It does, however, assume positive changes in staff productivity ratios.

REGRESSION ANALYSIS MODELS

Their usefulness is partly due to the fact that one can evaluate the required mix of employee categories. One can estimate the number of employees required in one category based on the level required in another. For example, how many more checkout staff would be needed if the number of items in a department store were increased? In multiple regression techniques the variables used in the historical ratio are used as independent variables. Regression models incorporate the rate of change based on historical productivity improvement trends. Regression analysis is a powerful statistical tool in that it can handle a number of variables and is relatively easy to administer. On the other hand, it has several disadvantages, such as the fact that it cannot work without historical data. If relationships between the variables change, then the predictive accuracy is weakened. There are, nevertheless, a number of sophisticated computer packages for regression analysis (Ward 1996a, 1996b) which are widely used.

ADDITIONAL COMBINED STATISTICAL AND JUDGMENTAL MODELS

Integrating models try to take into account a number of factors which influence the organization. They attempt to simulate the organization, the environment, through efforts to build in the effects of the environment, and they also attempt to simulate the movements of individuals into and out of the organization, skill requirements and HR activities.

BALANCING EQUATIONS

These are similar to regression models and include variables which are determinants of staffing requirements. Subjective weights are assigned to the determinants based not on statistical relationships but rather on expert judgement.

COMBINATION TECHNIQUE – FORECASTING DEMAND

This model incorporates both managerial judgement and statistical accuracy (Gallagher 2000):

$$E = \frac{(L+G)\times 1/x}{\Upsilon}$$

Where E is the number of staff needed at a specific future date, L is the current turnover (financial), G is the expected growth in turnover, X is the productivity improvement expected during the period, and Υ is the turnover divided by the number of staff.

Assessing supply – supply analysis methods

INTERNAL SUPPLY

In this case the planner needs to know not simply the gross number of people but also how many are needed for a specific job, at group or organizational level. Turnover, according to Gallagher (2000), is not a good indicator, since it provides only gross numbers, while specific turnover data would be more helpful if broken down into categories (job, age, skillset). Internal supply is influenced by other HR processes within the organization such as training and development programmes, transfer and promotion policies, retirement, career planning and others (Mathis and Jackson 2006).

Before any modelling can occur, the HR planner and the organization's management have to have a clear picture of the knowledge, skill and abilities of the members of the organization in order to be able to plan for the future. There are several expressions used for storing these types of data relating to the workforce. In addition to basic demographics, highly sophisticated data can also be useful. Into this category would fall participation in continuing education, supervisory ranking of employee capabilities, hobbies, personal career goals and objectives, geographical preferences and an indication of the time for retirement (Ivanchevich 2007). With today's very advanced computerized data-handling methods, virtually all forms of data can be stored and also easily accessed when necessary. HRIS systems can be a powerful aid in planning and in implementing HR-related action.

Stock and flow models are used for forecasting supply. These models follow the employee's path through the organization overtime and attempt to predict how many employees will be needed and in which part of the organization. According to Gallagher (2000) these are not sufficiently useful in forecasting the number of employees at various organizational activity levels.

WASTAGE ANALYSIS

$$\frac{\text{The number of people leaving in a specific period}}{\text{The average number employed in the same period}} \times 100$$

It is a general rule that figure variances may be great within different categories of staff (such as men and women), age groups (wastage declines with age) or unemployment rates (wastage is low) (Gallagher 2000).

STABILITY ANALYSIS

This concentrates on people who remain rather than examines any loss of personnel:

$$\frac{\text{Number of employees with} \times \text{years service at a given date}}{\text{Number of employed} \times \text{years ago}} \times 100$$

REPLACEMENT CHARTS

These charts list both jobs and individuals and show how key individuals move round the organization. They list the number of employees and also the skills which they have and their level of readiness, together with their willingness to move into a new job. These charts are then displayed on the organization chart and offer the possibility of promotion. The time when any selected employee will be ready for promotion is also indicated and is based upon the opinions and recommendations of higher ranking people (Mello 2005). Some replacement charts are more systematic, showing skills, abilities, competencies and experiences. They are, therefore, more objective and help to overcome personal bias and succession-related problems. Replacement charts can be profitably used as a planning tool and could also be used as a component of the whole succession-planning effort (Mello 2005).

MARKOV MODELLING

This model belongs to the stochastic process model sector, which assigns probabilities to future events and tries to incorporate future possible occurrences into models (Parker and Caine 1996). Examples of this might include the likelihood of securing a contract or of starting or finishing a project on time. The model is named after the Russian mathematician said to have developed the model in 1907. The Markov analysis is a derivative of probability theory and so is highly mathematical by nature. In a Markov analysis, the planner attempts to describe the movement of personnel as stochastic possibilities, a series of stocks and flows where each event is decided by a preceding event. In a simple case the system is closed, but, in reality, in human resource planning the system has an incoming and also an outgoing component. This model is also called a transitional matrix, as it examines the overall pattern of movement of people between jobs inside the organization and at outward movement from the organization. When both incoming and outgoing personnel are featured, Markov modelling is easier to handle by computer. The underlying logic is simple: when employees move from one position to another they have to be replaced and this replacement usually comes from a position below the incumbent who is moving on. At the top of the matrix employees may also leave and disappear from the system.

The value of the approach depends on the mathematical ability of the user, although there are several computer programmes by which these planning issues can be resolved (Parker and Caine 1996).

There are other approaches to describe and predict people-movement in an organization such as the 'systems approach', also known as *holonic modelling* (Parker and Caine 1996). It is easier to use, is based on system theory and dynamics and can be handled by less mathematically oriented planners. It is also said to be more flexible and more helpful in the intuitive process of planning.

SUCCESSION PLANNING

According to the CIPD, succession planning is vital to both small and large organizations. This practice, combined with management training and development, can transfer the needed experience for future leaders and managers. CIPD advises organizations to continuously review and develop their succession plans to suit the demands of business (CIPD 2016). Per definition, 'succession planning is the process of identifying and developing potential future leaders or senior managers, as well as individuals to fill other business-critical positions, either in the short- or the long term' (CIPD 2016). According to the CIPD, large blue-chip companies used highly structured, confidential and top-down succession plans, but this practice has declined because of rapid change in the environment and flatter organizational structures (CIPD 2016).

The SHRM strongly suggests that managers integrate succession planning tools to their talent management systems. In this process, technology again plays a leading role: software systems aid managers in identifying talent in their organizations for identifying leadership potential (Robb 2016). Planners have to face those facts as well, that not all professionals desire a vertical career; some prefer to remain in horizontal positions or choose not to leave their positions at all (CIPD 2016). Some other controversial facts emerged lately in planning, such as the fact that despite expectations, not all baby boomers retire, either because they cannot afford to do so, they have no retirement savings or because they are in good health and continue working to stay social (Friedberg 2016). This might make planning more complicated, as on one hand experience and expertise are easier to handle, but on the other providing the younger generations with positions they desire or influencing the organization with a new way of thinking (such as using more technology) might become more problematic.

EXTERNAL SUPPLY

The planner at the company has to use outside information, such as statistics concerning the labour market and from the organization – in other words, external and internal statistics.

Examples of statistics which may be used would include:

External statistics

Unemployment rates
Population density
Number of school-leavers
Proportion with (or in) higher education
Skill levels
Age profile
Number of competitors.

(Armstrong 2006)

Internal statistics

Company growth
Age distribution of employees
Skill levels
Turnover ratios,
Overall profile/distribution of employment across job categories.

(Zeffane and Mayo 1994)

Temporary workforce planning techniques

The demand for efficiency has raised an issue which earlier was not truly valid: a temporary or permanent workforce? Should firms use people who work exclusively and full-time for our organization or use temporaries who only need to be hired in the event of more labour being justified? This is an especially pressing issue in industries where work demand fluctuates, where there is a good deal of seasonality (such as in the hospitality industry) or in agriculture (at harvest time). However, this is not only a problem relating to blue-collar employees, since, in today's economy, the 'contingent-knowledge worker' is a factor which cannot be ignored (Redpath et al. 2007). Here we encounter a further issue of significance – that of outsourcing. If outsourcing takes place, what are the guidelines and how should the firm plan it? These questions are even more difficult to answer than those dealing with a permanent workforce. The unpredictability and volatility of historical data could be high, and unexpected changes in the business environment could immediately damage well-developed plans.

Herer and Harel (1998) classifies *temporary workers* as:

Temporary employees
Contract employees
Subcontractors
Consultants
Leased employees.

In today's work environment, we could add outsourcing as a temporary worker problem. Herer and Harel (1998) developed several mathematical formulae concerning the design and size of the temporary workforce as an inventory problem. Although the approach sounds mathematical, it is based on costs and benefits and cannot really take into account 'soft' factors (such as the capabilities and attitudes of the temporary staff or the wider organizational consequences of using them), it does at least provide a reasonable estimate of the number of such workers needed.

Khanna and New (1996) created a model for planning *outsourcing* requirements in which the steps are Analysis and Evaluation. In the first they examine the real need for outsourcing, since major business problems can arise from rash decisions (the baggage handlers' strike at London Heathrow is quoted). There are also alternatives to outsourcing such as float-workers, temporary workers, part-time workers, pay-rolling, employee leasing or using independent contractors. Large consulting organizations may even provide short-term help in providing some of their employees to help the client firm. They also mention several other approaches which are beyond the scope of this chapter (Khanna and New 1996).

In the next phase of the model, the contract negotiation phase, the outsourcing organization will evaluate the vendor and design the mechanisms inside to manage the vendor. If the basic plan was to economize on work via outsourcing, this cannot be achieved at this stage. It should be clear that simply to manage what is outsourced, there must be several in-house groups with the expertise to do so. If there are no such people, then the organization has to train them. A phased transition is necessary to achieve this goal since a precipitate transfer of work to a third party is simply not possible. After these goals have been achieved, they need to maintain flexibility and build in continuous improvements to the system. Inevitably, perhaps, serious consideration of all of these processes might lead to the question: what is the point of outsourcing if we duplicate rather than save work? There are, of course, examples of outsourcing contracts which failed, such as that of Wachovia, who took their outsourced HR activities back from Hewitt or transferred them to other vendors (with the exception of benefits administration and customer services) (Khanna and New 1996).

Action plans regarding supply and demand

After general planning is completed, there needs to be specific action in terms of what is to be done with supply and demand figures. Mello (2005) has drawn up a table relating to strategies for managing shortages or surpluses in the workforce (see Table 12.1).

Table 12.1 Strategies for managing shortages of surpluses in the workforce

Strategies for managing shortages	*Strategies for managing surpluses*
Recruit new permanent employees	Apply a freeze on hiring
Offer incentives to postpone retirement	Do not replace those who leave
Rehire retirees on a part-time basis	Offer incentives for early retirement
Attempt to reduce staff turnover	Reduce working hours
Work current staff overtime	Leave of absence for voluntary service
Subcontract work out	Across-the-board pay cuts
Hire temporary employees	Lay workers off
Redesign job processes so that fewer employees are needed	Reduce outsourced work
	Increase employee training
	Switch to variable pay plan
	Expand operations

Source: Adapted from Mello (2005).

Various other options are available, but a detailed analysis is beyond the scope of this work.

Doing away with the need for planning: gig working

A recent trend in both the US and the UK has been the rise of 'gig working', that is, the casual employment of workers to carry out specified tasks, with no guarantee of continuity in employment or regularity of income (Friedman 2014; De Stefano 2015). In other words, job seekers commit themselves to being on call to the employer, but are classified as independent contractors, with few or any employment rights. The organization benefits from being able to rapidly respond to changes in demand, and few of the fixed costs associated with a regular workforce; there is little need for HR planning, as it is assumed that workers can be readily resourced from the external labour market as and when needed. Although gig working is often sold to job seekers as an opportunity to work according to personal schedules or whim, most gig workers are forced to work for very long hours, face strict penalties should they be unavailable and receive wages that barely cover subsistence (Friedman 2014; De Stefano 2015). However, firms making large-scale usage of gig working run quite serious reputational risks of being named and shamed as exploitative. Again, given that the incentives are so low, gig workers are at best going to be only negatively committed to the organization, forcing large commitments of resources to recruitment and induction, and the loss of insider knowledge.

Conclusion

The more critical literature on work and employment relations has tended to neglect HR planning; often the latter has been dismissed as technicist, inflexible and in some manner old-fashioned (Gold 2001: 193; Iles 2001: 140). However, the rise of gig working may replace established HR planning tools and techniques with something much worse: firms that are totally uncommitted to their workers, meeting changes in demand and supply through adjusting working time and, hence, wages at will. On the one hand, any planning process that incorporates an element of long-termism and is based on consistent and predictable assumptions will constrain arbitrary managerial (and, indeed, owner) power, and, indeed, the ability of the firm to rapidly respond to challenges in the pursuit of maximizing shareholder value. For employees, this may make for more predictable rights and encourage longer-term approaches to the organization by themselves. On the other hand, not all HR planning means that good HR management is in place. HR planning may legitimize managerial actions and help redefine implicit contracts. Hence, the manner in which HR planning is used can be seen as a contested domain. The choice of which set of tools and techniques individual firms use may be less important than the underlying philosophy guiding their usage and the manner in which they are deployed in practice.

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13 Performance management

Anthony McDonnell, Patrick Gunnigle and Kevin R. Murphy

> Performance management systems that do not make explicit the employee contribution to the organizational goals are not true performance management systems.
>
> (Aguinis 2013: 3)

Introduction

The evaluation and improvement of job performance is a central concern in modern human resource management. Both performance appraisal and performance management systems are believed to be critical to the success of organizations, but they often seem to function poorly and to be held in low regard. Performance appraisal has been practised in organizations in one form or another since the 1800s (Murphy and Cleveland 1995) and over time has become a central plank of many organizations. More recently, many large organizations (e.g. Accenture, Deloitte, Microsoft, GAP, Medtronic) have discussed abandoning or substantially curtailing their use of formal performance appraisal systems (Buckingham and Goodall 2015; Culbert and Rout 2010), and there is increasing concern that both performance appraisal and performance management systems can fail in many organizations (Pulakos et al. 2015; Smith et al. 1996). Nevertheless, most organizations still rely on formal performance appraisal and performance management systems (Gunnigle et al. 2014). A recent survey of more than 1,000 organizations in more than 50 countries (Mercer 2013) reported that: (1) the vast majority of organizations set individual goals (95%) and conduct formal year-end review discussions (94%); (2) most used overall performance ratings (89%); (3) most evaluate competencies/behaviours (86%); (4) most include an employee self-assessment (82%); and (5) most link individual ratings and compensation decisions (89%). Virtually all medium- and large-sized organizations employ some sort of performance management system, although the relations between traditional annual evaluation systems and performance management systems vary widely over organizations (Lawler 2003; Pulakos 2011).

Performance management has developed from a very operational focus to a more strategically oriented concept, i.e. where it plays an integral role in the formulation and implementation of strategy (Aguinis 2013; Scott-Lennon 1995).

It is this strategic impetus which differentiates it from performance appraisal. Performance management seeks to align a number of processes (e.g. training, performance-related pay systems) with corporate objectives (McKenna and Beech 2008). Theoretically it involves a shared process between managers, individuals and teams where goals are agreed and jointly reviewed, although in practice goals are often imposed from above. Further, corporate, divisional, departmental, team and individual objectives should all be integrated. Performance appraisal is a crucial element of the performance management process, involving a formal review of individual performance. It is suggested that performance management represents possibly the greatest opportunity for a human resource (HR) system to make a telling contribution to organizational performance (Sparrow and Hiltrop 1994). It represents a system that can inform how the firm's human resources contribute to the organization's strategic objectives. Unfortunately, the extent to which it is an effective and useful system in practice remains open to question. For example, the high use of various facets of performance management does not always correlate with high results regarding perceived effectiveness (DeNisi and Smith 2014).

This chapter takes a contemporary and critical look at both performance appraisal and performance management systems in organizations and asks how and why modern organizations develop systems of this sort to evaluate the performance and effectiveness of employees. We begin by defining performance management and reviewing its evolution. We then consider the performance management process by applying a critical lens to some of the main approaches set out thus far. Following this, we consider the primary tool used in performance management systems, namely performance appraisal. We then discuss more contemporary developments in performance management.

Performance management: definition and evolution

Performance management represents a relatively new management concept, with its roots traceable to Anglo-Saxon management (Sparrow and Hiltrop 1994). It was not until the 1980s that it truly emerged as a stand-alone concept. In simple terms, performance management is a process that enables employees to perform their roles to the best of their abilities with the aim of achieving or exceeding established targets and standards that are directly linked with the organization's objectives. Performance management is posited as a strategic management technique that supports the overall business goals of the firm through linking each individual's work goals to the overall mission of the firm (Costello 1994; Sparrow and Hiltrop 1994). This requires 'the ability to interpret the more abstract goals and objectives at board level into more practical operational goals and objectives at employee-level to meet them' (Chase and Fuchs 2008: 226). Once goals have been developed, it is the supervisor's responsibility to give frequent and timely feedback on progress toward fulfilling these goals and to assist employees in accomplishing these goals.

Performance management evolved from the *management by objectives* (MBO) approach, first popularized by Peter Drucker (1954). MBO was a scientific-type approach with an emphasis on achieving results that were linked to established targets. It involved management focusing on achievable objectives to produce the best possible results using available resources. Both MBO and performance management hold a number of similarities, including the requirement for distinguishable job-based goals and development objectives to be achieved (Fowler 1990). However, performance management has evolved considerably in the interim. MBO tended to be only applied to management, whereas performance management is applied to all staff – it seeks to integrate all organizational actors in the pursuit of improved performance. MBO utilized quantitative performance measures, whereas performance management is more likely to include both quantitative and qualitative measures. This moved organizations away from solely focusing on financial performance and in parallel, towards ensuring its employees were being developed.

There are four principal normative concerns of performance management (Armstrong 1999). First is that it aims to improve performance. Second, it endeavours to develop employees. Third, it seeks to satisfy the expectations of the various organizational stakeholders. Finally, communication and involvement are imperative due to the ideology of arriving at jointly agreed goals and objectives. In other words, performance management in theory seeks management by agreement rather than dictation. However, whether such lofty expectations play out in practice remain very much open to question. It appears more common that top management unilaterally set strategic objectives and then attempt to cascade these down the line and translate them into individual performance targets (Aguinis 2013; Pulakos and O'Leary 2011; Pulakos et al. 2015).

The performance management process

Many of the pertinent models on performance management involve a simple four or five step process (see Figure 13.1 for an example). These models tend to be based on the assertion that all work performance stems from and is driven by the corporate objectives. These are then broken into functional/departmental objectives. Individual objectives shoot out from these, and all are monitored and reviewed on an ongoing basis with a formal review or appraisal conducted at least annually. The results of this may or may not be linked to pay. A body of work has taken place arguing for and against linking appraisals to pay. The main argument for this is that all parties take the process more seriously, while the main argument against is that pay becomes the central issue to the detriment of the developmental aspect of performance management (cf. Armstrong 1999). Linking performance to pay is a market-based approach to gaining employee commitment, while simultaneously helping 'to align managerial interests with shareholder value and shift downside risk' to the employees (Gospel and Pendleton 2005: 17).

These models fail to adequately capture the intricacies of applying performance management in practice or – more pragmatically – how performance management might be utilized as an effective means of managing and improving employee and organizational performance. In its current guise, performance

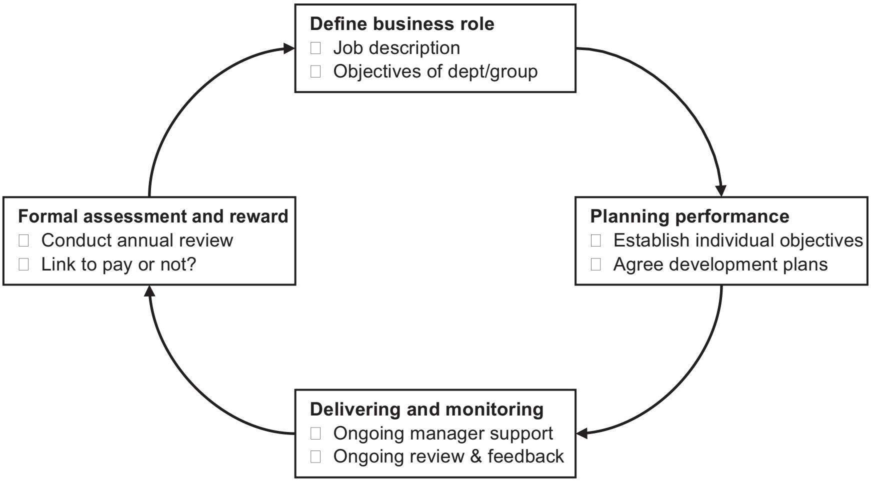

Figure 13.1 Stages of a typical performance management system

Source: Adapted from Torrington et al. (2008: 299).

management can be criticized for being overly normative. This is largely due to its apparently unitarist underpinning ideology. Indeed, it has been proposed that the unitarist perspective 'may represent one of the threats to performance management as it fails to recognize the plurality of interests that are so much a part of organizational reality' (Williams 2002: 252). For example, little consideration is given to the effect different markets play on employment relations systems. Gospel and Pendleton (2005: 10) note that Anglo-Saxon countries (e.g. US and UK) are characterized by 'labour management systems which are essentially based on market signals'. Depending on the conditions of the day, organizations in these countries will adjust recruitment levels and redundancies, pay tends to have a performance element, job tenures will vary and so forth. On the other hand, systems in other countries (e.g. Germany) are influenced less by market conditions. Jobs tend to be of longer tenure, organizations are more likely to invest in its workforce and pay tends to be based more on seniority than on performance.

No one best, universally agreed performance management model exists, and – as already highlighted – those being used tend to be quite basic in their orientation. Buchner (2007) suggests there has been a failure to utilize sufficient theory to support performance management. More specifically, he argues that existent models fail to make explicit linkages between the various elements of the process. Similarly, Bevan and Thompson (1992) suggest a major issue is the lack of integration of activities and that some activities are utilized while others are not. This phenomenon is described by Torrington et al. (2008: 307) as 'unfortunate', since one of the primary espoused advantages of performance management is the integration of activities for managing performance: performance appraisal is integrated with performance planning, where individual objectives are linked to the overall organizational objectives. The success of these objectives is supported through ongoing feedback and personal development plans and assessed in order to reward superior performance (Torrington et al. 2008). Yet a key concern is that many organizations are purportedly failing at knowing whether practices are actually aligned or are instead pulling in different directions.

Den Hartog et al. (2004) have attempted to redress some criticisms of existing performance management models by setting out a conceptual model that gives greater prominence to the role of the line manager. Much research contends that for performance management to be effective and beneficial it needs to be owned and driven by line management (cf. Sparrow and Hiltrop 1994; Williams 2002; Torrington et al. 2008). Simultaneously, top management must support and be committed to the system (Sparrow and Hiltrop 1994). As with any system, if there is insufficient support from the top, how can one expect that personnel further down the organizational hierarchy take the system seriously? Line management has a major mediating influence in the implementation of HR practices (Den Hartog et al. 2004).

While conceptual models of this sort have considerable value, it is not clear that they are connected with the day-to-day reality of performance management systems. Because they focus so heavily on linking goals at all levels of the organization and basing the goals of divisions, departments, work groups and even individual employees on the strategic goals of the organization, performance management is necessarily a top-down process in which decisions made by a small set of top executives about the strategic direction of the organization inevitably drive the goals, plans and strategies of each of the lower levels of the organization, leaving potentially limited room for individual line managers to influence the process of performance management.

Performance management: a critique

Classically, the starting point of a performance management system should be setting out the organization's mission, aims and values. Following this, the organization's objectives are identified, and these need to be intrinsically linked to, and support, the firm's mission. These objectives should be cascaded down the organization with strong links to the objectives of the various managers and individual employees. The end result should be integrated objectives across all organizational levels and personnel (Fowler 1990).

In practice, though, converting the business strategy into clear performance objectives is often problematic for a variety of reasons. Business strategies do not always result from a rational plan but may – sometimes serendipitously – evolve over time. Mintzberg (1978, 1987) distinguished between 'realized' and 'unrealized' strategies and also between 'intended' and 'emergent' strategies. Deliberate organizational strategies refer to those that are intended and realized. However, there are also 'unrealized' strategies, which for one reason or other are never implemented. In addition, 'realized' strategies may 'emerge' over time without the conscious intervention of strategists. Hence, strategies may emerge that do not follow the traditional planned view but may develop in a more incremental fashion. There may be great difficulty in setting measurable objectives unless the firm operates in a relatively stable environment, which is often not the case in modern business.

Furthermore, organizational objectives can conflict with one another. Corporate governance needs to be taken into account as managers do not make decisions in a vacuum. For example, if considerable emphasis is placed on shareholder value (Gospel and Pendleton 2005), management will need to consider the effect any decision they make will have on this. A firm that is downsizing but maintains its commitment to investing in its workforce by not reducing headcount or cutting 'training spend' represents such a scenario. In this instance, commitment towards its employees may conflict with a corporate strategy of cost containment. Likewise, adopting a total quality management (TQM) system sets out to do things right first time, whereas a learning organization orientation suggests that it is alright to make mistakes as long as one learns from them – two conflicting perspectives (Torrington et al. 2008). The individual versus team dynamic represents another dilemma in performance management, which to date has not received sufficient attention. For example, there is a danger that individual objectives could be detrimental to the achievement of team-based objectives and vice versa (Torrington et al. 2008).

There are serious conflicts between the top-down nature of performance management and the broader movement toward developing flatter organizations and empowering workers (Blanchard et al. 2001). That is, performance management depends heavily on goals that are cascaded down from the top of the organization, and it puts emphasis on making sure that each employee's behaviours are driven by goals selected by the very top of the organization. On the other hand, many organizations are moving toward systems that give their employees considerable autonomy and responsibility, a process that can be inconsistent with top-down control. We examine this conflict in more detail in the final section of this chapter.

Performance measurement is a further area of contention. For effective performance management clearly the organization needs to know what performance it seeks (Torrington et al. 2008). Fowler (1990) makes an interesting point in suggesting that particular performance dimensions are chosen by organizations, not because they are the most important or relevant but because they are the most straightforward to measure. It also may lead to a very narrow view of performance being adopted. This links into the much debated issue of demonstrating a link between human resource management practices and organizational performance (cf. Huselid 1995; Guest et al. 2003). To date there remains a lack of conclusive evidence on the existence of a link between specific management processes, such as performance management, and organizational success (Bevan and Thompson 1992; DeNisi and Smith 2014). Furthermore, it is commonly assumed that improved individual performance will lead to better organizational performance. However, in reality it is much more complex. Improvements at lower individual levels may be insufficient in improving organizational performance (DeNisi 2000; DeNisi and Smith 2014). For example, improvements at an individual level may not result in improved organizational performance if their objectives are not intrinsically linked with team, departmental and organizational objectives.

Relatedly, the extent to which performance can be solely measured through quantitative measures is open to question (Fowler 1990). Arriving at crude, quantitative measures (e.g. number of sales in a week or number of products produced) may mean a firm fails to gain a true picture of overall performance. An interesting example is provided by Chase and Fuchs (2008) regarding a teacher who tries exceptionally hard to improve his/her students' learning, but the final marks turn out similar to those of students whose teacher does not make half the effort. Which teacher is doing the most to improve performance? If rewards were based on student performance, it may serve to de-motivate the hardworking teacher. There is also the phenomenon of unanticipated side effects (see Figure 13.2).

Qualitative measures, such as customer attitude surveys, can also yield vital information. Criticisms of the use of qualitative measures largely relate to their particularly subjective nature. Due to this, appraiser training provides an important tool in reducing subjectivity. Mabey et al. (1998) contend the greatest challenge faced regarding performance management is to ensure that the procedures incorporated in the system can be audited. This helps ensure a fair and effective system is being used. Regular appraisals are often utilized to bring a degree of formalization to the process of performance management. The most important characteristics of performance measures are their validity and reliability (Mabey et al. 1998). Reliability simply refers to whether the same decision reached would be reached if other individuals made it. Validity refers to the extent to which the method used actually measures what it is supposed to measure. Thus, it is imperative that sufficient time is given to deriving the performance indicators and ensuring they accurately depict the performance the organization wants to measure.

A computer salesperson is primarily assessed on his quarterly sales. While he is aware that a current laptop range is being phased out, he focuses his efforts on maximizing sales of this line over the current quarter. He is successful in this regard and receives a substantial bonus for his sales effort. However, he also leaves many dissatisfied customers who soon realize the laptop they purchased was soon after replaced by a superior version at a similar price. The company goal of sales maximization was achieved but to the detriment of arguably more important goals of enhancing customer satisfaction and loyalty.

Figure 13.2 Unanticipated side effects to performance measures

The provision of feedback is a major component of effective performance management (Aguinis 2013; Aguinis et al. 2011). In theory, feedback is frequent and immediate in performance management, though the extent to which this takes place in practice is questionable (Coens and Jenkins 2000; Fletcher 2001). This reliance on feedback as an essential part of the process by which performance is managed is problematic in a number of ways. First, the effects of feedback have been widely studied, and there is little reason to expect that performance feedback will have a clear and consistent effect on individual performance (Kluger and DeNisi 1996). Second, while frequent feedback sounds useful, there is no clear agreement about the optimal frequency of feedback. Annual performance feedback, such as that provided by traditional performance appraisal systems, may be too little, but daily feedback may be too much. Finally, the challenge of providing performance of timely, ongoing feedback is heightened by the very fact that unforeseen events occur. This may require a reappraisal of objectives. The hallmark of performance management is the idea that goals, plans and strategies at all levels of the organization can be described and harmonized, but in the fluid and uncertain environments in which organizations function, it is often necessary to modify plans with experience, even if overall organizational strategies do not change.

Performance management: a system that confers organizational value?

From a normative perspective, the effective and strategic use of performance management provides a means for recognizing good performance, as well as clarifying tasks and providing support in achieving these. It carries the potential to provide a structured means of directing and guiding individual employees, teams and departments towards the pursuit and achievement of corporate objectives. It can also be useful in identifying ‘high potentials’, thus helping succession planning and management development. Furthermore, it can aid the HR planning process through the identification of training and skills gaps. Through holding review sessions with employees, the opportunity is afforded to set out action plans as well as to discuss personal and career development. This can be extremely beneficial as it may be construed as showing how valued an employee is to the firm. In addition, it allows the identification of subpar performers, and hopefully remediates performance shortcomings,

However, the extent to which these benefits are realized appears to be limited. Dissatisfaction with performance management is well documented (Ellis and Saunier 2004; Pulakos and O’Leary 2011), while evidence that performance management actually works is elusive (DeNisi and Smith 2014; Pulakos and O’Leary 2011). It is viewed by some as representing another administration exercise for line managers in order to allow HR to rate and reward employees (Armstrong 1999; Ellis and Saunier 2004). For many organizations, performance management is about working out a rating for employees and making pay decisions based on this rating (Ellis and Saunier 2004), rather than a concerted attempt to improve the organization's performance and develop employees. Others have suggested that there is often a failure to align performance management with other crucial organizational processes such as strategic planning (Ellis and Saunier 2004; Torrington et al. 2008). Criticism abounds regarding the extent to which performance management is more a reactive process dealing with external pressures as opposed to being a conscious strategic effort, and the developmental aspect tends to be a decidedly secondary concern relative to the bottom line (Fletcher and Williams 1992). There also appears to be a feeling among some organizations and managers that performance management brings a low return of investment in terms of the bottom line (Chase and Fuchs 2008).

Performance appraisal

> Performance appraisals are often described as the 'job managers love to hate'.
> (Pettijohn et al. 2001: 754)

The performance appraisal is essentially a formal mechanism of reviewing individual employee performance. Fletcher (2001: 473) defines it as the 'activities through which organizations seek to assess employees and develop their competence, enhance performance and distribute rewards'. It generally involves line managers appraising their subordinate's performance, often on an annual basis. In terms of the content of appraisals, there is no definite 'one best' prescribed approach. For example, job performance will nearly always be reviewed, while personality and behaviour may or may not. Performance management is often conflated with performance appraisal and vice versa. Performance appraisals are concerned with individual performance, whereas performance management looks at individual, team and organizational performance. The appraisal may be just another HR technique used by an organization, while performance management attempts to link the appraisal process to the wider values and objectives of the firm (Foot and Hook 2008). However, appraisals constitute an integral part of the performance management process.

One of the critical differences between traditional performance appraisal and modern performance management systems has to do with the time frame and the perspective involved. In most organizations, formal performance appraisals are often annual events that are summative and evaluative in nature, in the sense that they provide evaluations of your success or effectiveness in different aspects of your job over the last year. Performance appraisals are often tied to pay and often reflect the assumption that rewarding good performance will motivate employees to improve and to perform well in the future. In contrast, performance management involves feedback that is immediate and designed to guide and control performance rather than to motivate it. That is, performance management requires managers to provide feedback on what employees are doing well and poorly now, and what they need to do to shape their behaviours in ways that will help the organization accomplish its strategic goals.

A second important difference between performance appraisal and performance management has to do with an emphasis on consultative vs. directive roles for managers. Most performance appraisal systems include self-ratings of performance and/or goals that are set by employees or through mutual agreement between employees and managers. In contrast, many performance management systems are directive, in the sense that it is the goals and objectives set by top management that determine the goals, plans and strategies at each lower level of the organization.

The effectiveness of appraisals

Appraisals are believed to enhance managerial and organizational performance as well as positively contribute to employee motivation (Randell 1989). Conducted effectively, they are credited with a number of positive benefits (cf. Longenecker 1997):

1 Performance planning and goal-setting;
2 Providing feedback and coaching;
3 Employee development;
4 Linking employee performance to compensation and promotion decisions.

However, Mabey et al. (1998) identify two schools of thought regarding problems with the effectiveness of performance appraisals in evaluating employee performance. The first school focuses on performance appraisal as a social process (Murphy and Cleveland 1995). Since appraisal generally involves one person rating another's performance, 'it is impossible to disentangle the social influences which are present' (Mabey et al. 1998: 136). Second, performance appraisal has a political dimension (cf. Barlow 1989). Rather than being an objective, neutral process, the performance appraisal represents a political process whereby those involved may pursue personal agendas and strategies (Longenecker 1997; Mabey et al. 1998). For example, there may be a poor working relationship between employee and appraiser. This may result in the appraisee perceiving the appraisal as unfair. This may de-motivate employees, possibly resulting in overt and covert outcomes, including poor performance and higher labour turnover. In addition, the appraiser may not possess enough information to effectively review the employee's performance. This may lead to a situation whereby the appraisee receives incomplete and inaccurate information on their performance. Some firms have tried to negate such issues by having more than one appraiser, with the objective of reducing the potential for bias.

Performance appraisal often suffers from trying to achieve too much (IRS 2001). For example, performance appraisals may be used to identify poor, good and exceptional performers, spot high potentials, discover training and development needs and decide on appropriate rewards (Cleveland et al. 1989). Not only are there multiple goals for many performance appraisal systems, there are often also conflicting goals. For example, a recent Cranet-E survey (2003) shows appraisals are most commonly used to identify training and development needs (Chase and Fuchs 2008). Links to rewards are also strong, but there are notable variations in how extensive this is across countries. For example, the link to rewards is far stronger in Germany and Sweden than in the United Kingdom. This is quite interesting given that Germany and Sweden are characterized by high levels of unionization and the conventional wisdom is that unions may often be averse to systems where pay increases are partially and wholly dependent on performance appraisals (cf. Gunnigle et al. 1998). Utilizing appraisals for both developmental needs and for ascribing rewards is particularly interesting because – to all intents and purposes – they are two conflicting approaches. The appraisee might be loath to identify training or developmental needs for fear of it being construed as a sign of weakness which may negatively impact rewards to be received.

Longenecker (1997) found that often it is the basic fundamentals of the appraisal process that reduce its effectiveness. For example, over eight in ten respondents in his study suggested that the failure to have clear performance criteria negated the potential benefits of conducting an appraisal. The conventional performance management literature is premised on the view that having clear and explicit goals is imperative in eliciting improved employee performance. While ability and motivation are important ingredients, they are not the sole determinant of improved performance (Torrington et al. 2008). It draws from expectancy theory, which basically sets out that employees will be motivated to perform as long as they believe their goals are achievable and that they will lead to valuable rewards (Vroom 1964). Hence, if objectives are unclear the appraisal may do more harm than good. This can include both individual and organizational level outcomes. For example, individual level outcomes may include demotivation among employees and increased tension in the manager–appraisee relationship. Organizational level outcomes may incorporate a loss of credibility for the HR department and a loss of managerial focus.

A key related question is what type of individual objectives should be set. Should only tightly defined, results-oriented objectives be set? This often seems to be the case, probably because they provide an easier benchmark against which to measure performance. It is argued that such objectives should follow the SMART (specific, measurable, appropriate, relevant, timed) rules (Torrington et al. 2008). However, setting SMART goals can be problematic if they are not continually reviewed and updated. The business environment is subject to rapid change, possibly rendering pre-set goals a constraint on the firm. Is setting results-oriented objectives sufficient? People are not always necessarily in control of whether they can meet their goals or not. External influences can constrain the achievement of performance. Consequently, it has been suggested that behavioural targets should also be set (Williams 2002). Almond and Ferner (2006), in their research on US multinational companies in Europe, found that the nature of objectives was changing, whereby objective criteria based on job performance were increasingly supplemented with softer, more difficult to quantify objectives such as ‘cooperation’ within the team.

Contemporary developments

Recent decades have witnessed considerable evolution in the spheres of performance appraisal and performance management. Two topics that are the focus of current research strike us as especially important for understanding performance management: the use of feedback to influence performance and the role of top-down planning in performance management.

Feedback

One of the major distinctions between traditional performance appraisal and performance management has to do with the frequency and nature of the feedback that is provided. Performance appraisal provides annual feedback that focuses on how well you did in the past year. Some models of performance management (e.g. Pulakos 2009) include this type of appraisal, but the majority of the descriptions of performance management call for a very different approach to performance evaluation. For example, Aguinis (2013) calls for more frequent, if not continuous, evaluations of performance. The assumption here is that summative feedback about what you did well and what you did poorly over the last year is not as valuable for changing behaviour as feedback given at the point that behaviour occurs.

The suggestion that performance feedback should be more frequent has been echoed by several scholars (e.g. London and Smither 2002; Steelman et al. 2004). However, it is important to understand that the feedback that is part of performance management is both quantitatively (i.e. it occurs more often) and different from the type of feedback people receive in their annual appraisals. In traditional performance appraisal, performance feedback is the result of a process of collecting, integrating and evaluating performance relevant in each of the major dimensions of your job. In performance management, feedback is tied to specific tasks or behaviours and is focused on whether or not the behaviour was effective and how it can be improved. The type of frequent or continuous feedback that characterizes performance management will necessarily be informal and, in all likelihood, decoupled from administrative decisions (you are unlikely to get salary adjustments on a daily or weekly basis).

The idea that annual summative feedback might not be sufficient and that feedback should be more frequent raises the interesting question of determining the optimal frequency for performance feedback. Very frequent feedback is likely to have the advantage of immediacy, but there is a risk that very frequent feedback will become repetitive, especially if it is feedback about behaviours that are difficult to change in the short run. For example, suppose that your mathematical skills are not up to par, making you slow in performing. Less frequent feedback loses this immediacy, but it might have the advantage of being based on a potentially large sample of behaviour.

Lukas (2010) developed an analytic model to evaluate the optimal frequency of feedback in systems where performance-contingent pay influences employees' decisions to remain with an organization or to leave it. His model suggests that more frequent performance evaluations might not be beneficial. The model incorporates a number of assumptions that are difficult to test, but the results do suggest that more frequent performance feedback might not always be better than less frequent feedback. In particular, frequent feedback about aspects of performance that are difficult to change is likely to feel more like nagging, or even harassment, than like information that is helpful to the employee.

Performance management relies heavily on two assumptions, that employees lack the necessary information to perform their jobs well and that if they are given the right information their performance will improve. Both assumptions are problematic. As noted earlier, the effects of feedback on performance are at best inconsistent. About one-third of the time feedback leads to increases in performance, about one-third of the time it seems to lead to decreases in performance and effectiveness, and about one-third of the time it has little effect (Kluger and DeNisi 1996). More fundamentally, the belief that employees want feedback and that they will incorporate it to improve their job performance is unwarranted (Cleveland et al. 2007). Supervisors and managers often dread giving feedback and employees often actively avoid it; the faith that proponents of performance management (e.g. Aguinis 2013) place in the value of feedback is not well founded.

Questions about whether a particular system gives too much or too little feedback are important, but the more pressing question is *why* organizations give performance feedback. Empirical assessments of the effects of feedback (e.g. Kluger and DeNisi 1996) suggest that feedback of this sort is unlikely to substantially improve performance or effectiveness. Sometimes it will help, but it is just as likely to hurt. Rather than thinking about feedback as a mechanism for improving employees, it might be more useful to analyse it as a system for controlling the behaviour of employees.

Performance management as a system of control

The starting point for the development of most performance management programmes is a set of decisions top leaders make about the strategies and objectives of the firm. Subsequent decisions about how the actions of divisions, departments, work groups and even individual employees will contribute to these objectives are in theory harmonized with these goals. In this respect, performance management shares much in common with Frederick Taylor's Scientific Management. Both systems involve shifting decisions about how to perform work from the individual employee to higher levels in the organization, presumably in the name of efficiency. In Scientific Management, experts told workers in great detail how to perform each task in the most efficient way possible. In performance management, the emphasis is on harmonizing the actions of each member of the organization in service of goals and objectives set by top management. The ultimate goal of feedback in these systems is to monitor and enforce the compliance of each employee with goals that have cascaded down from the top of the organization.

There is some irony in the insistence on top-down planning that appears to characterize many performance management systems. Contemporary research and business publications place a good deal of emphasis on topics such as empowerment (Blanchard et al. 2001; Chen et al. 2007), employee-centric organizations (Lee-Hoffmann 2011; Reeves 2015; Sharma and Sahoo 2013) and organizational structures that minimize hierarchy and involve employees more directly in planning work, setting goals and objectives and evaluating performance (e.g. Robertson 2015). The unifying feature of all of these trends is the belief that it is important to give employees the tools and the responsibility to design, plan, manage and evaluate their own work, and it can be argued that this belief is antithetical to performance management but highly consistent with contemporary performance appraisal.

Performance management has been criticized on the basis that it attempts to tightly control the behaviour of employees (Winstanley and Stuart-Smith 1996). Performance management may or may not afford greater autonomy over how work is carried out. It depends largely on how it is administered and the underlying management ethos. At one level, the idea of being appraised can be construed as 'akin to a police state, where the control occurs through the collection of documentation and evidence, a dossier on the individual. Instead of standing over one's shoulder, supervision becomes a matter of spying through keyholes' (Winstanley and Stuart-Smith 1996: 69). This is an accusation that is particularly noteworthy in certain sectors, such as the call centre industry. This industry has been characterized by some as a re-creation of the sweat shops, 'dark satanic mills', and the ideal environment for exercising 'panopticon' control over all aspects of employee behaviour (cf. Taylor and Bain 1999; Kinnie et al. 2000). Call centre agents are often subject to the most in-depth monitoring of their performance through collecting 'hard' quantitative performance measures, including time to answer a call, call length, abandoned call rate, accuracy and adherence to script and wrap-up time. These scenarios can be categorized as a particularly illustrative controlling form of performance management. However, it is not a unique scenario; what may be distinctive is the 'overt and pervasive nature' of this management approach (Holman 2005: 115).

Conclusion

Stereotypically, performance management seeks to manage human resources through the establishment of specific objectives for individuals, teams, departments and divisions that tie in with achieving the overall strategic objectives of the firm. It draws together HR policies and practices to form an overall coordinated system in which to manage performance. Performance management draws, in particular, on two theories, namely, expectancy theory and goal-setting theory. Although this integration of theory is welcomed, and indeed the case for more can be argued, these theories also point towards problems that as of yet remain unresolved. These include issues regarding setting feasible goals, how performance is measured, if there should be a link to rewards and – if so – what type of rewards should be provided and how feedback works in the system.

Mabey et al. (1998: 149) note that performance management can be 'criticized for relying on a model of management which is more rational than is achievable in practice'. More specific criticisms include the universalistic form it tends to follow. By this we mean that performance management is often applied, with little consideration given to contextual factors such as the differences between organizational roles, cultures and national institutional environments. Performance management systems invariably incorporate multiple objectives and content, including linking objectives to organizational strategy and developing employee skills. As a result, many practices and tools will have to be incorporated, rendering performance management systems quite complex. In turn, such complexity clearly poses considerable challenges to organizations regarding the design and implementation of performance management systems. Nor is this complexity likely to diminish anytime soon due to pressures for improved performance, technological advances and cultural issues in implementing performance management across borders (cf. Fletcher 2001; Almond and Ferner 2006).

In conclusion, while performance management has come a long way and may be working effectively in many organizations, there is a need for a more nuanced research agenda regarding the innermost workings of performance management. To date, many of the extant models are too simplistic. We simply do not know whether performance *can* be managed and, if it can, whether performance *should* be managed. Performance management has the potential to contribute to the effectiveness of organizations, but it also has the potential to remove responsibility, autonomy and humanity from work, and we have not yet developed effective ways of creating linkages between top-level goals and the behaviours of individual workers while at the same time empowering workers and giving them a chance to have a meaningful role in determining what they will do and how they will do it when performing their jobs. Not enough credence has been placed on the inherent complexities and potential for contradictions that exist in making performance management an effective system in organizations.

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14 Reward management

Suzanne Richbell and Geoffrey T. Wood

Introduction

In the early 2000s, a key defining feature of the liberal market economies of the US and the UK was heightening pay dispersion and a decline in real pay for the bulk of the workforce, coupled with poor productivity. Central to HRM are reward systems. The employment contract is an indeterminate exchange, whereby a labour power (in one form or another) is exchanged for a cash wage (Hyman 1989). In other words, one of the key sources of disputes and conflicts in the employment relationship is the difficulty in quantifying what a fair day's work is for a specific pay rate; engaging with this is at the heart of reward systems. The latter is easy to quantify, the former less so. Not only does this make for an inherent tension in any employment relationship, but it also places pressure on both the firm and the individual employee to quantify the former. Organizations may adopt a very simple approach to pay – for example, paying the bulk of frontline employees as little as the external labour market will bear, or in line with the minimum wage, or adopting a more sophisticated approach. The latter could entail negotiating wage rates with employees on a collective basis or adjusting pay rates to the perceived contribution of individual employees. Looking back to the industrial revolution, pay systems were generally tied to output, which in most cases was easily measurable. As workers grouped together to fight the worst excesses of low rates and high quotas, there was a subsequent change in the power relationship between employer and employee. In Britain, this resulted in a shift towards agreed rates for a job, where collectively all performing a particular job would be paid according to the same scale. However, since 1979, there has been an ongoing and cumulatively dramatic decline in unionization and, at the same time, a growing popularity in a return to an emphasis on payment for output or results, this time in the shape of performance-related pay, often on an individual basis.

In the 2000s, in both the US and the UK, a general stagnation in or decline in real pay for many workers has been matched by the rise of gig working. While the latter have to make their services available to the employer, there is no security in working time and few if any employment rights, with, in many instances, wages on (or sometimes below) the legal minima. The increasing proportion of such work changes how we understand reward systems. Meanwhile, top managerial pay sometimes incentivizes excessive risk taking; in the financial services industry, this, along with weak regulatory oversight, was one of the major causes of the 2008 financial crisis.

This chapter is organized as follows. First, we introduce the concepts of motivation and reward, and the possible forms the employment contract can assume. Second, we focus on strategy and reward, and the different approaches that may be taken to manage reward systems in a real world organizational context.

Thinking about reward systems

The key to an effective reward system is an understanding of what it is that employees need and expect from the work situation. Traditionally, employers have taken the rational economic man approach, resting on assumptions that labour is exchanged for financial gain, usually in the form of wages or salary. This was an exchange or transactional relationship in which labour was exchanged for payment, a reward extrinsic to or independent of the actual work.

But money is not the only incentive, and modern employment contracts spell out the details not only of wages but also of other benefits, an important one being job security. While many employees regard wages as essential, they also regard it as equally important that these wages are secured on a regular basis. In times of economic uncertainty, the protection afforded by job security becomes highly valued. This means that, in times of recession, job seekers will tend to opt for securer jobs, even if this means foregoing some pay; this will make public sector jobs more sought after at such a time. Ironically, employees' quest for job security may work against the need for organizations to be quick to react to fluctuations in demand, limiting their capacity to be flexible. The financial responsibilities of modern living mean that most employees will deem it necessary that there is a long-term basis to their ability to provide family support and meeting financial commitments.

A further issue is the prospects for upward promotion and pay dispersion. As Cappelli (1999) notes, a tendency towards flatter organizations or new organizational forms such as network organizations makes it harder to provide internal careers: this may make mobility more attractive. Another tendency has been the divergence of pay rates between those in senior positions and the rank and file. Toynbee and Walker (2008) note that, some 20 years ago, CEOs in FTSE 100 companies on average earned 17 times the pay awarded to the average employee, whereas today it is approximately 75 times. Given that there seems no evidence that UK chief executives are any more competent than they were 20 years ago, and that manifest incompetence appears to often be associated with record pay awards, there is little doubt that such gross imbalances are likely to continue to erode employee morale and organizational commitment. Claims that the organization cannot 'afford' to keep pay in line with inflation, while senior managers help themselves to disproportionate amounts of organizational resources, will simply lack legitimacy to most employees.

Collective and individual contracts, pay and reward

In understanding pay and reward, a key distinction is whether pay rates are decided on a collective or individual basis: in other words, do people receive similar pay rates within the same job grade, or is pay varied according to perceived ability?

In unionized workplaces – where the union is recognized by the employer – collective contracts may be in place. Here, through (commonly) annual collective bargaining, the firm and the union's representatives, agreements are reached to set the pay scales (or, simply, a standard pay rate) to cover particular job grades. This means that all employees can expect the same basic terms and conditions of employment, although employees may, of course, be advanced on a particular pay scale on the basis of seniority and/or perhaps at the discretion of the employer (for example, an employee may be advanced on the pay scale on evidence of an exceptional contribution). Collective contracts have advantages and disadvantages for employers and employees. From an employee perspective, collective representation means that employers will have to take employee demands more seriously; it is a lot harder to ignore the collective voice of a workforce than a request for more pay by a single individual. Moreover, as it recognizes that all employees (within a particular job grade) are worth roughly the same (with some variation according to the breadth of the pay scale agreed on), more vulnerable employees are protected. Employees that are in a stronger bargaining position may still pursue their individual interests through seeking promotion, while they have the protection of the collective contract to fall back on should they lose their comparative advantage through no fault of their own. From an employer perspective, an effective union negotiating employee interests may mean that you are forced to pay more than you may wish to (even if negotiations break down, employees still have legal rights, including, possibly, the right to strike), and it makes things less flexible (it is hard to renegotiate an agreement should external circumstances change). However, it also means that the reward system in place has legitimacy (employees cannot easily complain about something their own representatives have agreed to, other than to the union involved). It is also administratively much simpler to administer one collective contract rather than many individual ones.

The 1980s marked a watershed in the nature of British employee/employer relations, although similar trends were also apparent in many other liberal market economies, ranging from New Zealand to the United States. This was the advent of Thatcherism, running in tandem with the steady and ongoing decline of the stronghold of union power. Prior to this era, British organizations had tended to adopt a bureaucratic approach to their payment systems. Typically, rates for jobs were negotiated at a national level between employers' associations and trade unions and, at least in theory, were applied as standard throughout an industry. However, almost two decades earlier, the Donovan Commission (1968) had exposed the reality that the formal system of national negotiated rates had, for many employers, become a floor or minimum over which plant negotiations boosted pay and made for differences within an industry. Nevertheless, within an organization, the trend would be that, in accordance with collective agreements, pay scales were established and individuals would occupy positions on the scale depending on the nature of the work and seniority. Actual performance was not the measure for pay. Such a system provided a common understanding of the pay range, a legitimacy in that it was borne out of collective bargaining and an ease of administration. Hence, as noted above, the focus was on what the job was worth rather than on actual performance.

An individual contract is one where the employee has her/his own contract with the employer. In other words, s/he may not necessarily have the same rewards or terms of conditions of service as others, as there is no obligation on the employer to harmonize pay, other than where inequalities are obviously discriminatory. The simplest form of individual contract is where the employer pays the bare minimum possible: either as little as possible to secure the services of a suitable job seeker or in line with a national minimum wage, where one is in force. However, this minimalist approach always opens the firm to poaching of staff (other than when unemployment is very high), as competitors have to offer very little more to attract experienced staff from it. Alternatively, it is possible to seek to link pay with skills, capacities and/or physical output; this can range from a crude piecework (where a production worker is simply paid in accordance with output) to more sophisticated systems for analysing the worth of an incumbent. What such approaches have in common is a belief that *rewarding* an employee for her/his contribution should be done on individual lines, taking account of her/his capacities, potential and underlying motivators. It also is an essentially unitarist approach, based on the assumption that it is up to management, and management alone, to dictate the basis under which pay is calculated (Heery 1996).

Extrinsic and intrinsic rewards

Distinctions can be made between these forms of 'outside the job' or *extrinsic rewards* and other aspects of reward which stem from the actual content rather than the surrounding context of the work; such rewards constitute *intrinsic rewards*. A brief review of classic motivation theories provides an understanding of the range of human need and hence of desired rewards. Key issues include the extent to which people are likely to be motivated by money alone, or by other issues such as the intrinsic rewards of the job itself, or even by belonging to the social community that constitutes the workplace. While much criticism has been levelled at early content theories in terms of methodology (or lack of it) and the universalist nature of the findings, they do provide an insight into the complex nature of matching rewards to individual employee needs. The early work of Maslow (1954) suggests a hierarchy of needs which the individual will aim to satisfy in ascending order, from basic physiological needs; through safety and security needs; social or love needs; needs for esteem, both from others and from self; and finally self-fulfilment or the realization of one's own true potential. While this widens the range of potentially motivating rewards, it is very general, and it is Herzberg (1966) who provides a more work-specific theory of motivation.

Herzberg not only makes the distinction between extrinsic (hygiene factors) and intrinsic (motivators) rewards but also takes this further by suggesting that the traditional approach of rewarding labour with wages or salary does not result in positive job satisfaction for the individual employee. According to Herzberg (1966), pay along with other extrinsic factors, such as job security and relationships with superiors, peers and subordinates, are the factors that may cause discontent but, if improved or maintained well, will at best keep job dissatisfaction at bay but will not lead to job satisfaction. Such findings have massive implications for economies like the British, which have traditionally used financial incentives as a means to motivate workers. While there is much debate over the effectiveness of financial incentives, such findings do hold warnings for over-reliance on financial rewards and point to a need to design a reward system which accommodates the other needs experienced by employees.

The motivators or intrinsic factors leading to job satisfaction are identified by Herzberg as achievement, recognition, interest in the work itself, responsibility, advancement and growth. The argument is that by building the possibility for such intrinsic rewards into employees' work, the level of job satisfaction will be increased.

Process theories break through the universalist approach and, in so doing, further emphasize the highly complex nature of motivating employees. Vroom's (1964) expectancy theory is helpful in emphasizing the complexity of individual thought processes which may or may not lead to action. It is suggested that assessments, first of whether effort is likely to result in achievement of a specific task and, most importantly from the point of view of the current discussion, whether success in the task will lead to the individual's desired personal reward, precede any possible action. It is this calculative thought process and the fact that the individual's desired reward may not be money that emphasizes the complex nature of an effective reward system.

Another process theory relevant to the design and operation of a reward system is Adam's (1965) equity theory, which centres on the importance of feelings of fair treatment and the possible behavioural manifestations which may result from perceived inequity. This theory highlights the fact that individuals make comparisons and that feelings of unjust treatment in comparison with fellow employees may result in withholding effort, restricting output, reducing cooperation and even withdrawal.

Motivation theories argue that money is not the only motivator, that intrinsic rewards are important to individuals and should be built into any rewards system, but arguably overplay the importance of the latter (which organizations may find more attractive to focus on as they may appear superficially cheaper) at the expense of the former. Motivation theories suggest use of employment contracts, with their emphasis on the economic and the legal, might be argued as a form of deflection from a more holistic understanding of the expectations and aspirations embedded in the employment relationship. Much attention has focused in recent years on the notion of a psychological contract which basically incorporates the expectations and assumptions, many unwritten, subjective and changing over time, that both employee and employer bring to the relationship (Rousseau 1998, 2001). If this more embracing view of the employment relationship is adopted, then the implications, for the motivation of employees, permeate all aspects of the work situation. The need for an integrated system of reward, building motivational factors into all aspects or the management of employees, becomes apparent. The approach of line management and indeed the consistency of this approach, the recognition of achievements and the provision of interesting work, where possible become important aspects of securing motivation. For those core workers whom the organization is keen to retain, skills development and careers management are essential, while, for the unskilled and semi-skilled or peripheral workers, the need for training to enhance future employability may be highly regarded.

Two possible critiques of psychological theories of motivation may be advanced. The first is that they make something very simple rather complicated. The employment contract is about exchanging wages for labour power, and in the modern economy, wages are what really matters; employees are unlikely to be committed to a job that is superficially pleasant if wages are the bare minimum needed for survival (Hyman 1989). And, no matter how much window dressing is provided by management, some jobs are intrinsically less pleasant than others: this may be through specific policy choices by management (e.g. rigid supervision and control) or simply represent the product of the dominant technology and/or the specific nature of the industry. Organizations such as Walmart and McDonald's that have controversial reputations for union busting and for low pay devote considerable resources to promoting the appearance (if not the substance) of team spirit among employees, yet high staff turnover rates underscore the extent to which it is difficult to secure commitment where wages are minimal (see, for example, Royle 2000).

The second limitation is that psychological theories of motivation tend to downplay the subjective effects of social context: 'social and structural factors . . . are generally reduced to the status of intervening variables' (Thompson and McHugh 1999: 280). Motivational theories often assume that workers can be simply led or enticed, downplaying the importance of cooperation between workers themselves and with management (ibid.: 279). In practice, work environments incorporate complex social dynamics: workers may adjust their output to 'fit in', to improve their standing in the eyes of co-workers (which may involve making short bursts of intense activity to impress others), for altruistic reasons (to protect weaker or less effective colleagues) or adjust output to lengthen breaks or to 'reward' or 'punish' supervisors (that are subject to performance linked pay themselves) (see Burawoy 1979).

Employee commitment

Because of the global, highly competitive nature of business today, organizations cannot afford to disregard the likely consequences of ignoring the challenge of establishing an effective reward system. To remain competitive in a dynamic environment, organizations need to be flexible, with employees who are not only adaptable but also creative and proactive. The old bureaucratic management approach of rules and regulations to control inevitably makes firms less flexible. However, a strong focus on the bottom line may result in the organization being excessively short termist with regard to its HRM policy, with returns to shareholders being prioritized over reinvestment, sustainability or genuinely investing in people (Dore 2000).

What organizations seek now is a change in the fundamental nature of the employment relationship; the aim is to generate a high degree of employee commitment to organizational strategy. Clearly articulated mission statements and the involvement of employees in the generation and development of the organization's aims and objectives are recognized as appropriate paths to securing commitment: yet, how much commitment can there be in the absence of decent pay and job security? Schemes to further employee involvement and participation provide the channels through which employees can exercise influence. However, new participation and involvement initiatives driven by the above agenda have tended to be orientated towards individual and direct contact with employees, rather than dealing with employee collectives such as unions (Brewster et al. 2007). This means that in the case of the former the voices of employees are weaker and easier to ignore: in turn, this means that such processes may be little more than window dressing.

The use of Etzioni's (1975) classic power/involvement matrix is useful in conceiving the intended shift from the employer's traditional use of remunerative power, which resulted in calculative involvement to a more elevated plane where employer power stems from the employees' belief and identification with the organization and its aims and where the commitment is therefore more enduring. Etzioni refers to this as normative power leading to moral involvement. However, in practice, employee power has tended to be most effective when collectively expressed via unions, rather than via new forms of participation and representation (Brewster et al. 2007). And, as noted earlier, firms that value the ability to flexibly adjust their workforce sizes through the regular use of redundancies or sub-contracted labour are rarely likely to be able to engender much loyalty among employees. Loyalty is a two-way street, and if an organization is disloyal to its staff, it is likely that its staff will, in turn, be disloyal to the organization.

Strategy, HR and reward

The 1980s marked a turning point in people management. The rise of the concept of 'human resource management' centred on an increasing awareness of the perceived need for a strategic approach to the management of employees. Earlier chapters have traced the change from personnel management to human resource management and indicated the main differences between these approaches. The old image of the personnel management function, cast in the role of mediator or 'referee', aiming to bring agreement between workers and management, has long been exchanged for an HRM function, whose unitary perspective is firmly rooted in the organization's strategic goals. In the case of the administration of pay and reward systems, the previous operation, in accordance with set rules and procedures, has been revolutionized to accommodate the maintenance of a high-performance, committed workforce in the context of a dynamic, competitive environment. Many firms have realized that their employees may be their greatest resource, and as such, their retention is important. High-quality knowledge workers, with their detailed technical understanding of their organizations and their markets, may be difficult to replace, certainly in the short run. At the same time, such employees provide rich fishing grounds for headhunters from rival organizations: generic tertiary skills can make moving around a lot easier.

Retention of workers, particularly key knowledge workers, becomes an important strategic issue in the drive for sustained competitive advantage. The loss of continuity and, in many industries, particularly service industries, the break-up of well nurtured relationships between employees and customers threaten competitive ability. When added to the costs of wasted training (plus the expense of recruitment and induction training for replacements), it is understandable that many employers are anxious to retain their human capital. Hence, the way organizations treat their employees, the way HRM initiatives impact at the individual level, particularly the reward system, is crucial as these employees may prove the basis of success in challenging circumstances.

Fundamental to strategic HRM is the interrelatedness of all HRM practices in line with the overall strategic goals. Strategic HRM should be flexible, devolved and decentralized to create the best fit with changing circumstances and to secure the involvement of all organizational members. HRM practices and systems are not features to be imposed on an organization but rather are developed to meet particular requirements. In this context, the reward system, geared to securing employee effort and commitment to the achievement of organizational goals, is a core component in any inclusive HR strategy.

Different pay strategies

There are various pay strategies, and the dominant approach has varied over time. Pay strategies may differ in form, and this is complicated by the fact that they may exist on an individual or collective basis. It is possible to identify two main types of pay system. First, there is output-based pay: here the emphasis is based on a measure of production in its widest sense. On an individual level, this might relate to piecework or other forms of individual payment such as commission and individual bonuses. Pioneering work by Frederick Taylor led to the development of his system of Scientific Management: basically, this centred around clear hierarchies, with line jobs being broken up into their simplest component tasks. In turn, this meant that it would be easier to measure output and pay individuals accordingly (Thompson and McHugh 1999). This system focused on maximizing output and minimizing shirking; it discounted the importance of intrinsic rewards in terms of the pleasure of performing the job itself. Scientific Management is associated with dreary and oppressive production line work and an emphasis of easily measurable quantity over quality production. The decline of traditional manufacturing in Britain might suggest that Taylorist methods have gone out of fashion. However, many low value-added service sector jobs, ranging from call centres to fast food, lend themselves to this method: high staff turnover rates and visibly poor quality have done little to deter many firms from the usage of such methods. More generally speaking, there has been a rise of individual performance-related pay since the early 1980s in Britain – most commonly in the form of traditional Taylorist methods, but also seen in more sophisticated alternatives such as measured day work, team-based pay, and the use of profit-sharing and gain-sharing schemes for employees.

Second, there is input-based pay: here the payment system rewards the competencies or skills the employee brings to the organization. Skill-based, merit and competency pay all are relevant. In other words, employees are paid in terms of what they can potentially offer the organization. Such rewards could include 'golden hellos' – up-front rewards to encourage individuals to join the firm. Payments to knowledge-based workers on the basis of their particular expertise represent a good example of input-based pay: knowledge workers embody the buying in of specialized and advanced professional and technical knowledge. Time spent working in an organization may add a layer of specialized knowledge, transcending actual technical or professional prowess. For example, knowledge relating to important clients and how to conduct successful negotiations with valued customers gained through interpersonal relations over time is precious to organizations. Often undocumented but highly prized for strategic success, such knowledge makes retention of these core workers essential, with attractive payment packages acting as inducements. At the same time, there is also an element of output assessment in the pay of such knowledge workers, in that the value of their knowledge needs to be repeatedly reflected in successful outcomes, often accompanied by corresponding bonuses.

But who is responsible for administering the reward system, whether input- or output-based? There has been a growing tendency in many firms to decentralize reward systems to line management. This reflects contradictory pressures: to make pay and reward more strategic on the one hand, and on the other to link it more closely to actual performance and/or the quality of customer service (Lado and Wilson 1994). This may indeed reflect the reality of HRM – people management is often fragmented, with the management of rewards rarely being linked to HR strategies, let alone the general organizational strategies, in a coherent way (cf. ibid.).

Traditional approaches to pay *job evaluation*

Job evaluation is a method by which employers, often in consultation with unions, have attempted to reward different jobs according to their worth or value. Two basic forms of job evaluation may be distinguished. The 'non-analytical' approach ranks jobs as a whole against others. The more sophisticated analytical form entails a detailed study of component factors and elements of each job. Points are awarded, for example for aspects such as the level of skill and training required, the level of responsibility, whether others are managed, the nature of the work environment. Dependent on the total points awarded, jobs are placed into various payment bands. The Equal Value (Amendment) Regulations (1983) to the Equal Pay Act (1970) saw many employers resorting to job evaluation as a means of avoiding outside legal intervention relating to decisions on pay, following the test case of *Hayward v. Cammell Laird Shipbuilders Limited*, where a female cook claimed equal pay for work of equal value, making comparisons with male occupations including joiner, painter and insulation engineer. This test case ended with a House of Lords ruling in 1988 in favour of Hayward, confirming the principle of equal pay for equal work.

Criticisms of job evaluation schemes

A key criticism is that payment under a job evaluation scheme is based on the job and not on the performance of the individual job holder. It has been argued that a guaranteed rate for a job may lead to inertia as there is no assessment of how the job is conducted and no reward for effort and quality of execution.

Further criticism relates to the static nature of job evaluation schemes. While the nature of work and hence particular jobs is constantly changing, the job evaluation scheme remains cast in terms of its last review, if indeed it has been reviewed at all. In the past, this led to many anomalies where, for example, changes in technology had simplified a particular work process, but the payment structure had not been modified to reflect such changes.

In the 1980s, the underlying justice of many job evaluation schemes was still in question, as it was argued that many schemes unfairly rated typically 'masculine' job characteristics, such as heavy lifting, to a high degree and tended to undervalue the 'softer' caring skills fundamental to many female-dominated occupations. A good example of attempts to build greater fairness into the ratings of job characteristics traditionally perceived as 'male' or 'female' is found in the national job evaluation scheme for local authority manual workers, ratified in 1987 and covering over a million workers in 512 local authorities. The outcome here saw the ascendancy in the final pay awards for typical 'feminine' occupations such as home help and care assistant (Richbell 1988).

Advent of new pay

'New pay' is a term first introduced by Lawler (1990). The concept signifies something of a revolutionary change in that it is aimed at a fluid approach where pay can respond to the changing demands of a dynamic environment. But it is about more than just flexible systems for at its heart is the mission to unify individual aims and objectives with those of the organization through a culture of commitment or 'moral' involvement (Etzioni 1975). Implicit in this is a recognition that the adaptability and cooperation of the workforce is essential in today's competitive environment.

The reward strategy is the vehicle which drives effort to achieve both individual and organizational goals. The emphasis of new pay is on performance, usually in relation to targets and objectives, pre-agreed with management in line with the overall strategy of the organization. The belief is that this competitive strategy will secure justice for (and the continued employment of) high performers, and at the same time, other staff will be encouraged to raise their own levels of achievement.

Lawler (1990) does indicate that new pay need not always occasion the implementation of radical change, and much will depend on existing practices and the extent to which they facilitate an organization's strategic objectives. The focus on performance does not mean that the total salary package rests on this component. Pay would incorporate a fixed base element necessary to attract and maintain employees and other aspects such as competency-based pay may feature. However, it is the variable element that is regarded as the spur to high achievement. The popular approach has been to centre on individual performance with the 'best' performers identified and rewarded. However, the variable performance-related payment can be collectively based, for example in terms of team performance or pitched at an organizational level, using profit-sharing or gain-sharing schemes.

Underlying new pay is the belief that firms can become more flexible through being able to adjust rewards; the existing body of literature on new pay pays little attention to collective bargaining, focusing instead on the net worth of an individual to an organization and in line with prevailing market realities. In practice, many firms in Britain have chosen not to adopt new pay, owing to a continued commitment to more traditional evaluation-linked reward systems and the fact that many managers remain committed to long-standing systems that are well-established, enjoy legitimacy and are founded on a body of implicit understandings with employees (see Marsden 1999). Moreover, anti-discrimination legislation means that firms may have to justify any imbalances in the courts; this may discourage the use of subjective measures to vary pay.

Nonetheless, a recent CIPD survey (2008) discovered that, in the private sector, general pay awards were fast disappearing, with increasing moves to link pay to personal performance. This trend was also gathering pace in the public and voluntary sectors. There was some recognition of the need to also reward collective employee contributions, but here there was variation in approach; the private sector favoured bonus plans or recognition schemes while the public and voluntary sectors moved more towards the use of non-cash recognition schemes.

Criticisms of new pay

It has been argued that the rationale behind the model is too simplistic. The assumptions rest too closely on rational economic man and the link between the pay package and the level of performance may be less directly related (Lewis 1996). Certainly, the earlier discussion of classic motivation theories highlights the importance of intrinsic factors, and Vroom's (1964) expectancy theory emphasizes the individual and complex nature of the cognitive processes central to motivation and performance.

The variable component of new pay is based on performance and the measures for judging the level and quality of performance relate to set objectives, which in turn tie performance to overall strategic objectives (Lewis 1996). On the one side, this is perceived as the strength of performance-related pay, in that it encourages and focuses effort and ability directly towards strategic aims. However, in a turbulent environment, where change is the only constant, this approach could be seen as a weakness in that the setting of specific objectives, whether they are individual or group, introduces an element of rigidity into the situation. Individuals may become locked into achieving set targets and objectives even if changing circumstances mean that other actions are more appropriate. Ultimately, the flexible approach at the heart of competitive edge may be lost as aspects of initiative, adaptability and creativity are surrendered to a more static concentration on set criteria for performance.

All these schemes assume that pay policies and practices are ultimately something to be dictated by management (Heery 1996). Moreover, new pay shifts more risk onto employees: a proportion of pay is shifted into bonuses, etc., allowing the firm to reduce wages in line with perceptions of performance and, indeed, any external pressures to cut wages (Heery 1996). Despite all the rhetoric of objectivity and of scientific approaches, invariably pay is calculated at least in part due to soft ratings and/or perceptions of customer satisfaction (ibid.). However, if rewards are seen as unfair, more employees will leave (Scott and Dean 1992). Hence, employee discontent may also stem from the process of judging performance, usually via some form of appraisal. Issues of subjectivity and fairness may colour perceptions of justice in the process and spill over into employee/ management relations.

In many organizations, new pay has directed the variable component to rewarding individual performance. Where individuals have previously enjoyed a more open approach to pay with a structured and often agreed pay scale, this introduces an element of secrecy into the situation. Individuals performing the same work may now receive differing salaries and be left wondering what variations exist.

Further criticism arises from the potentially divisive nature of individual performance-related pay when imposed on work situations which involve group work or at least cooperative behaviours between employees. Indeed, this reflects the nature of much modern day work. In such situations, to pick out and reward one individual runs the risk of causing the patterns of behaviour outlined in Adam's equity theory. In short, fellow employees may withhold effort and cooperation or manifest other withdrawal indices if they feel their efforts are undervalued.

It would seem that a more inclusive approach to performance-related pay with judgements on a group or organizational level would avoid some of the above criticisms. Certainly, such an approach would erase the above concerns. The potential conflict then would come from 'easy riders', those individuals who failed to meet accepted levels of performance. This is where the test for the success of culture change would be apparent. Could group norms and, indeed, organizational norms lift the performance of deviants when backed by a high-commitment culture?

New forms of reward system and employees

There has been a recognition that within liberal markets, such as the US and the UK, there has been a decline in regular 'good' jobs and a rise in contingent working (Wright and Dwyer 2003). There has also been a structural decline in occupational pensions (which represents a form of deferred pay), leaving many workers with the prospect of an impoverished old age (De Thierry et al. 2014). Indeed, the rise of extremist populism in both the US and the UK reflects the systemic inability to generate or sustain decent work. The political backlash is particularly pronounced among older workers, whose formative working years were at a time of greater security and steady increases in material conditions. Firms have sought to resolve some of the challenges of effectively managing rewards through shedding labour through outsourcing and through the increased adoption of gig contracts (Friedman 2014; De Stefano 2015). For most workers, gig working not only means low wages but also little or no income or occupational security: there is no guarantee of working time or continuity in employment. For firms, this allows for considerable numerical and pay flexibility. At the same time, this means that workers will have little commitment to the firm; although gig working is often presented as a lifestyle choice, few would voluntarily opt for poverty wages and uncertainty (ibid.). Workers may work hard, but it would be because they are desperate; work under such conditions makes for poor worker health and well-being, but it also means that the firm abrogates the possibility of gaining meaningful positive input from their employees and risks reputational damage.

Another trend has been the adoption of pay systems that incentivize managers to maximize short-term shareholder value; most typically this has been through the usage of share options. Unlike broad-based employee share ownership schemes, the latter impose relatively few restrictions on managers disposing them, incentivizing the manipulation of share prices through measure such as debt-funded dividends and share buy-backs (i.e. where an organization buys its own stock to force the price up). As noted above, this has encouraged excessive risk taking and, in the financial services industry, was one of the causes of the 2008 financial crisis: the latter can, in key respects, be seen as at least in part due to a failure of reward systems (cf. Engelen et al. 2008). Despite this, there has been little move to change such systems, and there remains a real risk that without better regulation of how managers are rewarded, many firms – and the economy at large – risk future shocks.

Conclusion

Like any other area of HRM, managing reward is a complex business that is difficult to approach objectively; ultimately, subjective interpretations of employees (either individually or collectively) and supervisors make it difficult to impose 'scientific' systems. This means that, for most organizations, pay setting is likely to be bound up with the institutional setting and its own history. Firms are likely to adopt practices broadly in line with its peers, regional and/or national norms and rules, both to adhere to the law and to lower transaction costs (Marsden 1999). By the latter, it is meant that the 'indeterminate exchange' will work better if a body of unwritten rules and conventions are taken for granted.

Heightened competitive pressures and the decline of unions in many liberal market economies resulted in firms placing a greater priority on individually orientated performance-based reward systems. On the one hand, reward is about both pay and a host of intangibles. On the other hand, the more gung-ho HR literature appears somewhat naïve at times (see Blundell 2000). In the end, the modern employment contract is about pay and pay-related factors; all manner of hot air about caring, communication, belonging and all manner of other 'soft motivators' is likely to be meaningless to employees unless they can count on a decent wage and proper job security. Both the US and the UK suffer from poor productivity rates; although this is often disingenuously posed as a 'productivity puzzle', there is little doubt that this is a function of declining real pay for a large segment of the workforce and rising inequality. Meanwhile, in many organizations, managerial rewards have become uncoupled from performance. In focusing on the mechanisms of pay, it is easy to lose sight of these elements of the big picture: ultimately, if reward systems are to attain strategic purpose, the issues of pay inequality and of declining material conditions for many have to be taken account of.

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15 Human resource development

Irena Grugulis

Introduction

Human resource development is like many other virtues in that those who advocate it easily outnumber actual practitioners. Some organizations do indeed do a great deal of training, knowledge and skills development, and do it extremely well. And the principles behind all of these activities have few detractors, yet there are still many firms which operate on the basis of zero skills, in which labour is a cost to be minimized. What this chapter seeks to do, in common with the others in this text, is sift the realities of labour market practice from the rhetoric of enthusiasm. It considers the advantages of skill, the way skills are changing and the difference that various work environments, including the new 'gig' economy, can make. Not all of its conclusions are positive.

What is human resource development?

John Storey, one of the first researchers in Britain to focus seriously on the nature of human resource management and write about the development of resourceful humans, was careful to distinguish between the training workers received and the realities of the workplace, a distinction also observed by his interviewees (Storey 1992: 8):

> It's indoctrination isn't it? Nobody wants to go on all these courses, people find them very boring. We go because we have to, there's no choice. They are just something you have to get through. Even the trainers are bored. They go through the same lines time after time, using the same scripts and even the same jokes. What a waste of time! They gave us little lapel badges with 'TC' on them and told us anyone wearing one of these would be approached by interesting people in the pub.
>
> *Well, what did you do with yours? Did you wear it?*
>
> [Laughs] No! I threw it away. It's not just me either. There are 20 in my team. Not one of them has started wearing the badge. They'd be too embarrassed to now.
>
> *So what is going on? What is the meaning of total quality to you and all of the other changes we've been talking about?*

> As far as I'm concerned it's about getting us all to work harder. It means sacking half the blokes and getting the other half to work twice as hard.

But as Storey went on to point out,

> behind this impasse on attitudes, there had been, even in this case, substantial changes in work patterns and behaviour. Productivity was higher, the range of responsibilities shouldered was much wider.

It seems that human resource development and developing resourceful humans is not solely about the activities of corporate training departments (although these may certainly play a part). Rather, it involves the skills, knowledge, expertise and experience that individuals possess; the way firms choose to compete, set out their strategies and design jobs; and the way individual workers are seen by society (Cockburn 1983).

It is that perspective on the nature of work and the way work impacts on skills and skills impact on work which this chapter presents. It starts by considering the way people are prepared for work in various countries through education and vocational training, reviews the very different ways work can be designed, describes the impact of gender and race on perceptions of skill and then explores the ways that definitions of skills are changing. It concludes with a brief discussion on the future of work. In the skills arena, predictions often focus on one of two diametrically opposed scenarios. The first, optimistic one is that we are heading towards a 'knowledge society' (Leadbeater 2000), that work is becoming more intellectually demanding, and firms and nations are competing on the basis of innovation and bespoke services with routine jobs effectively automated away. The second prediction is pessimistic. It argues that as employers seek ever more control over the work process, deskilling is inevitable (Braverman 1974), and that work is becoming more routine and more alienating for those doing it. Clearly each of these has very different implications for skill development.

Developing the workers

The terms training and development can cover a multitude of activities, and it is important to distinguish between some of these. Our main focus is, after all, on skills development, and we should not assume that all training will increase or improve skills. We need to consider the activities involved, the duration of the training and the extent to which either employees or employers benefit from the process. Some courses, like the short workshops described so critically by Storey's (1992) interviewee, convey information about a new management initiative and keep workers informed but do little to raise skill levels; others, like the tips on voice control described by Callaghan and Thompson (2002), benefit the employer rather than the employee; while the games played by call centre workers that Nick Kinnie and his colleagues (2000) describe have little to do with building skills and are simply concerned with helping employees to have fun to distract them from the realities of dull, tightly controlled and alienating work. At the other extreme come activities such as the three-year work- and study-based training taken by accountants; these are challenging, held in high regard and add a significant premium to participants' salaries (Anderson-Gough et al. 1998). All of these activities involve training, but each is very different, and the types of development they describe all have varying effects on the people who participate in them, their skills base and their future career trajectories. It would be misleading to simply conflate all of these types of training, yet this is what much of the literature does, often claiming for all the positive impact of the most developmental.

Attempting to separate training that builds skills from that which does not is difficult at the national level since it is easier for surveys to calculate the time spent on training rather than its content, though information on content is available and often worrying. In the USA, employers frequently complain that much of their training spend is remedial (Rubery and Grimshaw 2003), while in Britain two of the top three training activities funded by employers were health and safety and induction (Self 2008) with temporary workers, who by definition are regularly in need of induction training, receiving more training than permanent ones (Heyes and Gray 2003). This is not to argue that remedial education, health and safety training and induction are not worthwhile activities. They are, but they do little to enhance the skills base.

Areas of excellent practice do exist. In the USA, firm-level training is erratic, but there are pockets of high-skills elites in sectors such as financial services, aero engineering, entertainment, biotechnology and software, supported by excellent educational programmes (Crouch 2005; Rubery and Grimshaw 2003). In Britain, while some industry sectors do have strong traditions of workplace learning, these represent pockets of excellence. Governments of all persuasions have intervened repeatedly, but national vocational training initiatives have not been an unqualified success (Grugulis 2003), to the extent that there are concerns about the collapse of technical education (Wolf 2016). Set against this, the proportion of young people staying on at school and progressing to further and higher education has increased markedly, as has the number of people gaining qualifications through work. By 2012, only 1.5 million economically active people had no qualifications, while 8.2 million were qualified to at least degree level (Felstead and Green 2013: 10).

But the USA and Britain are liberal market economies where most forms of state intervention are discouraged, many organizations are funded by shareholder capitalism and inter-firm collaboration is strongly discouraged. In coordinated market economies, such as Germany, France and the Nordic countries, relations between capital, labour and the state are very different (Ashton 2004). In these regulated nations, employer-groups collaborate to foster innovation and maintain skill levels, organizational capital is more 'patient' and less focused on short term profits and industrial relations systems tend to be cooperative rather than adversarial (for a fuller discussion of this, see Thelen 2004; Whitley 1999).

Such intervention encourages national provision which is linked to workplace activity, is inherently rigorous and often leads to prestigious qualifications and regulation ensures that employers train and that training is satisfactory. In Germany, just over two-thirds of the workforce have successfully undertaken apprenticeships in the area in which they work, and jobs tend to be designed to make best use of the skills workers possess (Mason et al. 1996; Rubery and Grimshaw 2003). As higher numbers of young people attend university, this system may be challenged (Jacobsen et al. 2016), but work is still organized around learning, with employee problem-solving, on-the-job learning, job discretion and autonomy key to production (Marsden 2015). Taiwan provides extensive technical education and training through the education system (Green et al. 1999). French employers are required to support training or pay a levy of 1.5 per cent of turnover plus an apprenticeship tax of 0.5 per cent of turnover to the state (Steedman 2001). According to Harcourt and Wood (2007), while an initial survey of the amount of training reveals little international difference, more detailed enquiry demonstrates that, in coordinated economies, training is of both higher quality and longer duration.

Clearly, the distinction between regulated (or coordinated) and liberal (or unregulated) market economies is a simplistic one. Few nations are prepared to completely abandon the idea of all economic intervention, and even regulated states will not legislate for every activity. Even the USA, which has little to no regulation of skills at workplace level, funds an excellent national and state education system from which skilled workers are drawn (Whitley 1999). The British and Australian governments intervene extensively in attempts to improve the supply of skills (Buchanan et al. 2004; Keep and Ashton 2004). German apprenticeships provide high-quality and widely recognized qualifications for young people but, after that, much continuing development is as *ad hoc* and variable as in market economies (Culpepper 1999). And it is difficult to apply either label to Japan, where there is little regulation but extensive economic coordination by large firms, which affects both their internal labour markets and that of their clients and suppliers (Thelen 2004).

Perhaps what is most significant is that both market-based and regulated training can be successful. Some elites fare well in the US, where challenging tasks, links to prestigious universities and professional contacts all help to develop expertise (Finegold 1999). However, the majority are often ill-served or neglected. When training is regulated, a great deal of effort is focused on ensuring that the majority of workers are covered, provision is of high quality, workers are challenged to develop valuable skills and programmes are very relevant to the long-term needs of industry sectors. But when most activity is targeted at intermediate level qualifications or activities, experts may fare less well.

Developing the work

But education and training are only part of the process; ‘skill in the job’ (Cockburn 1983: 311) is also key to workplace learning. Challenging projects, opportunities to exercise judgement, discretionary space and contacts with informed colleagues all help to develop skills, just as routine work, tightly timed activities, rules for decisions and limited contact with others restrict them (see Grugulis 2007). Two contrasting examples may serve to illustrate this. Robertson et al. (2003) describe 'ScienceCo', a company that specialized in scientific innovations and patenting new work, where 116 of the 140 employees were scientists (most with PhDs), where project teams were unstructured, with leaders, who were often relatively inexperienced consultants, 'emerging' for each project. Personal and divisional revenue targets were set and employees described as both competitive and combative, but there was no onus on them to account rigorously for their time, so they could, if they chose, work through weekends and take extended holidays of two or three months or work for 24 hours solid and take a couple of days off. Work was documented so that the firm could gain patents, but most learning took place through experimentation (see also Grugulis et al. 2000; McKinlay 2005).

At the other end of the spectrum, McDonald's famously competes on the basis that a Big Mac is the same wherever in the world it is bought and that French fries served in Paris are the same as those provided in Dublin, Birmingham and New York. To achieve this, they strip out employee skill and discretion from every aspect of the work process. The Operations and Training Manual (known to staff as 'the Bible') provides detailed prescriptions for every aspect of working life. Its 600 pages include full colour photographs illustrating the proper placement of ketchup, mustard and pickle on every type of burger, setting out the six steps of counter service and even prescribing the arm motions that should be used in salting a batch of fries. Kitchen and counter technology reinforce these instructions, as lights and buzzers tell workers when to turn burgers or take fries out of the fat, ketchup dispensers provide measured amounts of product in the requisite 'flower' pattern and lights on the till remove the need for serving staff to write out orders as well as prompting them to offer additional items (Leidner 1993; Ritzer 1996; Royle 2000). Nor is this codification of work restricted to fast food operatives. Workers on the line in manufacturing companies find their actions timed and monitored to a tenth of a second (Delbridge 1998; Garrahan and Stewart 1992; Pollert 1981); call centre employees are told what to say and how to say it, with calls tightly timed and performance data displayed on public view during shifts (Taylor and Bain 1999; Taylor et al. 2002); and fitness instructors can work to scripts and choreographed routines so that a keep fit enthusiast could attend a 'BodyPump' or 'BodyStep' class anywhere in the world and be sure of knowing exactly what to expect (Felstead et al. 2007a). Even 'knowledge work' such as computer programming can be broken down into its constituent parts and cheaper 'coders' hired who need to (and do) know nothing about the whole system but simply write, rewrite and paste their lines of code (Barrett 2004).

Fuller and Unwin (2004) describe this process as a choice between *expansive* and *restrictive* working environments (see Table 15.1). In an expansive environment, where learning, development and skills are encouraged, workers are more likely to be members of multiple 'communities of practice', with knowledgeable colleagues in the workplace and appropriate professional contacts outside. They may have planned time off the job, skills are valued and opportunities exist for career

Table 15.1 Approaches to workforce development

Expansive	*Restrictive*
Participation in multiple communities of practice inside and outside the workplace	Restricted participation in multiple communities of practice
Primary community of practice has shared 'participative memory': cultural inheritance of workforce development	Primary community of practice has little or no 'participative memory': no or little tradition of apprenticeship
Breadth: access to learning fostered by cross-company experience	Narrow: access to learning restricted in terms of tasks/knowledge/location
Access to range of qualifications, including knowledge-based vocational qualifications	Little or no access to qualifications
Planned time off-the-job, including for knowledge-based courses and for reflection	Virtually all on-the-job: limited opportunities for reflection
Gradual transition to full, rounded participation	Fast – transition as quick as possible
Vision of workplace learning: progression for career	Vision of workplace learning: static for job
Organizational recognition of, and support for, employees as learners	Lack of organizational recognition of, and support for, employees as learners
Workforce development is used as a vehicle for aligning the goals of developing individual and organizational capability	Workforce development is used to tailor individual capability to organizational need
Workforce development fosters opportunities to extend identity through boundary crossing	Workforce development limits opportunities to extend identity: little boundary crossing experienced
Reification of 'workplace curriculum' highly developed (e.g. through documents, symbols, language, tools) and accessible to apprentices	Little reification of 'workplace curriculum', patchy access to reificatory aspects of practice
Widely distributed skills	Polarized distribution of skills
Technical skills valued	Technical skills taken for granted
Knowledge and skills of whole workforce developed and valued	Knowledge and skills of key workers/groups developed and valued
Teamwork valued	Rigid specialist roles
Cross-boundary communication encouraged	Bounded communication
Managers as facilitators of workforce and individual development	Managers of controllers of workforce and individual development
Chances to learn new skills/jobs	Barriers to learning new skills/jobs
Innovation important	Innovation not important
Multidimensional view of expertise	Unidimensional top-down view of expertise

Source: Taken from Fuller and Unwin (2004).

progression. In a restrictive environment, workers are likely to be confined to a narrow range of tasks with limited opportunities for professional contacts, technical skills may be taken for granted, only key workers have their skills developed, expertise is imposed from the top-down and innovation is not considered important.

Yet the way work is designed is not set in stone. Rather, it is a matter of choice exercised by employers. Take retail workers. In Britain, this is considered an unskilled job. Staff are rarely required to know much about products sold other than their location, and recruitment often focuses primarily on availability for shift work, with single young women who live with their parents near the store preferred over other candidates. It is, as Gadrey (2000: 26) describes, 'tantamount to a personnel strategy based on zero competence', zero qualifications, zero training and zero career. But this is not the case everywhere. In France, customers demand product knowledge of the people who serve them (McGauran 2000, 2001); in Germany two- and three-year retail apprenticeships train staff in product knowledge, sales, retail management and other aspects of the work, which makes them invaluable 'anchor workers' on the shop floor (Kirsch et al. 2000); and in British- and American-owned outlets in China, the combination of high pay, 'frighteningly well-educated' applicants, demanding customers and rapid promotion ensure a ready supply of skilled workers (Gamble 2006). Even for ostensibly simple jobs, there are different ways of designing work and using labour effectively.

Given this, it should be, and is, possible for a firm to change the way it uses labour; the problem is that few organizations take this as their primary focus. Enda Hannon's (2005, 2006) work in the Irish dairy industry assesses the impact of an official initiative which helped firms to switch from selling milk (an unprocessed staple good) to more 'value-added' production. The dairies he studied started manufacturing specialist baby foods, cheese sticks for children and 'functional foods' such as yoghurts or pro-biotic drinks. These certainly helped the companies become more profitable. But the changes to the products did not necessarily increase workers' skills. Most of the knowledge-intensive activities were concentrated at managerial and technical levels; large numbers of research and development jobs were created, but few shopfloor workers benefited, and one firm actually deskilled its operatives by moving to full automation. High-specification products do not always require high-specification work. Increases to the customer service levels in service industries are often achieved by a simple increase in the number of people employed rather than any rise in skill levels. Even industries with extensive investment in research and development, such as pharmaceuticals, combine small numbers of highly skilled knowledge workers who develop and test new treatments with much larger numbers of un- or semi-skilled operatives on the factory line producing the pills.

New forms of work and the 'gig' economy

From the examples above, it is clear that the way work is structured, organized and managed is important and that these factors have an impact on the skills that workers can develop and exercise. So, in terms of skills and training, much of the restructuring in the new 'gig' economy is a cause for concern. Traditionally, employers have funded skills development because employees are retained on secure, long-term contracts and employers benefit when they are skilled and competent at their work. 'Poaching' of ready trained employees by rival firms was always seen as a barrier to employer investment. This motivation for funding is challenged by the fragmentation of the public sector and the growth of flexible, zero-hours, temporary and insecure work (Grugulis and Vincent 2005). When an employee is hired by the hour, or by the project, or even by the 'micro task', employers have far less reason to fund their training.

One consequence of this is that responsibility for skills development falls more heavily on the individual employee. Highly skilled freelance workers are aware of the importance of skills and put considerable effort into ensuring that theirs stay current. Many seek out challenging projects and 'stretch-work', focus on new systems and software that is likely to be in high demand and fund their own training (Barley and Kunda 2004; O'Mahony and Bechky 2006). Skills are often harder to learn or pass on in fragmented workplaces, but highly skilled professionals know that this is what they are hired for and put effort in to developing systems themselves (Grugulis and Stoyanova 2011).

Such entrepreneurial skills development is harder for low- and unskilled workers. By definition, they have less experience of either education or skills development. They are cut off from traditional hierarchies, career ladders and organizational skill systems in situations where it is often not clear which skills will be rewarded nor how they should be developed. Ironically, the notionally 'self-employed' workers at Uber, Deliveroo and a range of other jobsites are *more* likely to want skills development than their peers on more secure contracts elsewhere, but *less* likely to have any provided for them (CIPD 2017).

Even more worryingly, developments in technology and the spread of outsourcing mean that it is not simply the low-skilled 'hand' work that is under pressure on costs. Instead, a 'Dutch auction' has developed for much highly skilled knowledge work with contracts awarded to the lowest bidder, diminishing the rewards which used to be available in exchange for skills (Brown et al. 2011). A survey of workers at Amazon's Mechanical Turk and Crowdflower revealed professionals who were very highly educated but engaged in low-paid, unregulated work performing 'micro tasks'. Most had to spend two hours job seeking for every hour of paid work, and when their finished work was rejected by the client (which had happened to 94 per cent of the respondents), they had no recourse and no way of getting paid (Berg 2016). Devaluing skills and fragmenting the organizational structures which have traditionally supported development may well have a negative effect on the workforce of the future.

Managing to discriminate

Together with skill in the person and skill in the job, we should also consider what Cockburn (1983: 113) describes as 'skill in the social setting', the tendency for factors which have nothing to do with skill, such as gender, race, age or appearance, to be used as a proxy for judgements on ability, capacity and achievements. This is not peculiar to skills (see Collinson et al. 1990 for an account of gendered recruitment practices); rather, skills are subject to such judgements because they are common in wider society and the status in which a particular group is held generally impacts on the skills they are deemed to possess, to the extent that Green and Ashton (1992) argued that there was little point in asking employers whether particular jobs were skilled or unskilled since the only conclusion the researchers could reach on this evidence was that the gender of the workers employed as men's work was consistently rated as skilled and women's unskilled.

These gendered and racialized assumptions are of more than historical significance. A hospital in Carlisle was taken to the European courts for systematically devaluing the skills of women workers so that the (predominantly women) cleaners, nurses and cooks were paid less and enjoyed less favourable terms and conditions than male cleaners, carpenters and plumbers (see an article by A. Browne in *The Observer*, 15 July 2001). One American bank chose to restructure along highly gendered lines, effectively demoting its many women managers and promoting male staff (Skuratowicz and Hunter 2004). High flyers are also affected. According to McGuire (2000: 518):

> Few white women or people of colour occupy the types of managerial positions . . . in which they can perform extraordinary tasks, for which they are likely to acquire the label of *high potential*.
>
> (emphasis in original)

It seems that, as Reskin and Roos (1990) argue, the labour market is effectively a 'labour queue' in which white men precede both women and black and ethnic minority workers, with judgements often legitimized by being labelled skills.

'New' skills and new opportunities?

This three-fold definition of skills – skill in the person, skill in the job and skill in the social setting – is a useful one. It captures the different aspects of skill well and brings out the way that skill in one area (say, skill in the person) may not necessarily be translated to practice (skill in the job, because of the way work is carried out) or may not be widely recognized (skill in the social setting, because of the gender or race of the person possessing the skill).

It is also useful, when considering how skilled a group of people are, to review the way skills are changing. Traditionally, the word skill was associated with technical work which resulted in physical products. Plumbers, bricklayers, welders and carpenters were (and are) all skilled trades, and an individual's skill could be demonstrated by fixing a leak, building a wall or carving out decorative patterns on furnishings. But as Payne (1999) and Keep (2001) observe, in recent years the term skill has been used to describe much more intangible attitudes and attributes. It has effectively been extended to incorporate (among others) communication, problem-solving, customer service, team-working, discipline, punctuality, friendliness and ability to fit in. The lists of desirable qualities are lengthy and vary from the 'style' labour markets of boutiques and glamorous hotels demands for a persona that is 'passionate, stylish, confident, tasty, clever, successful and well-travelled' (Warhurst and Nickson 2001: 14) to the more mundane getting on with work mates (Payne 1999).

To a certain extent, this focus on attitudes is not new. Employers have always been interested in the 'type of people' employees are. Ford motor company's famous $5 a day was paid only to virtuous employees (Beynon 1975), while Oliver and Turton (1982: 199) dubbed the emphasis on 'stable', 'reliable' and 'responsible' workers the Good Bloke Syndrome. It may be that labour market changes have simply brought this into sharper relief. The dominance of the service sector and the increasing use of team-working in manufacturing have both changed the nature of work. In service work the process of being served is as much a part of the purchase as any physical product (Noon and Blyton 2007), so an employee's appearance, their feelings about work and the feelings they stimulate in others are now part of the wage-effort bargain to be managed rather than a personal and private matter of no concern to the employer. As a result, flight attendants are expected to be slender, nurturing, attentive and flirtatious, debt collectors 'create alarm' to persuade debtors to pay (Hochschild 1983) and call centre workers must establish rapport and then, just as quickly, emotionally disengage (Korczynski 2001). Work is about appearing and feeling as much as doing.

However, while such attributes have been part of work in the past, they have not previously been labelled as skills. It may be that such a shift is not significant, that what matters is the substance of workplace practice rather than the label attached to it, but this re-labelling does have two clear disadvantages. First, it individualizes responsibility for the skills. Issues that might previously have been considered part of the remit of the human resource department (demotivation caused by pay rates or poor management practice, high turnover, poor communications) now become problems with individual workers, with any reciprocal and relational aspects ignored. Second, it conveys the impression that such skills are generic. Yet this is far from being the case. Effective communication, problem-solving or team-working depend on what is being communicated, solved or worked on as well as who is doing it. The person who could communicate the rules of cricket extremely well might struggle to convey those of American football, bridge or ice hockey, not because they had become a less able communicator but because they knew little of what was involved in the games.

With this in mind, it is instructive to see what happens with soft and social skills in practice. Among those who are already highly educated and highly skilled, it seems to be an advantage. In computing, greater pay premiums are available when technical knowledge is combined with soft skills and IT experts are able to problem-solve or put systems into practice (Green et al. 2007). Most of the main accountancy firms (including KPMG, Coopers and Lybrand and Ernst and Young) hire image consultants to advise their professional staff (PriceWaterhouse extends this to advice on dining etiquette for prospective partners). The Law

Society publishes guidelines on the way that solicitors should dress and Barclays Bank provided grooming sessions for all employees when they introduced a new uniform (Anderson-Gough et al. 2000; Wellington and Bryson 2001). The problems occur when these new 'soft skills' are not accompanied by technical skills. Despite repeated claims of skill shortages in key areas (such as customer service), there is no pay premium for soft and social skills (Bolton 2004), and there is some evidence that technical skills training is being sidelined by the focus on attitudes. So in Canada and the USA, return to work training has become a zero-sum game with 'a combination of harsh discipline and hokey motivational seminars' (Butterwick 2003; Lafer 2004: 120) replacing more substantive content. Low-skilled workers are effectively being denied access to the traditional career ladders which used to help them out of low-paid jobs.

This concentration on soft skills and neglect of technical skills causes organizational problems, too. When London's Heathrow airport launched its prestigious terminal 5, the effort that had gone into designing the £4.3 billion project was not matched by technical training for the staff. Repeated workshops showed inspiring computer-generated images of the future of air travel, popcorn was distributed and staff were given mock boarding cards asking 'Are you up for it?' But in the end, employee enthusiasm and commitment were not enough. On the day the terminal officially opened, staff (including senior executives) found that they could not park in the terminal, get into the building, work the computer terminals or understand the building layout. Flights were cancelled, thousands of people lost their luggage (to the extent that several insurance companies refused to cover items passing through terminal 5) and both companies involved, BA and BAA, were roundly condemned. Part, though by no means all, of the problem was that technical and practical training was marginalized and limited to a few days, management refused to meet with unions to discuss their concerns and large numbers of experienced staff took voluntary redundancy before the opening (Doward 2008; Radio4 2008).

How much knowledge and skills do we need?

It seems that the developmental picture is a mixed one. Work-based training varies in the extent to which it equips workers with new, valuable skills. Work may assist the learning process, but it can also restrict it, confining employees to repetitive and routinized tasks. And social judgements based on an individual's gender or race can both enhance the skills they are assumed to possess and diminish them. Recent changes to the way the word skill is used are just as confusing. Focusing on an individual's attitudes and attributes can provide those who are already highly technically skilled with effective ways of putting their technical skills into practice, but it may also deprive those who lack technical skills of opportunities to develop them and access better paid work.

These complexities reflect the realities of the workplace, where knowledge jobs exist side by side with unskilled work. But they are often ignored by enthusiastic optimists who claim that work is changing and that the new economy will be dominated by knowledge-intensive jobs. If this is true, if iMac jobs are set to outnumber and possibly eliminate McJobs (Warhurst and Thompson 1998), then such a change will have significant implications for both work and skills, so it is worth assessing both existing data and the extent to which we can observe any indications of change.

There are certainly grounds for optimism. The number of people with qualifications is rising, and some jobs seem to be becoming more demanding. But while the trend is encouraging, the overall data does not really support predictions about the knowledge society. Rather, the increases in people with qualifications have not been matched with an equivalent growth in jobs for people with qualifications. In 2012, there were 4.4 million *more* jobs which required no skills or qualifications than there were unqualified people to do them, while at the other end of the spectrum graduates outnumbered graduate jobs by 2.3 million, with high proportions of workers complaining that their skills were under-utilized at work (Felstead and Green 2013: 10). Worldwide, this trend is more marked, with the number of unskilled jobs growing rapidly and far outstripping knowledge work (Green 2006). Nor does it seem likely that this growth is temporary, a transition phase as the number of well-paid knowledge jobs grows. Rather, the existence of knowledge work makes many of the unskilled jobs necessary as people outsource their coffee making, childcare and cleaning to others. Unlike routine work in manufacturing, person-to-person services are almost impossible to automate. This mismatch between the skills that people possess and the work they do is not because, as Braverman (1974) argued, jobs are being deskilled. Rather, it is that ‘some low skill jobs cannot be further deskilled because they already call for so little skill’ (Rose et al. 1994: 8).

What are the implications of this? They could be positive. Enhancing the skills and capacity of employees may mean that they are able and willing to take on more demanding tasks, that there will effectively be a grassroots skills revolution in which workers ‘grow’ their jobs. However, for that to happen, the jobs need to have discretionary space so that workers can make decisions over work quality, how to do tasks, setting priorities and so on. Such space allows workers to exercise and develop their skills, undertake problem-solving and so on. Yet this space is becoming more and more restricted. In 1986, 72 per cent of professionals reported having a great deal of discretion over the way they did their jobs. By 2001, this figure had shrunk to 38 per cent (Felstead et al. 2007b). There is some evidence that this is also happening elsewhere. Green (2006) observes similar declines in discretion in Belgium, Denmark, Italy, Ireland and Portugal (although interestingly Austria and Germany seem to have escaped this general trend). This decline in discretion stopped, just as the increases in skill stopped, in 2001 and the figures remained stable, but while the decline has not continued there is little evidence that it will be reversed. If more jobs are becoming as tightly codified as call centres and McDonald’s, then it is difficult to see how an increase in qualifications will enable individuals to grow their jobs. It may be that we are simply ensuring that more qualified people become more frustrated at the limits set on their talents. That would be extremely unfortunate.

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16 Industrial relations and human resource management

Gilton Klerck

Introduction

Industrial relations (IR), conceived in narrow terms as a study of the institutions and processes of 'joint regulation', is widely regarded as an outmoded residue of modernity and industrialism. Developments in managerial thinking, such as human resource management (HRM), allegedly offer a better account of the 'human factor' in the workplace and therefore constitute a grave challenge to IR as a 'discipline' (see Purcell 1993; Giles 2000; Ferris et al. 2004; Budd 2008). To be sure, Godard and Delaney (2000: 484) identify a 'new IR paradigm' in which 'the study and promotion of new work and HRM practices replace research on unions and collective bargaining as the field's core'. Since collective institutions and practices are ostensibly the sole concern of IR scholars, there are 'large conceptually "empty" areas to be colonized by HRM' (Ackers and Wilkinson 2005: 448). The postulated eclipse of IR by HRM is premised on assumptions of levels and forms of trust and cooperation, which are significantly more demanding to (re)produce and considerably more precarious and variable in practice. Rather than repeat the detail of HRM's impact on 'conventional' IR (see Bartram et al. 2015; Kaufman 2001, 2014; Kelly 2003), the focus of this chapter is principally on the key features of a more inclusive conception of IR. The latter conceptualizes the employment relationship in its wider social and political context and contradicts many of the cosy assumptions in the HRM literature about strategic 'integration', employee 'involvement', 'high-commitment' management and so on. In contrast to this literature, which is largely propelled by an employer's agenda and naturalizes capitalist relations of production, the approach adopted here highlights the uncertainties, contradictions and tensions associated with the changing links between capital accumulation and social regulation.

The aim of this chapter is to consider the analytical purchase of the concept of 'IR' and the explanatory power of its key expressions. The discussion commences with an outline of the employment relationship as a historically contingent exchange relation that is socially embedded and dependent on institutional mediation for its reproduction. It then turns to an assessment of the 'crisis' of IR in practice, briefly considers theoretical critiques of IR by subjectivist and action-orientated approaches and outlines some of the shortcomings in HRM as revealed by a focus on labour regulation. The chapter concludes by highlighting some of the challenges confronting the future of IR research.

The employment relationship

IR, as Edwards (2003: 338–339) observes, is 'a field of study rather than an academic discipline . . . [that contains] some distinctive perceptions which are more than the sum total of individual disciplines'. The origins of IR lie in a public policy commitment to achieve and maintain a balance between the problems of social welfare and social control in industry (Hyman 1989; Kaufman 2008). For the pioneers of modern IR, such as Dunlop (1958) and Flanders (1965), the 'network of rules' that governs the workplace and the manner in which it is formulated, administered and adjusted over time is central to the workings of an 'industrial relations system'. Bain and Clegg (1974: 95) refined the definition of IR to 'the study of all aspects of job regulation – the making and administering of the rules which regulate employment relationships – regardless of whether these are seen as being formal or informal, structured or unstructured'. With some notable exceptions, however, IR research historically can be located within a narrower definition of the field than the one identified by Bain and Clegg.

Underlying the concept of 'job regulation' in orthodox IR theories is the notion of equilibrium: regulatory mechanisms tend to be in perfect harmony with their environment, and the process of regulation itself is predictable, stable and seemingly trouble-free (Dabscheck 1993). The bulk of orthodox IR research concentrated on the form of institutions and overlooked the processes through which they are reproduced. The focus was on the status of institutions rather than the maintenance of relations. While important conceptual innovations arose from the research on the institutions of 'job regulation', the literature was largely characterized by fact-finding and description rather than theoretical generalization. The analytical debates that took place centred largely on the need to establish a conceptual framework for the predominantly pragmatic and empirical concerns of IR, to clarify the boundaries of teaching and research and to establish some degree of intellectual respectability vis-à-vis other applied fields of study and social science disciplines.

Winchester (1983: 101–102) cited a number of indicators of this trend: examples of successful multi-disciplinary research were rare, most research focused on workplace and plant studies in private manufacturing industry, a fairly eclectic approach to methodological issues was common and assumptions of policy relevance characterized much of the literature. There is an established and growing consensus that research in IR needs to go beyond a largely functionalist description of the dynamics of job regulation to a theoretically informed analysis of the expanded reproduction of the inherently unstable and conflict-ridden relationship between capital and labour.

Edwards (1995: 13–16) identifies three levels of analysis within a broader analytical perspective on rules. The first level concerns the immediate balance of cooperation and conflict in the workplace. To avoid the stark choice between whether employers and employees have interests that are shared (human relations theories) or that conflict (labour process theories), there is an acknowledgement that both are integral features of the employment relationship. The second level focuses on the broader policies underlying the management of the employment relationship. These policies are usually explored in terms of the association between strategic choice and technological determinism. The third level concerns the fundamental nature of the employment relationship. Here there is an attempt to move beyond simply noting that both conflict and cooperation are important. The substantial strengths inherent in the field of IR, which stem from a focus on the employment relationship in its wider context as well as a multidisciplinary perspective that mobilizes an array of social scientific concepts, allows us to explain 'the range of change evident in today's workplaces' and to accentuate 'the reciprocal connections between them and other aspects of social and economic development' (Colling and Terry 2010 : 4).

The object of inquiry

The fundamental object of inquiry that defines the field of IR is not trade unions, management or industrial conflict, but the relationship that generates these phenomena – i.e. the *employment relationship*. The purpose of IR, as Edwards (1995) points out, is the control, adaptation and adjustment or regulation of the employment relationship. Likewise, Salamon (1998: 3) regards IR as 'a set of phenomena, both within and outside the workplace, concerned with determining and regulating the employment relationship'. It is possible to discern, Blyton and Turnbull (1998: 28) argue, a growing tendency to focus on and define the distinctive characteristics of the *employment relationship*; to locate that relationship within the broader *nature of economic activity*; to analyse the *structural bases* of conflict and accommodation between employer and employee; to consider the influence of the *wider society*; and to develop an *interdisciplinary approach* using concepts and ideas derived from sociology, economics, psychology, history and political science.

The employment relationship is one of the great innovations that enabled the rise of the modern business enterprise. It revolutionized the organization of work, providing managers and workers with a very flexible method of coordination and a basis for investing in skills (Marsden 1999). In its most basic form, every employment relationship is an economic exchange (an agreement to exchange wages for work) and a power relation (the employee 'agrees' to submit to the authority of the employer). While Braverman's (1974) seminal work has been widely criticized, what must be retained from his analysis is a rejection of the view of the employment relationship as merely an exchange relationship, as primarily a site of bargaining rather than of exploitation. In the 'hidden abode' of production, 'labour and capital come together in a way that is at once a market transaction, a labour process, and a scene of daily life: that is the employment relation' (Storper and Walker 1989: 168). The employment relationship may be defined as 'the set of conditions determining the exchange, use and reproduction of the labour force' (Michon 1992: 224). This conception of the employment relationship patently goes beyond the traditional concerns of IR research. On this view, collective bargaining is merely one, non-essential aspect of IR.

The employment relationship is not an abstract notion, but one of 'practical significance, being the basis of the parties' own interactions and the relationship upon which all other aspects of employee relations develop' (Blyton and Turnbull 1998: 5). It encompasses the processes through which employees are recruited, rewarded, motivated and disciplined, as well as the ways in which the key actors in the labour market respond to these processes. Unlike other factors of production, the employer cannot precisely specify the quantity and quality of tasks to be performed by an employee in advance. Every workplace must therefore solve an implacable dilemma at the heart of the employment relationship – i.e. the conversion of labour power into actual labour – through the negotiation of order between employers and employees. The key point about the indeterminacy of the labour contract and strategies of labour control is that managers and workers are locked into a relationship that is contradictory and antagonistic . . . There is thus a relation of 'structured antagonism' between employer and worker. This term is used to stress that the antagonism is built into the basis of the relationship, even though on a day-to-day level cooperation is also important (Edwards 1995: 15).

The employee's claim to wages and the employer's claim to performance involve an asymmetrical reciprocity. That is, the wage–effort bargain that underlies the employment relationship is subject to a fundamental and continuous antagonism of interest. Management therefore has to find ways and means of legitimating its authority in the eyes of the workers if it is to gain their cooperation and release their creativity. This encourages management to introduce a 'rule of law' in the form of negotiated policies, practices and procedures of selection, training, appraisal and payment that supplement or replace the direct control by individual managers and the technical controls of machines (Sisson and Marginson 2003: 161–162). While employers require the consent of their employees, this need has to be tempered by the demands of profitability and the requirements of overall direction of the labour process. The managerial control necessary to regulate the employment relationship and to establish order in the workplace creates a force over and against employees. However, there are practical limits to how far the employer can subordinate the employee, as well as definite disadvantages in the form of potentially reduced levels of worker initiative and collaboration. That is, managerial authority and worker obedience are never absolute and always fluid and open to renegotiation. Any form of stability that does arise in the workplace is thus actively created and sustained. The labour exchange must in effect be renewed and re-negotiated in an unremitting manner.

Such is the intractability of the diverse interests in the workplace, that no matter how many managers are appointed, how many rules are formulated and how many organizational changes are made, the problems of productive labour deployment and utilization will remain. Since a formal employment contract cannot define the relationship between wages and performance in detail and cost control must be continuously emphasized and achieved, the detail of the wage–effort bargain is subject to ongoing and often tacit negotiation. The contract of employment is thus a *social* contract, endowed with implied expectations and embedded in relations of trust and reciprocity (Streeck 1992). An important consequence of this open-ended character of the employment contract is that the shaping of the labour market is itself a part of the process of cultivating labour productivity (Brown and Nolan 1988).

Given the enormous difficulty in anticipating all the problems that may arise in providing customers with the goods and services they desire, the flexibility of the employment relationship, which builds on workers' agreement to be available to undertake certain types of work as and when their employer directs, is a great advantage. Yet, few workers would agree to giving their employers unlimited powers over work assignments. The rise of the employment relationship owes much to 'the development of job rules that square the apparent circle of providing employers with flexible job allocations and employees with limited liability to follow their employer's instructions' (Marsden 1999: 3–4). Insofar as the employment relationship provides a relatively stable framework for collaboration in the workplace, it reflects the struggles over forms and degrees of control and the nature and extent of autonomy under which people work.

Labour regulation

Orthodox approaches to IR generally regard employment as a largely self-contained sphere of social activity that leads to a clearly bounded set of labour 'problems' (Hyman 1994a: 121). In reality, however, the expanded reproduction of the employment relationship is dependent on a whole ensemble of social structures and practices (such as the law, government policy, collective bargaining, social security, behavioural norms, education and training systems) to mitigate the contradictions inherent in capitalist accumulation. As a set of laws, institutions, practices and customs that control the use of labour, the employment relationship forms an integral part of the wider mode of social regulation (Boyer and Saillard 1995; Whitley and Kristensen 1997; Burchell et al. 2003; Rubery and Grimshaw 2003).

The employment relationship is a product of not just one overarching causal logic, but of the indeterminate intersection of several generative structures. The roots of these generative structures can be traced to three sets of social processes: the processes of production and the structuring of labour demand; the processes of social reproduction and the structuring of labour supply; and the forces of regulation (Peck 1996). The ensemble of institutions that regulate the employment relationship produce and reproduce social relations, connect the processes of production and social reproduction and mediate conflicting interests inside and outside the workplace. The sites and patterns of regulation are characterized by considerable diversity and contingency. In the *régulation* approach, according to Peck (2000: 68), there is 'nothing theoretically pre-ordained or fixed . . . about the scale at which regulatory functions are sited'. Labour regulation can take place at more or less mutually coordinated levels (national, sectoral, workplace and occupational group) and is comprised of more or less mutually integrated forms (market, social and statutory).

As Hyman (1994b: 170) observes, the *régulation* approach has become 'a particularly influential source of innovation in industrial relations analysis in recent years'. The central insight of this approach – that the *relative* stability of specific cycles of capitalist accumulation is secured through the interplay of a whole series of regulatory mechanisms that yields a variety of different propensities and casual liabilities – highlights the recurring instabilities in the processes of valorization, rooted in antagonistic features of the employment relationship and expressed in imbalances between investment, production and consumption.

The *régulation* approach posits a strong relationship between: (1) the *rapport salarial* – the general configuration of the employment relationship in relation to the exchange, utilization and reproduction of the labour force; and (2) the *fait salarial* – the specific institutional form exhibited by the employment relationship in particular industries, regions and countries (Boyer 1994). The attributes of a particular mode of labour regulation emerge from the intersection of a localized *fait salarial* with the broader processes of uneven development in the *rapport salarial*. While there is no simple matching process, there is 'a functional concordance between the accumulation system, the mode of social regulation, and the mode of labour regulation' (Littler 1993: 323). Of course, no regulatory system comprises a stable, unified, functionally integrated totality, but always reflects the antagonistic and contradictory logic of the capital–labour relation (Jessop 1991: 157).

Underlying this conception of regulation, according to Elger and Edwards (2002: 185), are a series of analytical arguments, which may be summarized as follows. First, the capitalist employment relationship is structured as an antagonistic relationship with a perennial potential to generate conflict. Second, capitalist development is premised on the more or less successful management of this antagonism through a variegated combination of domination and accommodation, freedom and compulsion. Third, labour regulation most directly involves the institutional structuring of the production process, the labour market, collective representation within and beyond the workplace and the political representation of labour. Fourth, the state is implicated in most forms of regulation, not as a neutral agency or the successful agent of the 'needs' of capitalists, but as a more or less adequate manager of the processes of capitalist accumulation. Fifth, labour regulation remains persistently incomplete, recurrently contested and intrinsically contingent, and reflects the complex and varied character of labour utilization and managerial control.

Labour regulation plays the role that it does because the employment relationship is structured in the way that it is. Since it is inherently open-ended, contested and contradictory, the employment relationship is dependent on regulatory mechanisms capable of generating the social rules and conventions necessary for its cohesion and durability. At the heart of the employment relationship is a trade-off between effort and wages, control and autonomy, resistance and accommodation, efficiency and equity. This trade-off, however, is realized and reproduced in a differentiated manner across time, space and occupation.

The various historical and institutional forms of the employment relationship presuppose distinctive, concomitant modes of social regulation. The competitive capitalism of the nineteenth century was associated with an employment relationship characterized by the primacy of price and market mechanisms. The subsequent development of a monopolistic regulation, based on mass production and consumption, is associated with the stabilization of earnings, rising state intervention, and close ties between production and consumption norms (Michon 1992: 224–225). The regulatory functions of the institutions associated with organized, permanent, full-time employment have come under considerable strain with the deepening of the crisis of Fordism and the proliferation of employment forms that depart from the 'standard' employment relationship.

The claim that the capitalist labour market's inherent and systematic capacity for self-destruction necessitates state or more broadly social regulation should not be confused with a crude functionalism in which effective institutional responses are somehow always materialized. Nor are the dilemmas of labour regulation soluble in an absolute sense once an 'appropriate' institutional and policy framework is established. Pressures for regulation do not necessarily result in effective regulation: the effects of institutional interventions simply cannot be guaranteed. Functionalism is avoided by acknowledging, first, that there are a host of potential institutional responses to the same regulatory dilemma. Second, the form that regulation assumes and the dynamics that it displays are determined in large measure by the structures and propensities of the object of regulation. The contradictions of the employment relationship under capitalism are systemic and ultimately 'resolvable' only in terms of temporary institutional containment. That is, the institutional framework of the employment relationship, while necessary for its continued reproduction, does not fully resolve its underlying contradictions, which are logically (though not temporally) prior to institutional responses (Peck 1996: 42).

Once established, labour market institutions acquire their own bureaucratic and political momentum, which will only fortuitously happen to coincide with the shifting regulatory requirements of the employment relationship. Although the latter is dependent on some form of social regulation for its reproduction, such interventions are always inherently unstable, partial and contingent on the simultaneous operation of a range of other mediation mechanisms. According to Jessop (2001: 12), an adequate account of regulation must not only consider the material preconditions of, and constraints upon, reproduction . . . but must also take account of the different modes of calculation and the orientations of the various social forces involved in economic and social regulation. An important theoretical development in this context would be a more explicit concern with the 'spatio-temporal fixes' within which capitalist reproduction and regularization occur.

A regime of labour regulation is realized, or partially realized, through a complex amalgam of regulatory mechanisms geared towards the mediation of conflicting objectives and the management of antagonistic social forces. For instance, important aspects of labour regulation are shaped through informal workgroup relations, unofficial custom and practice and tacit negotiations. Whereas the traditional concerns of IR are closely associated with 'formal' mechanisms of coordination, 'informal' mechanisms are frequently viewed in static and undifferentiated terms. This may be avoided by conceptualizing the distinction between the formal and informal aspects of IR in terms of different sites and forms or methods of labour regulation that will, by virtue of their respective structures and objects, vary in the extent to which they are based on coercion or consent, are resisted or accepted and so on. Informal practices, such as individualized pay bargaining, underscore 'the pervasiveness of custom and indeterminacy within the employment relationship' (Ram et al. 2001: 847). The research conducted by these authors shows that all firms combine formality and informality just as they combine control and consent, with the balance varying as conditions differ.

The wide divergence in working practices and the management of labour across time and space reflect the social embeddedness of the employment relationship. Labour regulation is a conjuncturally specific phenomenon that only coalesces under certain spatio-temporal conditions (Peck 1996). Given the social nature and institutional dependence of labour's production and reproduction, changes in the mechanisms through which it is incorporated, allocated, controlled and reproduced are always partial, contested and highly context-dependent. As Gallie and White (1994: 107) point out, current restructuring is characterized by slow and cautious changes on a trial-and-error basis, a limited and discontinuous search for new employment strategies, a status quo bias in the need to maintain worker commitment and legitimate managerial authority, and an *ad hoc* and piecemeal renewal of policies in response to specific pressures.

Managements' attempts at restructuring the workplace are therefore far less conclusive, uniform and purposeful than implied by many proponents of HRM. There is a need for a greater appreciation of the open-ended and complex nature of changes in the workplace. The path dependency of changes in regulatory systems means that regulatory solutions that are effective in one context may not be readily supplanted into others. Establishing a durable form of labour regulation is a contingent process dependent on experimentation and chance discoveries. As a complex and contingently realized 'fit' between social mediation and capital accumulation, labour regulation is inherently unstable and manifested in a myriad of mediation mechanisms. According to Michon (1992: 227), the societal variability of the forms taken by the employment relationship reflects 'the multiple levels that play a significant role in the structuring of the system and that reflect the heterogeneity of economic and social space'.

The 'crisis' of industrial relations in practice

Orthodox approaches to IR tend to place considerable emphasis on the collective regulation of employment conditions by management and trade unions. Common features of collective workplace relations include a history of mutual antagonism between union and management, strong shopfloor organization that relies on traditional patterns of negotiation underwritten by a formal framework of procedural agreements, the existence of few or no consultative mechanisms and constant disagreements about union rights and management style (Smith 1994). The processes of collective bargaining are not only extraneous to the experiences of a growing proportion of workers, but always contain a number of inherent limitations. The latter relate to its role as a potential source of managerial control and to the way in which it institutionalizes conflict, thereby giving it a greater predictability (Sisson 1987). Collective negotiations also occur within the context of managerial strategies that are *not* part of the bargaining agenda (Hyman 1975).

Collective bargaining, on its own, is seldom capable of decisively influencing the production, investment and location decisions of capitalist enterprises. The day-to-day management of labour is conducted through different forms of regulation to those involved in wage-determination. In particular, collective bargaining is not geared towards or designed for managing the organization of work. The complexity of daily production issues is incapable of regulation by collective agreements given the contingencies, emergencies and so on that invariably arise. As Bélanger (1994: 62) puts it:

> even in the context of a unionized workplace and once a collective agreement has been struck, shopfloor management and employees still have to make arrangements on the contours and the nature of the numerous tasks to be included in a given job, as well as the volume and quality of actual work to be performed on every shift.

Unravelling of the post-war social contract

The standard employment relationship of indefinite duration – which came to dominate the labour market in the advanced capitalist economies under relatively favourable economic conditions of continuous growth and full employment during the post-war era – underpins conventional models of IR. This relationship was consolidated at a time when industry commanded the greatest share of overall employment; powerful labour movements sustained industry-wide bargaining; governments were committed to corporatist governance of macro-economic policies; industrial organization was based on more or less stable, predictable and protected domestic markets; and the nation–state enjoyed considerable autonomy in national economic and fiscal policies. The bureaucratic controls associated with Fordism, as Burawoy (1985: 263) shows, established 'constraints on the deployment of capital, whether by tying wages to profits or by creating internal labour markets, collective bargaining and grievance machinery which hamstrung management's domination of the workplace'. Inasmuch as these constraints stem from the statutory regulation of the labour market and the power of the trade unions, employers and governments increasingly regarded them as unwarranted and unacceptable under conditions of increasing global competition. Overly protective employment policies and extensive trade union controls, it is argued, have the effect of curbing competition in the labour market. This prevented the downward adjustment of terms and conditions of employment, leading to employment 'rigidity'. Consequently, employers found it difficult to adjust the quantity and the quality of labour supply to rapid changes in labour demand.

Since the 1980s, the 'regionally variable processes of deindustrialisation and disinvestment were pitching "capital against community" in ways that threatened to undermine the post-war social contract' (Herod et al. 2003: 181). The standard employment relationship came under increasing pressure as institutionalized IR faced unparalleled challenges and drastic changes unfolded in the regulatory framework of the labour market. As Hakim (1990: 167) states in her review of workforce restructuring, strategies varied from one country to the next and followed different paths, 'but all pointed in the same general direction of increasing . . . segmentation of the labour market and exploring new forms of differentiating wage/labour relations'. The rise of non-standard employment relationships is therefore part of a wider process of de-collectivization and fragmentation in IR. Far from simply being a rational response to changing economic imperatives, the decisions concerning the restructuring of the employment relationship are political in origin and outcome. The redistributive effects of these decisions involve a diversion of the costs of restructuring onto the least politically and economically entrenched groups in society.

The crisis of Fordist production

By the 1990s, the employment relationship increasingly manifested the signs of the growing internationalization and volatility of economic activity. Changes in the way that production is organized ruptured existing arrangements in labour regulation by shifting the competitive position of the firm, altering the types of skills and aptitudes required, changing the bargaining power of the parties and so on. These changes can be explained in large measure as involving a shift in the extent to which the market mediates employment relationships. As Streeck (1992: 66–67) argues:

> the decomposition of the pluralist–corporatist regulation of industrial relations can be interpreted as a decay of the specific balance between status and contract that had underlain the Fordist–Keynesian mode of regulation . . . [This entails] a polarization in two opposite directions . . . within national societies between industries, within industries between enterprises, and within enterprises between groups of employees, with the emergence of 'good', that is, status-secured, jobs coinciding with growing disparities with a secondary labour market for 'poor', marginal and uncertain employment relationships . . . [T]he status-type safeguarding of 'core workforces' not only does not rule out the marginalization of a fringe workforce kept disposable through short-term contracts, but indeed economically presupposes it.

The standard employment relationship was not only rooted in the IR regimes of post-war Europe and North America but was also closely linked to the Taylorist–Fordist organization of production that prevailed during this period. The mass production of standardized, price-competitive goods for protected domestic markets was characterized by high degrees of capital intensity, the detailed demarcation of jobs and competencies, the vertical integration of production, the centralization of management and the bureaucratization of the organization. The alleged shift from economies of scale (mass production) to economies of scope (flexible or lean production) necessitated a greater emphasis on employee cooperation, multi-skilling and a delayering of the managerial hierarchy. The concerted efforts by employers to circumvent shop stewards as a channel of representation and deal directly with the workforce through individualized forms of direct participation generated informal assumptions and modes of behaviour, which put a premium on consultative managerial styles and a non-antagonistic IR climate.

The establishment of quality circles, just-in-time inventories, semi-autonomous workgroups and so on are presented as a move away from the alienating and deskilled employment associated with Fordism towards new forms of employee involvement and high trust relations in the workplace. Recent managerial approaches increasingly emphasize individualism (rather than collectivism), unitary (rather than pluralism), consultation (rather than negotiation and agreement), flexibility (rather than uniformity), employee commitment (rather than simple compliance) and empowerment and 'responsible' autonomy (rather than direct control). This can be seen as "a reassertion of managerial prerogative . . . particularly insofar as employees are expected to be committed to management's organisational objectives . . . and the process of regulation emphasizes consultation which provides greater management freedom to 'set the agenda' and make decisions" (Salamon 1998: 220–222).

Despite the lack of robust empirical evidence, the proponents of 'new' IR regard the employment relationship as increasingly based on polyvalent skills, functional adaptability and high levels of discretion and commitment by employees. For these IR scholars, the changes that are unfolding are the product of attempts by employers to reassert their control and to intensify the work process in the context of trade union weakness, rising unemployment and the rapid spread of micro-electronic technologies. According to Hyman (1991), these changes merely consolidate or extend the core principles of the traditional patterns of IR. Sengenberger (1992: 139) also notes that 'new opportunities for participation' are accompanied by 'the spectre of new forms of dependency, hierarchisation and unilateral decision-making'. Some of the regularities, patterns and relationships currently emerging are consistent with the post-Fordist elements catalogued in the literature. These developments, however, are best viewed as tendencies rather than achievements, occurring within a context of change *and* continuity. To some extent, these developments are simply a manifestation of the inherent tendencies of capitalism towards crisis, to revolutionize the forces of production and to extend the division of labour (Pollert 1991). 'New' IR policies are therefore largely a reactive measure to cope with the uncertainties generated by the economic crisis rather than a proactive means to overcome the crisis itself. As such, employment 'flexibility', 'lean' production and the like are symptoms of, rather than solutions to, the crisis.

Theoretical critiques of industrial relations

Since IR is an area of study with a range of disciplinary inputs, theoretical shifts that occur in these disciplines can have profound implications for the conduct of research into IR matters. Within IR, we can discern a basic contrast between (1) systems approaches that give precedence to information about patterns and entail an almost exclusive concern with form and universality; and (2) behavioural approaches that prioritize information about processes and embody an overriding commitment to content and variability. While we cannot accept structural and behavioural approaches equally without contradiction, there is room for combining some of their insights. A coherent theoretical synthesis involves not the simple 'joining' of conflicting approaches, but rather their transcendence into a new approach in which the whole is greater than the sum of its parts. For example, in their attempt to 'complete the systems framework', Kochan et al. (2002: 74) tend to reify the economic structures of society and to endow management with an inordinate capacity for strategic action. As such, they end up combining, rather than transcending, the errors of determinism and voluntarism.

Structure and agency

IR scholars, as Edwards (2003: 355) points out, insist that the 'outcomes of policies depend on specific contexts . . . [and that] there are continuing features of the employment relationship which hold true across historical eras'. Contrary to the claims of post-modernists, the study of IR does not preclude an understanding of instability, fragmentation, uncertainty, identity, consumerism and lifestyle (Eldridge 2003). Post-modernists, under the guise of anti-essentialism, counterpose essentialism to social constructionism. While realists can accept weak social constructionism (i.e. the socially constructed nature of knowledge and institutions), they do not admit its stronger version, that the objects or referents of knowledge are nothing more than social constructions (Bhaskar 1989). If the world is purely a product of our social constructions, it should be relatively transparent. For realists, the world is relatively inaccessible precisely because it is not reducible to, or a construction of, our concepts of it. If references are unstable, it does not follow that referents are. Moreover, recognizing the socially constructed nature of social phenomena is not a licence for the kind of voluntarism that makes them merely discursively revisable. Social institutions have a structural integrity, which limits and enables what they can and cannot do. In other words, the choice is not simply between a deterministic ontology of essences (empiricism) and one of endless difference (post-modernism).

The post-modernist proclivity for ascribing a primary role to individual values and beliefs will invariably result in granting the strategic dimensions of IR a degree of autonomy that they rarely possess. An emphasis on individual behaviour as the driving force of IR marginalizes the underlying structural determinations of conflict and accommodation. The assumption is that management simply chooses between clearly marked solutions to the problems of labour regulation. By neglecting the material basis of labour regulation and adopting a voluntaristic model of social action, post-modern approaches cannot account for wider structural determinations and hence fail to reveal the complexities, tensions and uncertainties of choice. What is needed is a broader, materially grounded conception of regulation that is consistent with both the emphasis on rule-guided behaviour in systems theories and the stress placed on the role of human agency in strategic choice approaches. In line with a commitment to critical realism, the processes of labour regulation are viewed as tendencies that may be realized in a variety of ways in different concrete situations, adding another layer of determination to the idea of the employment relationship as a 'synthesis of multiple determinations'.

Levels of abstraction

Many of the obstacles that confront the development of theory in IR are, at least in part, 'problems of integrating different levels of generality' (Hyman 1989: 135). The post-modernist rejection of 'meta-narratives' simply compounds these problems. The level of generality of abstractions appropriate to determining an adequate explanation will depend on the nature of the structures or mechanisms that are really responsible (Lawson 1997). Post-modernists are rightfully critical of the inclination to reduce a mode of regulation to national configurations. This has encouraged a tendency to reduce intra-national variability (i.e. the forms of regulation associated with particular industries or regions) to a contingent variability around dominant historical–national models. There is a need to bring subnational regulation out of the shadows, 'not in ritual celebration of diversity and difference but in order to understand *of what* national systems are constituted' (Peck 1996: 99). To strike a balance between micro- or meso-institutional analysis and the macro-economic focus of the *régulation* approach, labour regulation at regional or industrial level should be understood not only on its own terms, but also in terms of its articulation with broader national and global regulatory structures. Regional and local systems of regulation cannot be understood simply as derivations from a dominant national model: the latter is itself constituted of a series of regional systems. Hence, to avoid an eclectic combination of analyses, we must recognize the complementarities as well as the tensions and conflicts between micro and macro approaches.

By combining a critical realist interpretation of the relationship between labour market processes and space with a regulationist interpretation of the distinctive ways in which labour markets and their regulatory institutions interrelate at the local level, Peck (1996) demonstrates how local labour markets are both constructed (in terms of the concrete working out of generative mechanisms underpinning them) and socially regulated (in terms of the distinctive 'regulatory milieux' formed in and around them) in locally specific ways. If each local labour market represents a unique geographic conjuncture of regulatory processes, it follows that the institutional form of the employment relationship will also take on a locally distinctive character. A meso-level theorization of the local labour market is an indispensable component of any explanation of the disjuncture between general processes of social regulation and the variety of local outcomes.

The concept of labour regulation is therefore an important mediation between the theoretical insights of an abstract analysis based on the law of value and a concrete empirical reality, as revealed using the methods of social scientific analysis. The dynamics of capitalism define the basic tendencies and counter-tendencies, structural contradictions, strategic dilemmas and overall constraints that shape and are in turn shaped by the specific institutional and organizational forms associated with a mode of regulation (Jessop 1991). In general, a regulatory mechanism at one level presupposes other, more foundational levels. The regulation of the employment relationship would be impossible in the absence of wider processes and structures of societal regulation such as the state, the family, schools and the courts. As a site of regulation, however, the workplace is ontologically constituted by sets of relations that are irreducible to these wider processes of social regulation.

Labour regulation, understood as the mediation of power relations, takes place at multiple levels, and each dimension of the employment relationship may be regulated at one or more of these scales. As Bowles and Gintis argue: ‘power is heterogeneous, wielding a variety of weapons, yielding to a host of counter-pressures, and obeying no single logic’ (cited in Spencer 2000: 556). At the most basic level, we can distinguish between two different planes: the internal and external regulation of the employment relationship. The reductionism in conceptions that emphasize either exogenous or endogenous factors can be avoided once it is recognized that there can be no *a priori* prioritization of one level at the expense of the other. Whether exogenous or endogenous factors predominate is contingent on a whole host of factors that include the varying degrees to which different regulatory regimes are socially embedded and institutionally mediated. There is a constant tension between the institutionalization of the employment relationship through collective regulation and the continuous process of negotiating order within the workplace. While the dividing line between internal and external regulation is often blurred, many of the contemporary changes in the workplace can be understood as a shift in the balance between external and internal regulation of the employment relationship.

The so-called crisis of IR is merely a crisis of a particular conception of the employment relationship: one that is narrowly focused on mass production and revolves largely around the experiences of organized, full-time (typically male) workers. In contrast to such a restricted view, a labour regulation approach can be applied effectively to account for non-traditional IR issues such as non-union firms, non-standard employment, quality circles and networked organizations (see Bélanger et al. 1994; Peck 1996; Gallie et al. 1998; Giles 2000; Lind et al. 2004; Dundon and Rollinson 2004; Davies and Ryner 2006).

Industrial relations and human resource management

The term ‘HRM’ became increasingly popular from the 1980s onwards, although its roots can be traced back to personnel management of the 1920s and human relations of the 1950s (Kaufman 2014). HRM shares with the human relations approach a concern for the internal dynamics of the workgroup, a desire to create social cohesion and value consensus through corporate culture, an attempt to integrate personnel issues within the overall business strategy and an effort to generate higher levels of employee commitment and involvement. The importance of HRM to IR, according to Salamon (1998: 19), lies in its association with 'a strategic, integrated and highly distinctive managerial approach to the management of people'. It is closely tied to managerial interests and has strong unitarist overtones in its approach to employees as a collective. Storey (1989: 9) suggests that 'it eschews the joint regulative approach . . . places emphasis on utilising labour to its full capacity or potential . . . [and] is therefore about . . . exploiting the labour resource more fully'. In fact, Fowler questions whether supporters of HRM are 'genuinely concerned with creating a new, equal partnership between employer and employed, or are they really offering a covert form of employee manipulation dressed up as mutuality' (cited in Salamon 1998: 19).

Conceptions of HRM range from inclusive (all forms of labour management are included within the broader study of HRM) to exclusive (HRM is contrasted to other forms of labour management) definitions (Storey 2001: 5). Whereas the former accepts the continued relevance of IR as a study of the collective aspects of employee relations, the latter postulates the eclipse of IR. Exclusive definitions clearly constitute a greater challenge to the continued relevance of IR. On this view, HRM comprises a set of policies designed to maximize organizational integration, employee commitment, flexibility and quality of work. Within this model, collective industrial relations have, at best, only a minor role (Guest 1987: 503).

Several attempts have been made to distinguish HRM from personnel management and IR (see Blyton and Turnbull 1992; Storey 1992; Legge 1995; Bacon 2003; Kaufman 2014). Edwards (2003: 341) suggests that several possible relations between HRM and IR can be identified: (1) HRM and IR can be regarded as co-equal with IR handling collective bargaining and HRM dealing with personnel administration; (2) HRM can be regarded as the generic term, with IR being a subordinate and possibly waning sub-set; (3) HRM can challenge IR by claiming to be more proactive and even strategic; and (4) IR can retain analytical dominance, with HRM being regarded as one particular technique to manage the inherent contradictions of the employment relationship.

Rhetoric and reality

Insofar as HRM represents a distinctive approach to labour management, it relies primarily on direct communication with employees through mechanisms such as quality circles rather than indirect representation through collective bargaining with trade unions. Despite significant continuities between HRM and personnel management, there are several differences between these two approaches. It is, however, important to bear in mind that personnel management depicts actual practices, while HRM largely portrays normative prescriptions (Guest and Bryson 2009). As Applebaum and Batt report in their extensive study of workplace reforms: ‘despite the reported gains in performance and the apparent acceleration of experiments with innovative practices, the overwhelming majority of US workplaces are traditionally managed’ (cited in Milkman 1997: 144). A significant problem with much of the discussion on HRM is the persistent failure to distinguish between prescription and description. The prescriptive aspect is, by definition, open to the challenge that it does not have any bearing on reality. In practice, the emphasis on teamworking and employee involvement often coincides with conventional forms of authority relations overtly based on an assertion of managerial control (McKinlay and Taylor 1996; Geary and Dobbins 2001; Kaufman 2012). In many cases, these new work arrangements could only be established through a more aggressive and hostile managerial style (Steward 1997). It is therefore not surprising to discover that many HRM innovations are either stillborn or have a restricted lifespan (Heckscher and Schurman 1997). Furthermore, some of the claims regarding the positive impact of HRM innovations on enterprise productivity are (at best) questionable and tend to overlook the effects of new HRM practices on employees, work and society (Godard 2004; Harley 2015).

Many, if not all, of the personnel practices associated with HRM (e.g. psychological testing, appraisal, performance-related pay, quality circles and teamwork) are designed to shape employees’ beliefs and attitudes and to emphasize individualism. A vital part of HRM is a concerted attempt to avoid, remove or minimize IR practices, such as negotiations with trade unions, in an effort to shift the balance between individualism and collectivism (Storey and Bacon 1993). These strategies have struck a sympathetic chord with employers given the context of rising economic instability and uncertainty. Such are the times when cost-cutting is prioritized, the scope for compromise is reduced and the unions are generally on the defensive.

A noteworthy shortcoming in much of the literature on HRM is a failure to canvas the views of employees and their organizations. A study in the British automobile sector found that most workers perceived the changes associated with ‘new’ IR as ‘concrete mechanisms of labour subordination’ (Danford 1997: 109). Quality control and team-working contain a strong control function aimed at disciplining employees – namely, ‘management through blame’ (Delbridge and Turnbull 1992). Team working, as Garrahan and Stewart (1992: 106) also point out, is a process in which workers control one another’s actions. It is this which gives to the autocratic internal regime a spurious air of employee participation and control in work.

The superficial nature of cooperation and empowerment underlying HRM means that the actual experiences of workers will reinforce existing low trust and adversarial IR. The ideology of employee ‘involvement’ is circumscribed by the real imperative of HRM: namely, getting employees to work harder (Ramsay et al. 2000). There is a perpetual tension under capitalism between treating workers as commodities to be hired and fired and harnessing their ingenuity and cooperativeness. The emphasis on employee ‘involvement’ in HRM strategies does not spell the end of control in the workplace, but rather signals its reconfiguration.

Hence the paradox: 'as workers were given more autonomy they were increasingly coming under tighter managerial control' (Geary 1994: 648). Achieving and maintaining a balance between control and autonomy in the workplace depends less on the relatively simple task of meeting employees' comparative wage aspirations than on 'the endlessly demanding one of creating and maintaining the institutional forms that will maximize their willingness to work efficiently' (Brown and Nolan 1988: 353).

The rhetoric of commitment and cooperation built up around HRM is readily exposed under close empirical scrutiny. The effectiveness of an enterprise depends on the contingent amalgamation of a whole myriad of mediating processes that include managerial style, job demarcation and coordination, the distribution of information, the encouragement of learning and innovation and the mobilization of consent and cooperation among employees. In their efforts to convert labour power into actual work performance, managers are confronted by a complex set of constraints and opportunities and have access to numerous mechanisms of control and coordination. As Edwards (1986: 41) argues,

> firms will develop their practices of labour control with whatever materials they have available. They are unlikely to have explicit strategies and more likely to react to particular circumstances as best they can. Even when they have fairly clear goals they are unlikely to follow a policy which conforms to an ideal-type: they will proceed according to their own needs. In particular, they are likely to use a variety of means of controlling the labour process and tying workers to the firm.

No matter what strategy it pursues, management's basic objective remains a stable, predictable and cost-effective workforce. Hakim's (1990) research shows that employers rely on a blend of IR policies with few sharp distinctions and considerable overlap between types, and some ambiguity and variation within types. There is thus no clear division between strategies, but rather many gradations. Hence, it is necessary to move down a level of abstraction in order to consider the more concrete dynamics of labour regulation. Descending from the abstract level of analysis means coming to grips with the complexity and indeterminacy of policy change and institutional restructuring. Empirically, strategies may be combined, and the particularities of each case will reflect institutional legacies, conjunctural conditions, the balance of class forces and so on.

Even firms with sophisticated HRM policies rely on negotiation to establish what the rules actually mean, and managers depend on workers to interpret their instructions intelligently (Edwards 1994; Marsden 1999). The negotiability of order in the workplace depends, therefore, on the willingness of workers to interpret the intent of managerial instructions. The need to elicit active cooperation from employees through the provision of material and symbolic rewards stems from the fact that 'no system of regulation is comprehensive enough to achieve complete control over the system to be regulated' (Tsoukas 2000: 39). In other words, labour power must always in part be self-regulating. This underlying contradiction inherent in management's control over labour decisively qualifies management's capacity for strategic action.

Conclusion: the future of industrial relations

A problem that few HRM scholars address explicitly relates to the fact that management's capacity for strategic action is caught on the horns of a dilemma: 'solving' problems of employee involvement and commitment raises problems of managerial control and authority (and vice versa). It is therefore not a matter of 'choosing' between control and autonomy, but rather the terms of their resolution. While employers have a general interest in their employees displaying a certain degree of willingness to cooperate, there are definite limits and risks involved in the extent of autonomy that management can concede to any sector of the workforce. IR research has consistently emphasized the conflict, uncertainty and opposition associated with the managerial function. As Edwards (2003: 339) points out:

> the management of labour entails the two principles of control and consent. In particular, any concrete 'industrial relation' will have elements of both, and these elements are necessarily in contradiction . . . An IR system can never be in equilibrium because it rests on the need to manage actively these contradictory pressures.

Under capitalism, the 'resolution' of regulatory dilemmas in the workplace involves a process of restructuring the employment relationship to reassert the priorities of accumulation. That is, the restructuring of production is always also the restructuring of the employment relationship. In the process of restructuring, as Peck (1996: 240) points out, 'the contours of labour control are [continuously] reworked and remade'. It is in this light that we should view the attempts by management to introduce, albeit selectively and partially, aspects of HRM such as performance management, team briefings, quality circles and semi-autonomous workgroups. These mechanisms are geared towards increasing employees' sense of loyalty and commitment to the organization, changing their attitudes towards management's objectives and priorities, enhancing their willingness to accept change on management's terms and encouraging them to display greater initiative and self-discipline. However, the tentative nature of changes in a period of transition means that identifying the directions of change involves more than simply measuring the extent of empirical change. A wide range of potentially disparate changes, for example, does not add up to a shift in the overall direction of IR. We need to identify the types of change involved, determine the reach and pace of these changes, trace the connections between them and then assess which of the changes (if any) are the more robust or decisive.

Absent from the prescriptions of HRM is an adequate explanation of the processes that constrain or facilitate a diversification in regulatory forms. The proponents of HRM have been quick to generalize their findings across occupations, industries and regions, thereby ignoring the constraints and opportunities created by particular forms of mechanization and labour market structures. By contrast, IR scholars have long placed the issue of sectoral and occupational variations in workplace restructuring at the centre of their research.

The enduring diversity of national and regional spaces is a product of the 'intricate intertwining of the effects of disparate regulatory regimes and production regimes' (Waddington 1999: 14). Employers and employees have to act in 'social formations which have already developed distinctive ways of governing work and firms' (Kristensen 1997: 6). In other words, economic transactions are embedded in different social relations between (as well as within) countries so that they find distinct trade-offs between competition and cooperation, efficiency and equity, exclusion and integration. In other words, current industrial restructuring is far more problematic for both capital and labour than the technical-organization discourses of HRM suggest.

The dominant conception of HRM contains few meaningful insights into the bases of social conflict and political power or broader structural determinations in the economy. Theory in HRM is clearly 'not equipped to handle the larger debate in political economy' (Boxall 2014: 585). In addition, by adopting a unitarist, best-practice orientation that presumes a single source of legitimate workplace authority (Thompson 2011), many HRM scholars 'embrace the role of servants of power, suppressing attention to the conflicting interests which underlie the world of work – a conflict which traditional industrial relations scholars recognized as the basis of their studies' (Hyman, cited in Godard and Delaney 2000: 495). To be sure, the emphasis on economic performance outcomes and the constant refinement of methods for worker control are increasingly qualified by some concern for (a narrowly conceived) notion of employee 'well-being'. The prevalence of generalized prescriptions, the penchant for prediction, the dedication to narrow behavioural research into individual motivation and response and the inability to think beyond prevailing economic systems are all reflections of HRM's underlying disciplinary influences. The unitarist perspectives among both HRM managers and researchers can readily be assimilated into (managerially orientated) organizational psychology, whereas they sit uneasily with (worker-orientated) industrial sociology (Kelly 2003; Godard 2014). From a methodological standpoint, such psychology-based HRM research is founded in positivist assumptions (Kasyanenko et al. 2014), and its predominance is crowding out critical perspectives (Harley 2015). Finally, HRM scholarship generally lacks sensitivity to (class) relations of domination and control in the workplace and does not adequately consider the structural imperatives of capitalism (Watson 2010).

Grounding an analysis of IR in the *régulation* approach provides a methodological footing that avoids the twin errors of voluntarism versus reification and an abstract determinism versus an ever-contingent empiricism. By drawing on this approach, we can conceive the drive for profits as the underlying force for change in the workplace, while recognizing that it will assume various forms depending on the impact of mediating institutions such as occupational groups, trade unions, employers' associations, regulatory agencies and the like. That is, actors in the labour market regulate the employment relationship in ways that are constrained but not determined by the fundamental features of a capitalist society. This approach also encourages a greater sensitivity to the intractability of the object of regulation in IR. Durable regulation, in the form of an essentially stable employment relationship, is unattainable since industrial conflict can never be 'resolved' in any final or absolute sense. In practice, labour regulation is a dialectical and continuous process of challenge and response, cooperation and conflict, control and autonomy. HRM is simply one way of mediating these contradictions, not a means to elude or to eradicate them.

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Part III

17 Human resource management in emerging markets

Frank M. Horwitz and Kamel Mellahi

Introduction

'The term itself "emerging markets" is something of a portmanteau one built on a series of layered insights garnered from several academic fields and multiple levels of analysis' (Horwitz et al. 2016: 470). Emerging markets represent something of a new frontier for academics and practitioners alike, or, as Alkire (2014: 334) puts it, 'a significant topic of interest for a multitude of constituencies'. This chapter reviews and evaluates the extent and nature of diffusion of human resource management (HRM) practices in emerging market economies, including Asia and Africa, and considers two key themes, namely, diversity of practices both cross-culturally and within countries and the institutional context.

Originally coined as a term in the 1980s, albeit with earlier linked terminologies, emerging markets reflect an evolving and diverse literature with a series of opportunities, encompassing the purely theoretical through to the methodological and the analytical. Emerging markets as a context for a sustainable research agenda represent 'a heterogeneous group of economies and societies' and an 'important testing ground for our existing theories, models and concepts of business and management', affording those who focus on them as a research location the opportunity for 'the development of new theoretical contributions in the field' (Akbar 2006 : 1–2).

These dynamic contexts represent an opportunity for scholars to observe whether and how core tenets of HRM are unfolding as part of a wider developmental trajectory, which may be important given that the emergence of HRM in Western contexts has been a source of intense theoretical and empirical foundations debate and practical implications (Horwitz et al. 2016; Morley et al. 2012). This variation plays a significant part in the extent to which HRM is adopted and adapted in emerging markets, with ethnocentric, polycentric and transnational variation in how HRM policy and practice is diffused in MNCs in emerging markets. This is underlined by many researchers, for example Nkomo et al. (2016); Jackson (2016); Wood and Horwitz (2016); and Kumar and Gammelgaard (2016). Kumar and Gammelgaard (2016) find that cross-cultural negotiations in emerging markets are strongly mediated by the effects of the institutional environment such as the extent to which agreements are enforced or otherwise, politically stable institutions versus uncertainty and unstable environments.

HRM in emerging markets has to consider institutional idiosyncrasies to which MNCs have to adapt (Henisz 2003). Institutional and regulatory regimes are especially relevant factors in investment decisions by MNCs in emerging markets, where weak institutions may increase transaction costs. Intellectual property considerations and legal protections in China have been problematic given weaker institutional regulation and inconsistencies between jurisdictions within the country (Kumar and Gammelgaard 2016). Further, Scott (1995) found that normative, cognitive and institutional elements are important in evaluating the context in which negotiations occur in emerging markets such as India and China, with significant differences occurring between emerging markets in this regard (for example, Confucian and Hindu belief systems in China and India respectively). This is echoed in the work of Jackson (2016) on cross-cultural and diversity including race, ethnicity and gender impacts on HRM in the BRICS nations (also see Nkomo et al. 2016), where variations occur in institutional and legislative regimes dealing with diversity, employment equity and workplace discrimination.

The 'thickness' and embeddedness of certain 'high context cultures' (Meyer 2015: 34–35, 67–78) constructs such as African 'Ubuntu' and Chinese Confucianism combined with locally legitimate nuanced approaches to doing business – such as 'Blat' in Russia, Wasta in the Middle East (Budhwar and Mellahi 2016), 'Guanxi' in China and 'Jeitinho' in Brazil – can shape certain elements of both the adoption and adaptation of HRM practices along with legitimate managerial practices, postures and negotiating styles (Horwitz et al. 2016: 471–472). Negotiations, though sometimes difficult, appear less adversarial and more strongly collaborative where social cohesion or group harmony dynamics pertain; this often is more important than traditional win–lose adversarial and short-term, contractually oriented negotiations in Western Anglo-Saxon culture.

There are important lessons for managers in MNCs in this regard which, if not learnt, can bedevil effective cross-cultural diversity, negotiation and relationship building vital for effective development and implementation of contextually relevant HRM policies and practices. The home nations of many emerging market MNCs are relationship-rich cultures (Contractor 2013), which in turn calls attention to the importance of cross-cultural intelligence (CCQ) and intercultural competence in this arena (Earley and Ang 2003; Morley and Cerdin 2010), to relationship building and the development of trust and to an emphasis on process rather than formal win–lose positional bargaining between negotiators from different cultures (Gammelgaard et al. 2013). Drawing on comparative examples from several emerging market countries, this chapter thematically explores emergent themes in HRM, considering (1) the extent to which HRM practice is converging, (2) reasons for this, including globalization, and (3) contextual factors which limit this.

The diffusion of HRM in emerging markets

While there is much recent research on HRM in MNCs in Asian countries such as China (Warner 2008), India (Budhwar et al. 2016) and Korea (Williams and

Lee 2016), the focus is predominantly on foreign MNCs with their home country origins and head office located in developed Western markets.

> The role of the multinational corporation (MNC) as a vehicle by which dominant HR policies and practices may be transported across national boundaries and institutionalized within local contexts is presently one of the most significant lines of enquiry in comparative research.
>
> (Morley et al. 2007: 17)

The case for such an analysis is to better understand the distinctive versus universalistic nature of HRM strategies as they are diffused cross-culturally in an era of heightened skills shortages and growth of emerging market MNCs. This enquiry is important in the context of Antoine van Agtmael's (2007 : 10–11) prediction that

> in about 25 years the combined gross national product (GNP) of emergent markets will overtake that of currently mature economies causing a major shift in the centre of gravity of the global economy away from the developed to emerging economies.

Emerging markets account for more than 50 per cent of global economic output. Asia alone accounts for about 70 per cent of emerging market GDP (The Economist 2017, January 14). Emerging market MNCs like Tata, Infosys and Wipro of India; Exarro Resources, Naspers-Ten Cent (a highly successful South African–Chinese international joint venture), SABMiller, Sasol and Sappi in South Africa; Haier in China; Embraer and CVRD in Brazil; and Hyundai and Samsung in Korea are now global players. UNCTAD's (2005) World Investment Report reported that five out of the six most attractive business locations in 2005 were emerging economies, namely China, India, Russia, Brazil and Mexico. Van Agtmael (op. cit. 12) predicts that by the middle of this century, emerging markets in aggregate will be nearly twice as large as the current developed economies.

Emerging markets are not homogeneous and often reflect considerable VUCA (volatility, uncertainty, complexity and ambiguity). Commodity-producing emerging markets experience adverse impacts of falls in prices of commodities such as oil and coal. Two of the five BRICS countries, namely Russia and Brazil, were in recession in 2016–2017. Emerging markets are at different stages of economic development and have different regulatory environments and educational and skills levels of the population, and national cultures vary dramatically from one emerging market to another. Luo and Tang (2007: 482) define emerging market as countries 'whose national economies have grown rapidly, where industries have undergone and are continuing to undergo dramatic structural changes, and whose markets hold promise despite volatile and weak legal systems'.

Emerging markets are undergoing 'rapid institutional adaptation to free-market ideologies' (Elango and Pattnaik 2007: 541). South Africa, for example, has experienced a dramatic transition in the post-apartheid era. Socio-legal and political context is particularly important in labour relations, given different regulatory systems, collective bargaining institutions and relative power of stakeholders. While these factors are not static or immutable in time, they may impede or enable change in a particular cultural and industry context. Trade unions in South Africa retain a relatively important influence over the choice and implementation process of HRM practices, more so than in China, where they may be considered, in part, as organs of the state. Labour legislation in India and South Africa is protective of worker interests in respect of organizational rights, collective bargaining and the principle of unfair labour practices such as arbitrary dismissal and unfair employment discrimination, though the caste system in India perpetuates certain employment inequalities. Statutory institutions in South Africa, such as bargaining councils, the labour court and the Commission for Conciliation, Meditation and Arbitration (CCMA), play a prominent role in the conduct of industrial relations. The regulatory context is an important mediating variable and co-contributing factor in limiting the arbitrary introduction of HRM practices by MNCs and enabling hybrid outcomes.

HRM in emerging markets: an Afro-Asian emerging market framework

A large and expanding body of research has looked at best HRM practices in emerging economies and suggests that a strong fit between HRM practices and the context within which they operate is required for high effectiveness (Horwitz and Budhwar 2016). For example, in African countries like South Africa, the importance of family and community can be seen in the network of interrelationships, extended family and mutual obligations. This results in a sense of communalism. Some advocate African 'Ubuntu' (see Mbigi and Maree 1995) as a basis for fostering an Afrocentric managerial culture with regiocentic HRM practices (Mbigi 2000). The notion of 'Ubuntu', literally translated, means 'I am who I am through others'; this is in contrast to the Western tenet of 'cogito ergo sum' – 'I think therefore I am'. It is this contrasting of a form of communal humanism with individualism and instrumentalism which has a normative appeal for advocates of an African economic and cultural renaissance and is posited as having the potential to build competitive advantage (Mangaliso 2001; Jackson 2004).

Jackson (2004: 20–22, 2016) proposes a typology of Western instrumentalism and African humanism and East Asian attributes as a useful analytical framework. The latter concept reflects values such as sharing, adherence to social obligations, collective trust, deference to rank and seniority, sanctity of commitment and good social and personal relations. As discussed above, these arguably reflect a conceptual proximity to Confucian humanism and Chinese Quanxi, with social cohesion and cooperative rather than adversarial and competitive relations. Jackson (2016) submits that a nascent African management approach with roots in a humanistic tradition could reflect a potentially positive contribution to global HRM. His typology has been extended to identify important HR dimensions. However, there is a danger in presenting both African and east Asian systems in this way.

An unrealistic, idealized or indeed romanticized conception may not have significant empirical or managerial support. Second, there is a latent assumption of both homogeneity and unique distinctiveness, which obfuscates the reality of inter-regional, inter-country and inter-ethnic diversity. Hence, a cross-divergence perspective is important.

Hybrid models of HRM

A second node of analysis considers not whether convergence or divergence prevails, as this is over-simplistic, but the conditions under which hybrid or 'cross-vergent' models are developed in practice in a particular context. It appears that the adoption of East Asian HRM in southern African firms derives from both increased investment and the consequent influence these firms have in Africa, as well as an emergent managerial belief in southern African firms that there is much to be learnt from Indian and Chinese managerial practices, particularly as these might have a higher likelihood of adoption in the African cultural context. While it may be argued that Chinese HRM other than in outside MNCs may tend not to be based on the International Labour Organization's (ILO) notion of 'decent work', large Indian emergent market MNCs like the Tata Corporation, ICICI Banking and Mittal Steel, and Korean MNCs such as Hyundai, have become significant direct investors in other emerging markets, including East African countries and South Africa. South African MNC SABMiller (until its recent take-over) has become the second largest brewing MNC globally with operations in Eastern Europe, China, USA and elsewhere; other South African MNCs such as Naspers (media communications) have significant operations in an international joint venture with TenCent, one of China's two largest internet companies. Murray and Roberts, a construction and property development MNC, has significant interests in the Middle East. This may, however, be a somewhat normative belief. While there are indeed some similarities between African and East Asian cultures, there are also fundamental differences between them. In this section, we attempt to formulate a rationale for a more critical analysis of the diffusion of practices between these two regions.

An enduring theme in the literature on developing countries is the appropriateness of Western management principles and practices. Many authors have challenged the tendency by MNCs, as well as local managers, to adopt practices with little consideration as to the suitability and relevance of such practices. Some have identified the limitations of concepts formulated in the West, while others have offered empirical evidence on the nature of extant practices, pointing to their appropriateness or lack thereof (Nzelibe 1986; Mangaliso 2001; Kamoche et al. 2004). This growing critique has highlighted the need to understand the African and Asian MNC context as well as the indigenous thought system and, in particular, the perspective of workers in these diverse economies. Thought systems in Africa and Asia variously include features such as: a high degree of harmony in social relations, use of symbolism to make sense of the world and a strong emphasis on family and the immediate community. This importance of family and collective solidarity is seen in the network of interrelationships, extended family and mutual obligations, not dissimilar to the paternalism found in Chinese, African and Taiwanese MNCs. In the case of certain African MNCs, this cultural backdrop results in a sense of communalism and traditionalism (Nzelibe 1986; Horwitz et al. 2002), which is not unlike the Confucian influence on East Asian MNCs culture.

This has led some authors like April and Shockley (2007); Jackson (2004); and Mangaliso (2001) to propose an epistemological shift away from the predominant Western management theories to alternative ones based on Asian and African perspectives in MNCs from these economies. Maruyama proceeds to identify epistemological aspects in which both Asia and Africa share some common ground. These include cultural heterogeneity as a source of mutually beneficial win–win cooperation, a polyocular vision with regard to what constitutes 'objective' truth, the mental connectedness the worker shares with group members, the idea that the individual assumes a relational existence and identity whose *raison d'être* is located within the community to which he/she belongs.

Given the salience of differences of Malay and Thai cultures, for example, human resource strategies in MNCs from these countries should not be assumed to be identical across different managerial functions, and a blind application of a region-centric approach should be avoided (Paik et al. 2000). Just as the African notion of 'Ubuntu' is not widespread in parts of modern Africa, neither are the tenets of Confucianism hegemonic in East Asia. In Malaysia and Indonesia, Muslim cultural beliefs are more extensive. However, it is the precepts of Confucianism which advocates of African 'Ubuntu' tend to equate with African values. Caution, however, is necessary in potentially confusing a desired future vision with current empirical reality. Several East Asian countries are further along a transition continuum in respect of economic development and growth than most African countries. The socio-economic context of management therefore differs from that of African countries, most of whom have high levels of unemployment, poverty and illiteracy. At the same time, like East Asian countries, there is a high need to develop people (Kamoche et al. 2004; Cooke and Budhwar 2016). These contextual overlaps suggest avenues for further research.

Managerial styles, culture and work practices in emerging economies

National cultural context factors may also limit or assist the adoption of HRM practices such as performance-related pay and merit promotion, where deference to seniority, service and age remain important (Mellahi et al. 2016). Examples include Japan and countries where family control of large enterprises remains strong, e.g. chaebols in South Korea and Malawian firms in Africa. In contrast, meritocratic values and individual goal orientation evident in Singapore (Chew and Horwitz 2004), Hong Kong and to a slightly lesser degree in South Africa would permit greater flexibility in adopting performance appraisal, merit pay and promotion and financial incentive schemes. Yet within a country and national cultural context, there is variation between MNC and local firm propensity to adopt HRM (Horwitz and Smith 1998: 590). This study found that MNCs in South Africa used numerical forms of flexibility, such as outsourcing and subcontracting, to a larger extent than South African–owned firms. However, MNC influence may extend beyond HRM. In Engen, South Africa, a large petroleum company was formerly owned by Petronas of Malaysia, which had key Malaysian staff members in the South African operation's strategic planning department responsible for charting the future direction of the company. This supports the proposition that MNC influence on global integration and work practice standardization may reveal cross-cultural convergence of HRM practices within MNCs through adoption of 'best global practice', compared with a higher degree of divergence in local firms.

Human resource departments are concerned *inter alia* with remuneration and measures to improve performance management through pay incentives. Increasingly the former is being outsourced and/or replaced with technology as IT and new software packages are designed to administer pay. For more progressive organizations, this will allow HR functions to concentrate on aligning HR policy and measures with organizational strategy to optimize performance. The use of job evaluation by HR departments in medium and large organizations is common practice for establishing the relative worth of jobs and ranking jobs as a basis for designing a grading structure. Job evaluation systems, for example, were introduced in the mining and beer brewing industries in the early 1970s in South Africa. As organizations restructure and delayer hierarchies, job evaluation systems have to adapt to deal with processes such as broad banding and multi-skilling. Job analysis and work process redesign are increasingly important facets of HR work in emerging market MNCs. Research shows that although Western MNC HRM practices have prevailed for decades in African countries, there is an increase in firms adopting Japanese lean operating practices and East Asian practices (Faull 2000; Horwitz et al. 2002). This is particularly evident in the use of Japanese MNC (such as Toyota and Nissan, which have assembly plants in South Africa) lean manufacturing, just-in-time methods and other operations management measures to reduce product defects, stock holdings, inventory and waste. These measures have also increased in the manufacturing sector where firms have introduced lean manufacturing processes and production systems and quality improvement teams. However, the adoption of East Asian work practices is seen by many as cross-culturally unworkable.

There has been some case study evidence of forms of functional and numerical flexibility in firms such as Pick n Pay Retailers and Sun International Hotels (Horwitz and Townshend 1993). However, these practices are less common (under 10 per cent) in relation to use of cost-effective numerical flexibility such as downsizing and outsourcing and temporal flexibility types such as part-time, temporary and casual, short-term work (Allan et al. 2001). Use of flexible work practices, including functional forms of flexibility such as multi-skilling and performance-based pay, is more common in MNCs than in local firms (Horwitz and Smith 1998: 590–606). African organizations tend to emphasize collective and procedural relations, whereas Asian MNCs have more distinctive, often diffused HRM practices based variously on group cohesion, individual relations and, in cases of Chinese and Taiwanese clothing and textile firms, low-cost work and employment practices, especially with the recent growing influence of Chinese state-run enterprises and Taiwanese MNCs in other emerging markets in Africa such as Angola, Sudan and South Africa.

Mediating contextual factors in emerging market HRM

Mediating contextual factors in adoption, adaptation or re-contextualization of HRM have been found in emerging markets (Brewster et al. 2014); this is given the extent and nature of high–low context cultures (Meyer 2015), diversity in cultural, religious values and variation in the relative strength and weakness of institutions (Wood and Horwitz 2016). Where the latter occurs, dubious HR practices such as low-wage–low-cost regimes and employment insecurity may be adopted, notwithstanding legislative regulation. Managing diversity, job design, training and development and performance management seem to be dominant HRM functional areas driving the agendas of both local and MNC firms.

Managerial styles reflect organizational and national cultural patterns. In South African, while achievement is valued, group and organization conformity is also important. While there is a paucity of empirical research on managerial culture in southern African firms, a masculine dominance is evident across ethnic groups (Nkomo et al. 2016; Horwitz 2000: 217), underlined by individualist values and a relatively large power distance between groups. This supports Jackson's (2004, 2016) framework and is based on historical racial and ethnic disparities. However, an emergent black middle class has begun to occupy decision-making roles. Class mobility is likely to have an impact on managerial culture and inform strategic choices about appropriate organizational culture, business and HRM practices. Managerial ideologies in Chinese, Korean and Indian MNCs often tend to reflect unitarist ideas – the organization as a 'happy family' or socially cohesive team emphasizing loyalty and conflict avoidance, notions similar to the Japanese notion of 'industrial familism' and Chinese Confucianism, especially with significant increase in Chinese foreign direct investment in other emerging markets such as African countries and Brazil. However, organization and national culture in Latin American and African countries tend to reflect considerable diversity and pluralism. The latter lends support for the post-instrumental model in Jackson's framework. The advent of democracy, especially in South Africa, and 'glasnost' effect of global competition begs the ongoing question as to the inevitability of HRM convergence and global hegemony of 'best practice' over local exigencies. In practice, hybrid models appear more likely.

Managerial styles in many Western MNCs in South Africa and other emerging markets reflect Western values based on individualism, meritocracy and an authoritarian legacy of apartheid and colonialism. These are often rooted in highly masculine cultures (Hofstede 1980). Indigenous models of leadership and organization, emphasizing the notion of 'Ubuntu' or humaneness, group decision-making and interdependence, struggle to assert themselves in the face of a converging global business orthodoxy (Mbigi 2000). These notions may be similar in concept to the Confucian emphasis on family Guanxi networks/ social capital and cohesion found in Chinese firms. Notwithstanding increasing globalization of emerging market economies struggling with International Monetary Fund (IMF) and World Bank debt repayment policies, investment in southern Africa by East Asian firms and local interest in Japanese work methods has occurred. There has been a resultant reassessment of organizational strategies and increased experimentation with Japanese work methods such as self-directed teams, employee empowerment through task-level participation and multi-skilling in local southern African firms, but Chinese firms have also seen the diffusion of low-cost HRM practices. However, Wells (2003) notes that there are differences between African and Asian MNCs in that their competencies are developed in countries that have distinct disadvantages due to erosion of natural resources and insufficient investment in infrastructure, including physical and human capital.

Patterns of diffusion of HRM practices

The diffusion of HRM may show an uneven pattern in respect of the extent or degree of adoption and actual modification/adaptation of these practices for successful implementation. Practices may be adopted 'as is', or with some modification, or comprehensively redesigned to suit local conditions (Mellahi et al. 2016). It is important that IHRM research focuses more closely on the nature and process of adaptation and implementation. This requires more organizational level research, especially of a qualitative nature. This will enable research to move beyond descriptive evaluation of the extent and type of HRM diffusion and convergence/divergence debate by requiring a more rigorous and critical assessment of the variables and processes affecting success or failure in HRM diffusion and hybridization. Hybrid forms of HRM may occur in nomenclature, design, content and implementation processes. In South Africa, indigenous African terms are now being given to adapted East Asian practices, often in preference to using Japanese terminology – for example, the Zulu term 'Indaba' groups for total quality management teams or 'sebenza' problem-solving teams. 'Indaba' refers to 'debate in groups'. The latter term means work or workplace. Horwitz and Smith (1998: 590–598) found that although consultation and employee involvement occurred in introducing these practices, MNCs were more likely than local firms to involve employees in both design and implementation processes.

In the southern African and Chinese contexts, it appears that 'as is' adoption is rarely effective and that either some or extensive modification occurs, thus reflecting the need for sensitivity to local circumstances and support for the notion of 'cross-vergence'. For example, in most of the above cases where performance-based pay and variable pay were introduced, these tended to be workgroup or team-based schemes rather than individually based; this was especially so in unionized firms. There is some evidence of reverse diffusion. SABMillar's jointly owned breweries in Poland have successfully implemented best operating practices and management know-how on systems, process and technology based on Japanese practices and its experience in emergent economies, and South African indigenous restaurants in Singapore draw on home country practices. Identical HRM practices cannot be transferred intact. A degree of cross–vergence appears inevitable and indeed necessary.

Skills retention and migration in emerging market MNCs

Van Agtmael (2007: 227–247) refers to a revolution in 'cheap brainpower' in discussing emergent market examples of Infosys, India's leading software exporter with over 45,000 employees. Infosys recruits less than 1 per cent of more than one million job applicants annually in a clearly very selective recruitment and hiring process. It has consistently been rated the best employer to work for in India. Ranbaxy Laboratories Limited, with experienced international managers in its leadership team and a focus on both developed and emerging markets, has become the biggest manufacturer of antibiotics in India with plants in seven countries and exports to 70 others. Countries such as India and Taiwan have invested heavily in human resource development to address the brain drain or indeed to reverse it, as appears to be occurring in India in the technology field. While China has been dubbed the world's manufacturing hub, some are calling India the back office of the world; 'brainpower hub might be a better name' (van Agtmael: 233). India graduates over 100,000 highly qualified engineers a year, many with software skills, with a substantial number of these working in Bangalore. The establishment of country-wide institutes of technology has gone some way to increasing the supply of skilled and professional labour market entrants in India and Taiwan. Large-scale science parks with closely linked training institutes have been developed in countries like Brazil, China, India, Singapore, Taiwan and Malaysia, as these countries seek to make education and skills development a national competitive advantage and endeavour to reverse the 'brain drain' in creating new white-collar jobs in emergent markets.

This so-called war for talent is therefore not unique to mature markets, with some emergent markets like China, India, South-East Asia, Dubai and other Middle East countries experiencing increasing levels of skilled labour mobility as high economic growth reflects a large demand for scarce skills at premium wage prices (Skuza et al. 2016; Parry et al. 2016; Ellis et al. 2016; Horwitz 2007). 'Despite its booming economies and huge numbers of people, Asia is suffering a shortage of skills. And it is about to get worse', stated *The Economist* on 16 August 2007 – and it has undoubtedly made many leaders around the world sit up and take note. When one looks at new research emerging to support this claim, an image is forming of a global market increasingly in need of skilled labour. *The Economist* argues that it seems odd when one considers the case of Asia – that in 'the world's most populous region the biggest problem facing employers is a shortage of people', and that 'businesses are being forced to reconsider just how quickly they will be able to grow, because they cannot find enough people with the skills they need'. Emerging markets such as India and South Africa have become 'a fertile global hunting ground for other countries to pursue a strategy of replacement recruiting in a global village offering an open market for employment and career opportunities for scarce skills' (Ray 2007). Though China and India appear to have deepened their shallow talent pools, South Africa has been less successful, resulting in rising 'churn' as more executives, professionals and skilled technical people job-hop. This creates an artificial demand in the labour market which could be eased by more effective motivation and retention strategies.

> Yet the demand for qualified staff continues to outstrip supply in most emerging economies. Turnover is higher, poaching is rampant and pay packages often overheated. Retaining talented staff means that their pay packages are sometimes more generous than those of comparable positions in the developed world.
>
> (Pacek and Thorniley 2007)

The 2007 Economist Intelligence Unit (EIU) Corporate Network Survey obtained the opinions of 600 chief executives of multinational companies with businesses across Asia. In China, the number one concern was a shortage of qualified staff, while in Japan it is seen as the second biggest threat. In India, it was rated as the fourth highest concern. The EIU study in Asia is but the latest body of global research adding weight to the reality of skills shortages. A recent World Bank survey also revealed that a shortage of skills was the factor most identified by management in over 800 firms questioned as strongly retarding their further development (*Economist* 2007; Horwitz 2007).

The global skills shortage challenge poses a number of lessons from the collective experience of business, government and public-sector leaders, as they try to address this critical component for competitiveness and service delivery. According to Hermann (in Samodien and Bailey 2007), of the trade union Solidarity (in South Africa), service delivery is hampered by a 40 per cent shortage of artisans in the country, with only 10 per cent left of the number of qualified artisans available 20 years ago, and with one engineer for every 3,200 people compared with other emergent markets such as China and India, where the ratio is 1:150. This is similar to a 'systematic shrinkage of skills', which may require importing certain high-priority skills in the short term (Abedian 2007). Poor knowledge and education about the opportunities for technical training continue, together with perceptions that artisan and technical work are somehow of a lesser status to graduate qualifications.

While improving the supply-side production of graduates, technicians, artisans and health-care professionals from emerging market tertiary education institutions is critical, for corporate leaders the challenge lies in attracting, motivating and retaining intellectual capital. There are a number of key factors to addressing this challenge, which organizations are now beginning to understand and respond to. Some, in so doing, are becoming an employer of choice in their industry. By creating a unique value proposition and managing talent well, organizations will be in a better position to manage their valuable knowledge and enhance their capacity to execute strategies and service delivery. In addition, companies could take greater advantage of the incentives offered to them to train and develop people internally, such as the skills levy/grant system – yet less than 20 per cent of businesses are using the system at present. Talent management research (Skuza et al. 2016; Bluen 2014; Horwitz et al. 2006. Sutherland 2006; Sutherland and Jordaan 2004); in South Africa and East Asia shows that professional workers at high skill levels in knowledge-intensive industries rate the following factors as critical to employee motivation, effective utilization and retention:

- autonomy and opportunity to plan and control their own work;
- challenging, 'stretching' and stimulating work;
- collegial peer and boss relations;
- career development and personal growth;
- competitive, flexible remuneration;
- an 'engaging' culture with direct, informal communications;
- quality of work–life balance;
- 'decent work'.

Skills requirements in organizations should also be closely aligned with an organization's strategy (Collings and Mellahi 2009). As positive indications of economic growth are now occurring, concomitant social development and service delivery is clearly dependent on an ability to motivate and retain scarce skills; this is given that sub-Saharan Africa is especially short of specialized and professional skills. Getting to this point, though, begins with understanding and addressing the unique needs of scarce skills knowledge and professional workers today, which include:

1. *Competitive market-based and flexible pay, benefits and employment practices* (e.g. flexible contracts);
2. *Intrinsic work factors* such as autonomy and job satisfaction, planning and control over work, recognition and reward;
3. *Opportunity to do challenging work* that is exciting and stimulating and at the leading edge in an industry or sector;
4. *Growth and skills development*. According to the EIU survey, raising pay to above market rates was only the fourth most effective HR strategy among Asian firms. The top three all revolved around personal growth: increased training was first, using a mentoring system second and personal development road maps or plans third. In South Africa, it was in this area of opportunities for growth that many firms would appear to be failing. Regarding staff turnover, most skilled and professional South African workers quit their jobs because of a lack of career advancement and effective utilization of their knowledge and skills (Deloitte National Remuneration Guide 2007);
5. *Social networks*, peer group relations, and organizational context. These include an open and engaging culture with peer interaction that creates

> opportunities for collegial learning and values diversity as essential for innovation, high-quality relations with the organization's leadership and fair employment practices. Chinese cultural values of 'Guanxi' and Confucianism and African 'Ubuntu' underline the importance of the social relationship factors in employee mobility and career advancement (Jackson 2016; Nkomo et al. 2016; Cook and Budhwar 2016). Workplace contextual factors such as unfair discrimination – explicit or often subtle, but still with the net result of under-utilization – lack of job satisfaction and resultant under-performance is often rationalized along racial or cultural lines.

Ultimately, skills development is a national and organizational challenge and not purely a functional one. Senior line and HR executives in MNCs are called to create a new vision and plan for talent management. It is a shared challenge in emergent markets from Asia to Africa and Latin America (Davila and Elvira 2016). Organizations that take the lead will undoubtedly steal a march on the competition in terms of people and profits. However, a purely market-driven approach to skills development is not likely to be effective in emergent markets. The notion of a developmental state occurring in emerging markets such as China, Korea and South Africa, as well as in more developed Asian states such as Singapore, committed to developing the country's human resources in partnership with the private sector and organized labour can remove many constraints to international competitiveness, such as skills development and better education (Soko 2007).

Conclusion: are HRM practices really different in emerging markets?

Hybrid HR models and 'best practice' HRM

The convergence–divergence debate around international HRM strategy and practice has now raged for some time, though less critical analysis of this has occurred in the emerging market context. A more contemporary focus on the 'cross-vergence' hypothesis and most relevantly the re-contextualising of HRM policy and practices in emerging markets reflect the importance of transformative and relevant change. This raises the question whether so-called best HRM practice really exists unless it is authentically and legitimately contextualized.

Brewster et al. (2014) and Thite (2016) question simplistic bifurcation of international HR trends. The international HRM field needs to move beyond the convergence–divergence debate and beyond the notion of 'best practice'. The latter is at best a normative practice rooted in what works not only in a Western HR context but in any context further embedded in given country, industry and organizational cultures. The notion of some sort of universality and diffusion of HR strategies and practices is at best naïve.

Notwithstanding the globalization of capital, information, technology and labour, cultural context is still "thick" and does matter' (Meyer 2015, Quelch & Jocz (2012). 'Best' HRM strategy and practice is that which adds value to an organization and its stakeholders in the context in which it operates. In the process of MNC transfer or diffusion of HRM, something changes. There is an almost inevitable adaptation, a 'borrowing and bending' (Horwitz et al. (2016: 475–476). But this process is deeper and more profound in several ways. It is mediated, often very strongly, by institutional and cultural diversity between and within countries.

Indeed, the culture–institution nexus is also not necessarily an equally weighted one. In the Middle East and North African countries, for example, culture and religious values may well 'trump' and be more impactful on how HRM strategies are formed and implemented than in more legally regulated societies.

The re-contextualization of HRM

The notions of hybridization as compared with headquarters home country–directed diffusion and a more organic organizational bottom-up influence on HRM strategy and practice are policy and practical questions for MNCs cross-culturally. This is a dynamic, contested and shifting process rather than an event (Gamble 2010; Gamble and Huang 2009). Further research into the actual dynamics and processes, decision-making and issues of power and conflict in the adaptation or hybridization or indeed the *re-contextualization* of HRM strategies and practices should prove fruitful.

Drawing in a multi-disciplinary way from theories in organizational behaviour, organization theory and complex systems theory is most relevant for HR practitioners in MNCs, too. An in-depth understanding of these issues will enable more effective and 'solid' advice by HRM practitioners to senior line managers when, at headquarters level, the organization is deciding on what its international HRM strategy ought to be and how to go about implementing it. There will still be what Kostova and Roth (2002) argue are 'institutional duality' pressures – pressures to conform to isomorphic interests of the parent company and its headquarters' decision-making process, and the 'relational context' between this and the local subsidiary's institutional and socio-cultural context.

This suggests a real opportunity to investigate the actual decision-making processes in the formation and implementation of international HRM strategy and practice. The more we know about how and where these decisions occur, the more likely 'real best practice' which is contextually effective in adding organizational and stakeholder value will emerge (rather than being top-down, hierarchically imposed). This speaks to more traditional contingency theory (Lawrence and Lorsch 1967; Milano et al. 2002) underlining the complexity of management practice transfer but indeed going beyond contextualizing it to *re-contextualizing* it. How this re-contextualizing and sometimes reverse diffusion process occurs in strategic international HRM and HR practices is an area rich in further research possibilities.

There is an adaptive mix of HRM and managerial systems in the emerging market MNCs, highlighting the extent of similarity or divergence and potential 'cross-vergence' of hybrid models where elements of Asian low-cost, high-skill practices, 'African renaissance' and post-instrumental practices may occur (Jackson 2016). This supports the more realistic idea of a hybrid model which is not an exclusive ideal-type of any one of these frameworks and adds credence to the need for adding the construct of 'cross-vergence' to the convergent–divergent analytical framework. It is hoped that lessons can be learnt from previous efforts to transfer management practices in order that expatriate managers might adopt a more eclectic, adaptive learning and socially engaged approach, and that researchers will approach this emergent field with an open mind.

The challenge of human resource development in emerging markets

HR development is a fundamental challenge facing emerging markets HRM. Development and education in skills and competencies needed in an emerging market MNCs will be critical to their global competitiveness (Horwitz et al. 2016). Several sectors need both high-end knowledge-generating capabilities as well as employment-creating skills. The former are in the information economy and high value-adding occupations, while the latter are in services sectors such as hospitality. Hybrid forms of HR based on MNC and local form practices may occur in nomenclature, design, content and implementation processes. A balance will need to be struck between indigenous responses to past discrimination and the clear need for high-performance practices.

This conclusion is consistent with Aguilera and Dencker (2004), who note differing levels of HR practice integration across countries, ranging from no integration, to partial integration, to full integration. For example, firms in the US and the UK integrate their overseas subsidiaries to a greater extent than do firms in Japan, Germany and France. Aguilera and Dencker (2004), in positing a strategic fit framework, argue that although at a broad level practices such as pay-for-performance systems are common across market economy types, at a refined level there are non-trivial differences that HR has to manage. For example, a compensation system in the BP Amoco merger had to be redesigned because they differed significantly and a new job structure framework was established. Thus, even firms in countries within the same market economic type will experience some degree of localization in HRM practices and policies and therefore need to adjust the role of HRM accordingly.

Given the diverse ethnic demography of many emerging markets, with a large underclass in African, Indian and Chinese markets, a challenge for MNCs will be a shift from compliance (often based on patriarchal, hierarchical and status-oriented cultures) to a commitment model of organizational culture reflecting the notions of employee engagement (Farndale et al. 2016) and socio-cultural tenets of African 'Ubuntu' in that regional context, and the notion of collective social identity and capacity building, or Chinese Quanxi, as vital for both competitiveness and social cohesion in the workplace.

MNCs in emerging markets face a double transitional challenge – to redress historical inequalities by building diversity-enhancing organizational cultures, and to simultaneously and speedily develop its human capital capacity to compete in a harsh global economy. Skills formation and entrepreneurial development are vital, especially in countries with huge transitional challenges such as those experienced by the BRICS countries. These can be summed up in one word – 'development'. Large-scale labour absorption into a shrinking formal labour market is unlikely, given the shift of employment to service and informal, non-core work mainly outside the ambit of employment equity legislation. The priority of practical policy initiatives by government, private sector firms and labour market institutions such as sector training authorities and bargaining councils must be large-scale initiatives to train and retrain for enhancing employability in the changing labour market.

The importance of social capital and HRM configuration in emerging markets

This is supported by Davila and Elvira (2016: 377–378) and Gomez and Sanchez (2005), who conclude that human resources and social networks can play a strategic role in building social capital in the process of balancing local cultural and economic developmental exigencies. In a Latin American context, Davila and Elvira (op cit. pp. 379–379) argue that social reciprocity can be critical in helping firms address local differences while also helping the company implement practices that are critical for its global strategy and local development needs. There is some similarity in these social constructs with Chinese Confucianism and African 'Ubuntu' previously discussed.

Globalization, internationalization of HRM policy and strategy and aligned organizational configurations and localization call for different levels of MNC control and coordination of subsidiaries (Storey and Nyathi 2016). As discussed above, a process most pertinent in emerging markets, used by MNCs concerned with coordination/integration, is the development of social capital – the intangible resources embedded in the network of existing company relationships that assist in the accomplishment of necessary tasks; it allows MNCs to help bridge the gap between globalization and localization of strategic practices. HR practices can create social capital in locally adaptive ways. Even though practices are bound to differ among countries, strategically speaking, companies will want to practice some commonalities across their subsidiaries, and more specifically, those practices that are strategically aligned with the organization's mission. Companies specifically transfer organizational practices that reflect their core competencies and espouse corporate values. HR practices are associated with social capital. Practices such as human resource development, fair labour practices and standards, equal opportunity, employee empowerment, equitable wage structures and incentive schemes, cross-functional team development, performance management systems, incentives and other practices differentiate firms with high levels of social capital from those with low levels.

According to Aguilera and Dencker (2004) and Gomez and Sanchez (2005), certain of these practices may be more appropriate for certain cultural contexts than for others in building social capital; MNCs must take into account the cultural and institutional context in which they operate. The same HR practices, for example performance appraisal, or those pertaining to cross-border mergers and acquisitions, could build trust in one country context but may fail to do so in another – each HR practice that an MNC considers implementing should be filtered through a 'localisation mesh' that identifies clashes with local values, resource capabilities (such as leadership, managerial and technical competencies), culture and institutional/regulatory environment (see for example Schuler et al. 2016). This analysis should allow for modifications that will render the practice 'culturally fit', given that 'understanding the HR–performance relationship essentially requires exploring the heterogeneities of implementation' (Khilji and Wang 2006: 1173).

It is not clear how long the paradigm of emerging markets and the developed/developing construct will be able to explain the fundamental shift of global economic power under way. The economic primacy of the once-called West – now called the industrialized North – is no longer a given, and these nations are no longer able to take unilateral decisions affecting emerging economies. It is only a matter of time before a block of emerging economies, headed by China, increasingly calls the shots on global geopolitical and economic issues. Needless to say, the human resource research agenda on emerging markets will be a rich and exciting one.

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18 Comparative HRM

The debates and the evidence

Chris Brewster and Wolfgang Mayrhofer

Introduction

Every organization has to utilize and, hence, in some way, to manage, human resources: to that extent, human resource management (HRM) is universal. The classic texts marking the origin of HRM identified, respectively, four (employee influence, human resource flow, reward systems and work systems, in Beer et al. 1984) or five (selection, performance, appraisal, rewards and development, in Fombrun et al. 1984) areas which they imply can be used to analyse HRM in any organization anywhere in the world. These approaches, or variations of them, are used in, perhaps, most universities and business schools across the globe.

And yet, the way that people think about and practice HRM varies from country to country. Differences invite comparison, not only in practical but also in academic terms. Traditionally, three distinct streams of discussion (Dowling 1999) deal with these differences under the umbrella of international HRM (see also the chapter by Collings et al. in this volume): (1) a stream looking at individuals working abroad encountering differences compared to their home country context, expatriates and more recently other forms of working such as self-initiated stays abroad (e.g. McNulty and Selmer 2017); (2) a stream looking at various aspects of HRM in companies operating across national borders, specifically HRM-related problems of multinational enterprises (MNEs; a perspective taken by, for example, Collings et al. 2014); (3) a stream of research analysing HRM in the light of national, cultural and regional differences (Brewster et al. 2018 [in press]).

This chapter focuses on the last of these: comparative HRM. Over the last couple of decades this has developed into a discourse of its own with a firmly established place within HRM. Starting in the 1990s, early works addressed the theoretical and methodological foundations as well as provided the first, essentially descriptive results of large-scale survey studies (e.g. Brewster and Tyson 1991; Begin 1992; Hegewisch and Brewster 1993; Boxall 1995). Since then, as international HRM has developed strongly as a field, comparative HRM, too, has gained in scope and depth. A comparative angle on HRM is now accepted as an integral, core element of IHRM (e.g. Brewster et al. 2018 [in press]; Harzing and Pinnington 2015; the global HRM series edited by Schuler, Jackson, Sparrow &

Poole). The focus of the discussion has shifted from a primarily descriptive perspective to a more explanatory angle looking into 'why' and 'how', attempting to understand the reasons for and processes leading to commonalities and differences in HRM between different countries and cultures (for a typical example see e.g. Farndale et al. 2017 for exploring patterns of human resource management (HRM) practices across market economies and explaining patterns of adoption and convergence/divergence through the effect of institutional constraints, which vary between liberal and coordinated market economies, and between indigenous firms and foreign MNE subsidiaries).

Given what is happening in the world of business and politics, we assume in this chapter that an understanding of HRM increasingly has to take an international and comparative view. Discussions of globalization are as lively in the management literature as they are in the political and cultural literature. Arguably, internationalization is a factor for all organizations. This is obviously true for MNEs, but smaller organizations in most countries (particularly in the European Union) are impacted by competition from foreign organizations, too. In the public sector, there are not only the traditional diplomatic agencies that governments have (and staff) in other countries, not only the governmental and non-governmental international organizations such as the United Nations or the Red Cross, but increasingly, government departments are also working with other agencies across their region or across the world. Local authorities in the European Union now have to accept tenders from other suppliers in the EU. An increased knowledge of the specifics of management across borders, including knowledge of how human resource management issues are handled in various countries, has become a prominent issue for social scientists, as it has become a key issue for all kinds of managers.

Looking at HRM from a comparative angle implies decisions on how to conceive of the differences in HRM systems and approaches and then choose an appropriate perspective. A telescope analogy is useful in this context (Brewster 1995). Changing the focus on a telescope provides the viewer with ever more detail and the ability to distinguish ever-finer differences within the big picture that can be seen with the naked eye. None of the chosen perspectives are wrong or inaccurate, but some are more useful for some purposes than for others. HRM can be conceived of in this way. In HRM there are universals, such as the need for organizations to attract, pay and deploy workers, for example; there are some things that are shared within regions; some that are distinctive for certain nations; some that are unique to certain sectors; in many ways each organization or even each section of an organization is different; and some factors are unique to each individual manager and employee. Each perspective sharpens the focus on some aspects but, inevitably, blurs others. The many (within country) studies that (accurately) find differences between sectors within a country, for example, have been extended to studies of particular sectors across countries with the implicit (but inaccurate) assumption that there will be more differences between the sectors than between the countries. Hence, when discussing comparative HRM it is important to take into account the chosen perspective and to be aware of the *missing* complexity. Much research and analysis of HRM, particularly in the UK, has been concentrated at the workplace level. The tradition of comparing HRM in organizations of different size, sector or ownership within one country remains very strong. There are also many commentators who state, or imply by omission, that their analysis is universal. As long as the level of analysis is explicitly that of local explanation or generalized assumptions, these views through the telescope are different but not inaccurate; but when the former makes assumptions about generality or the latter attempts to explain practices at workplace level, there will be inevitable inaccuracies.

This chapter adopts a mid-focus position, concentrating upon comparative HRM at the country level. The main area of focus is comparisons between countries, but occasionally the focus will be changed to note differences between cultures, regional groups of countries (such as the European Union or groups within that) or differences within countries. As with the telescope metaphor, this picture is no more nor less accurate than the others: it just helps us to understand some things more clearly.

Against the backdrop of such a mid-focus position, a systematic critical analysis of comparative HRM has to address at least three questions (for a more in-depth discussion of the underlying angles for these questions, see Mayrhofer 2007). First, and most important, what are the theoretical foundations for comparative HRM? Second, which levels of analyses does comparative HRM primarily address? Third, what are major themes and outcomes of empirical comparative HRM research? Addressing these questions allows a comprehensive overview about the arguments used in the comparative HRM discussion and the areas of interest as well as critical issues in comparative HRM. Hence, this chapter explores, in turn, the conceptual paradigms that underlie the topic; an overview of the strengths and weaknesses of comparative HRM in terms of levels of analysis; and, as two major themes emerging, the issues of convergence and divergence raised by the notion of globalization as well as explanators advanced for commonalities and differences that are found, including not only functionalist, culturalist and institutionalist perspectives but also the role of multinational enterprises in diffusing HRM practices across different contexts.

Conceptual paradigms

HRM is conceptualized in different ways in different countries or perhaps groups of countries. Likewise, the research traditions through which it is explored are quite different. Two different (ideal-type) paradigms have been classified as the *universalist* and the *contextual* (Brewster 1999a, 1999b). The notion of paradigm is used here in Kuhn's (1970) sense as an accepted model or theory, and with the corollary that different researchers may be using competing models or theories. This notion of paradigms, supplemented by a configurational perspective, has been applied to HRM elsewhere, in particular when analysing the HRM–performance link (Delery and Doty 1996; Wright and McMahan 1992; Martín-Alcázar et al. 2005). Other paradigms have originated in particular geographical areas, though, like the ones explored here, they will have adherents now in many countries. Thus, there is a strong Latin paradigm of research into HRM which, building on the French sociological and Marxist traditions and the focus on Roman law, is concerned with the establishment of large-scale concepts, societal level and political interactions and the nature and detail of the law. There are different approaches to the notion of HRM in Japan and so on. For our purposes here, the universalist and contextual paradigms will serve as good examples, building as they do on the significant traditions of the USA and northern Europe. The difference between these paradigms, the lack of awareness of that difference and the tendency for commentators to drift from one to another, or to apply one paradigm when the other would be more appropriate, has contributed to the confusion about the very nature of HRM as a field of study – as pointed out by many of its early experts (see e.g. Storey 1992; Legge 2005; Storey 1995).

The *universalist paradigm* is dominant in the United States of America but, as noted above, is also widely used by commentators, business schools and consultancies throughout the world. It is basically a nomothetic social science approach: using evidence to test generalizations of an abstract and law-like character. This paradigm assumes that the purpose of the study of our area of the social sciences, HRM and in particular strategic HRM (Boselie 2010), is to improve the way that human resources are managed strategically within organizations. Although not always made explicit, the background objective of this work is to improve organizational performance, judged either by its impact on the organization's declared corporate strategy (Huselid 1995; Becker et al. 2001), on the customer (Ulrich 1989) or on shareholders (Becker and Gerhart 1996). This objective will apply in all cases. Thus, the widely cited definition by Wright and McMahan states that SHRM is 'the pattern of planned human resource deployments and activities intended to enable a firm to achieve its goals' (Wright and McMahan 1992: 298).

Research and understanding based on this paradigm has a simplicity of focus, allows research to coalesce around a shared objective and has a clear relationship with the demands of industry. However, it has been criticized for ignoring other levels of analysis (Kaufman 2012) and being inappropriately applied, for the narrowness of the research objectives and the ignoring of other stakeholders (Beer et al. 2015) and for its rather mechanistic explanations (e.g. Brewster 2004; Legge 1995; Marchington and Grugulis 2000).

Arguably, there is greater coherence in the USA around what constitutes 'good' HRM: a coalescing of views around the concept of 'high-performance work systems'. These have been characterized by the US Department of Labor (U.S._Department_of_Labor 1993) as having certain clear characteristics:

- careful and extensive systems for recruitment, selection and training;
- formal systems for sharing information with the individuals who work in the organization;
- clear job design;
- participation procedures;
- monitoring of attitudes;

- individual performance appraisals;
- properly functioning grievance procedures; and
- promotion and compensation schemes that provide for the recognition and financial rewarding of high-performing members of the workforce.

There have been many other attempts to develop such lists (see, for example, Boxall and Macky 2009), and they all differ to some degree, but the Department of Labor list can be taken as an exemplar of the universalist paradigm: few US researchers in HRM would argue, except perhaps in detail, with this list. Both researchers and practitioners in other countries, however, find such a list contrary to experience and even to what they would conceive of as good practice. Thus, they might argue for information being shared with representative bodies such as trade unions or works councils, for flexible work boundaries, for group reward systems. And they might argue that attitude monitoring, appraisal systems, etc. are culturally inappropriate.

Methodologically, research based on the universalist paradigm is deductive: it involves generating carefully designed questions which can lead to proof or disproof, the elements of which can be measured in such a way that the question itself can be subjected to the mechanism of testing and prediction (for a recent example see e.g. Shin and Konrad 2017). Built into this paradigm is the assumption that research is not 'rigorous' unless it is drawn from existing literature and theory, focused around a tightly designed question which can be proved or disproved to be 'correct', and contains a structure of testing that can lead on to prediction. Testing of these hypotheses, particularly for the leading international journals, requires the rigorous use of established statistical methodologies. The research base is mostly centred on a small number of private sector, 'leading edge' exemplars of 'good practice', often large multinationals, generally from the manufacturing or even specifically the high-tech sector. This paradigm is also the basis for the decisions of editors and reviewers in most leading journals.

By contrast, the *contextual paradigm* is idiographic, searching for an overall understanding of what is contextually unique and why. It is focused on understanding what is different between and within HRM in various contexts and what the antecedents of those differences are. This is a sub-category of the generic contingent models proposed for the social sciences (Venkatraman 1989; Woodward 1970). Understanding HRM becomes dependent on a large number of variables, and the concept of a 'best way' becomes impossible. In this sense, comparative HRM is usually to some extent 'critical'.

The research mechanisms used tend to be inductive: theory is generated from an accumulation of data collected or gathered in a less directed (or constrained) manner than would be the case under the universalist paradigm. Research traditions are different and focused less upon testing and prediction and more upon the collection of evidence. There is an assumption that if things are important they should be studied, even if testable prediction is not possible or the resultant data are complex and unclear. The policies and practices of the 'leading edge' companies (something of a value-laden term in itself) are of less interest to the contextualists than identifying the way labour markets work and what the more typical organizations are doing. Among most researchers working in this paradigm, it is the explanations that matter – any immediate link to firm performance is secondary. Indeed, other stakeholders are seen as at least as important as the owners of the business (Beer et al. 2015). It is assumed that HRM can apply to societies, governments or regions, organizations and workplaces. At the level of the organization (not 'firm' – other major types of organization such as public sector and not for profit organizations are also included), the objectives and strategy of management are not necessarily assumed to be 'good' either for the organization or for society. The many examples where this is clearly not the case were emphasized by many of the organizations involved in the 2008 financial crisis and various scandals since then.

As a contributor to explanation, the contextual paradigm tends to place as much emphasis on external factors or employees' reactions as on the actions of the management within an organization. Thus, it explores the importance of such factors as culture, ownership structures, labour markets, the role of the state and trade union organization as aspects of the subject rather than external influences upon it. The scope of HRM goes beyond the organization to reflect the reality of the role of many HRM departments, particularly in Europe: for example, in lobbying about and adjusting to government actions, in dealing with such issues as equal opportunities legislation or with trade unions and tripartite institutions. This paradigm is widespread in many European countries and in many of the Asia–Pacific states and also has some adherents in North America. Furthermore, if one were to judge by the journals and newsletters put out by the HRM societies and consultancies, HRM practitioners in the United States of America are as interested in many of the same legislative and labour market issues as those elsewhere. Interestingly, there are increasing calls from North Americans for a contextual paradigm (e.g. Jiang et al. 2013; Jackson et al. 2014) or, to be precise, approaches that have considerable resonance with this paradigm, to be used in the USA (see, for example, Wright et al. 2005).

The contextual paradigm is intuitively pluralistic. There is no unitary assumption that the interests of everyone in the organization will be the same; or any expectation that an organization will have a strategy that people within the organization will necessarily support. Rather, the assumption is that not only will the employees and the unions have a different perspective to the management team (Beer et al. 2015), but also that even within the management team there may be different interests and views (Lepak and Snell 1999).

Many of the seminal management and HRM texts are written as if the analysis applies at all levels – what Rose (1991) called 'false universalism'. This is a major problem in relation to the US literature. The cultural hegemony of US teaching and publishing, particularly in the US and 'international' journals, mean that these texts are often utilized by readers and students in other countries. US-based literature searches tend to privilege texts from this US-based literature, and hence texts in the universalist tradition. For analysts and practitioners elsewhere with interests in different sectors, countries and so on, many of these descriptions and prescriptions fail to meet their reality. It is not that either paradigm is necessarily correct or more instructive than others, but that the level and focus need to be specified to make the analysis meaningful (Brewster 1999a, 1999b).

Using the contextual paradigm, researchers have attempted to explore and, if possible, explain through comparative HRM studies. In its simplest form, HRM in two different countries is compared and contrasted at a merely descriptive level. In a broader sense the criteria for comparison, derived from theoretical reasoning or closely linked to observable phenomena, go far beyond that to explore clusters of countries, or to challenge the national boundaries concept. Cultural groups do not always coincide with national borders. Hence, studies such as that by Dewettinck et al. (2004), who compare the way people are managed in the Walloon and Flemish parts of Belgium (with France and the Netherlands), would be claimed as comparative HRM texts. While basically using *comparative* in this broad sense, the majority of comparative HRM contributions do deal with differences across nations, culture clusters and world regions.

Units of analysis

Comparative HRM research usually focuses on individual and collective actors of various kinds as well as on the respective structures and processes linked with these actors, all of them in different countries, cultures or regions. The degree of social complexity constitutes a useful main differentiation criterion in order to group these actors according to different analytical levels. Actors are characterized by low social complexity if the emerging social relationships within these actors are either non-existent, as in the case of individuals, or have comparatively little complexity, e.g. in face-to-face groups. However, collective actors such as countries or supra-national units show high social complexity. A complex fabric of social relationships constitutes their internal environment. Between these two poles, various existing actors can be grouped (for examples see Figure 18.1).

Analysis of published comparative HRM research back to the 1990s reveals that country, organization and individual level analyses dominate the scene. Investigating articles published in journals that are listed in a major academic electronic database of the field, *EBSCO Business Source Premier*, provides full text

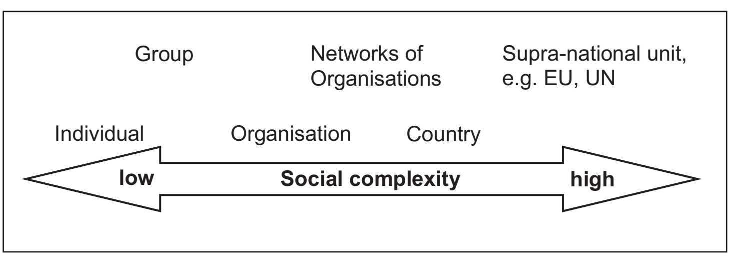

Figure 18.1 Units of analysis in comparative HRM and their social complexity

access to more than 2,300 journals. Extensive research in all peer-reviewed articles published in the years from 1990 to 2005 (Mayrhofer and Reichel 2009) using 'comparative HRM' and a number of variations of this search term, the 'author-supplied keywords' as well as 'abstract or author-supplied abstract' section of the database was searched. In addition, two further criteria were used: articles had to be comparative in a geographical or cultural sense, excluding articles comparing different types of companies, e.g. public versus private, or regions of one country, e.g. states of the USA; in addition, there was a focus on core areas of HRM, i.e. issues of organizing and configuring HRM within the firm and major HRM practices, excluding literature not explicitly linked with HRM, e.g. comparative leadership studies. Results revealed that comparative HRM typically

- is empirical rather than conceptual;
- focuses on country, organization or individual as the primary units of analysis;
- uses cross-sectional 'snapshot' rather than longitudinal, i.e. panel or trend study designs; and
- focuses on comparison of one or more sets of HRM practices, e.g. recruitment procedures, and/or HRM configuration such as strategic orientation or size of the HRM department rather than the link between HRM and some kind of output like satisfaction, performance or commitment.

Overall, this shows that comparative HRM puts an emphasis on actors and respective processes and structures at a low to medium level of social complexity. Typical blind spots are networks of organizations and supra-national actors. The analysis of the contributions in a recent handbook on comparative HRM (Brewster et al. 2018 [in press]) and the literatures cited there confirm that one decade later this still is the case.

Developments over time: convergence and divergence

Developments over time are one of the most intriguing areas in the growing body of evidence in comparative HRM. While many studies use cross-sectional designs, panel or at least trend studies address include the temporal perspective and address questions such as: if HRM is different across countries, then what are the trends? Are the differences static or, more sensibly and assuming that almost no social systems will remain completely static, what is the direction of movement – are different units of analysis heading in the same direction, are they becoming more alike? Is HRM, like so much else, maybe even bound to become largely similar subject to forces typically labelled as globalization? Contributions to answering these questions – often libelled within the frame of convergence and divergence – come from theoretical, methodological and empirical sources.

From a theoretical perspective, arguments are raised for both convergence and divergence. Arguing at the macro level, different forms of capitalism (Hall and Soskice 2001; Amable 2003) as well as the importance of national business systems (Whitley 1999) emphasize the differences in the modern world, its institutional change (Djelic and Quack 2003) and the limits of globalization (Guillén 2001). From the cultural perspective, national and regional cultures reflect substantial differences in norms and values (Hofstede 1980; House et al. 2004) that will also make convergence at all levels highly unlikely. On the other hand, part of the globalization literature expects converging developments. Galbraith contended that modern man's 'area of decision is, in fact, exceedingly small' and that 'the imperatives of organization, technology and planning operate similarly, and . . . to a broadly similar result, on all societies' (1967: 336). Likewise, Kerr et al. (1960/1953]) postulated that the logics of industrialization produce common values, beliefs and systems of organization despite different ideologies, politics and cultures. Covering both basic arguments and pointing towards synchronic developments, arguments are brought forward that emphasize the simultaneous occurrence of both converging and diverging trends (Crouch and Streeck 1997; Farndale et al. 2017; Inkeles 1998).

From a methodological perspective, it is essential to have a clear understanding about what convergence and divergence actually mean. Some studies have claimed to find convergence from a single point in time analysis (e.g. Chen et al. 2005). A closer look reveals that, clearly, what they have found are similarities, but not convergence, which requires a coming together over time. To be clearer about this, two major forms of convergence have been suggested (Mayrhofer et al. 2002). *Final* convergence exists when units of analysis are becoming more alike, e.g. share a development towards a common endpoint, implying a decrease in differences between countries. To be sure, this does not imply that this endpoint will or should ever be reached. *Directional* convergence occurs when units of analysis share the same trend, i.e. they go in the same direction, regardless of their initial starting level and a common endpoint. Examples would be the decreasing membership of trade unions or the increases in alternative working practices across different countries, irrespective of different starting levels.

From an empirical perspective, hard evidence of long-term development in HRM is scarce. Arguably the most elaborate work in this area stems from Cranet, a research network dedicated to a trend study about developments in the area of HRM in public and private organizations with more than 200 employees since 1989 and seven survey-rounds being conducted in currently more than 40 countries world-wide with an emphasis on Europe (see Brewster et al. 2018; Parry et al. 2011). Detailed evidence is available for developments in Europe (Farndale et al. 2017; Mayrhofer et al. 2011; Parry et al. 2013; Wood et al. 2014). Results show that in Europe many aspects of HRM show directional convergence, i.e. the trends are the same. Thus, there are increases in most countries most of the time in such issues as the use of contingent pay and the extent of communications with employees. However, contrary to the received wisdom in the universalistic texts, there is no sign of common trends in the size of the HRM department (Brewster et al. 2006) nor in training and development, which is given high priority in many countries but seems to remain the first area for cuts when finances become tight (Goergen et al. 2012; Mayrhofer et al. 2004). Later attempts to examine the issue, using more nuanced models of convergence, show continuing complexity with some areas of HRM more institutionally embedded in specific countries and some less, and therefore more open to standardization (Farndale et al. 2017). If globalization is taking place, it is not leading to any simple standardization of HRM practices 'making things more similar' between countries. To understand HRM in any country, you have to understand the context. Hence, the broader issue of which factors might explain similarities and differences between HRM in different countries and their development becomes crucial.

Explanators in more detail: cost efficiency, culture, institutions and diffusion

Comparative HRM should attempt explanation as well as description (Boxall 1995), and it is worth analysing and trying to explain what impacts on and creates the diversity – and sometimes the lack of it – that we find between countries in their understanding of, approaches to and actions on HRM. While differences as well as commonalities of contextual influencing factors exist, it is by no means clear which factors have what effects on HRM. In broad terms, there are three partly competing, partly complementary sets of explanators: a more functionalist view linked with the universalist paradigm of HRM; and cultural and institutional perspectives asking whether differences are 'sustained because people find it repulsive, unethical or unappealing to do otherwise. . . . [or] . . . because a wider formal system of laws, agreements, standards and codes exist?' (Sorge 2004: 118), both rooted in the contextual paradigm. In all three perspectives, MNEs play a role in the diffusion processes.

Functionalist perspective

Linked to a universalist perspective and tied to a functional view of the organization, there are a number of arguments emphasizing forces that support more homogeneity. At the organizational level and perhaps most pointedly, tendencies towards similarity are claimed by transaction cost economics: 'most transaction cost theorists argue that there is one best organizational form for firms that have similar or identical transaction costs' (Hollingsworth and Boyer 1997: 34). With different basic assumptions and theoretical reasoning, some institutionalist approaches also lean to a kind of homogeneity. For example, the world polity view (e.g. Meyer et al. 1997) assumes that global rationality myths exist that lead towards converging developments across national and cultural borders. The dominance of one country (usually the USA) in such thinking has been noted (Pudelko and Harzing 2007; Smith and Meiksins 1995). Similarly, other forms of neo-institutionalism would argue that large collective actors such as the European Union provide fertile ground for different kinds of isomorphic pressures within this unique setting, i.e. a supranational construct that ties together politically sovereign states into a coherent and heavily interdependent union where many national activities are governed by European regulations and organizations have a more unified context to operate in.

Cultural perspective

Both culture and institutional views emphasize heterogeneity but differ in their arguments. Early authorities on culture argued that it is 'one of those terms that defy a single all-purpose definition and there are almost as many meanings of culture as people using the term' (Ajiferuke and Boddewyn 1970: 154). Subsequent years and studies have added further complexity rather than clarifying the issue. In all its various manifestations, the cultural literature assumes that variations in practices, including HRM practices, will be in line with different cultural contexts. Typically, these will reflect national boundaries, but this is by no means always the case. While the 'culturalist' school is an extremely broad one, what most of these approaches have in common is that they treat culture as a given; it may be possible for a society to enhance or change its 'social capital', but it is not possible to develop social trust deliberately and systematically, nor radically to depart from established rules and norms (Fukuyama 1995; Lane 1989). Culture is seen as a way in which individuals can confer shared meanings and hence make sense of social interactions. Even if the nature of that culture may be relatively fluid and subjective, it provides a persistent boundary, horizon or 'segment' to the lifeworld of individuals and clusters thereof. A range of researchers have not only found geographically based, usually national, differences in deep-seated values about what is good or bad, honest or dishonest, fair or unfair etc., but also point to the interrelation between cultural-level and individual-level values: each individual will be different, but the aggregation of their approaches makes what is acceptable and desirable in one country different from what is acceptable or desirable in another. In addition, what happens at the organizational level is also affected by these values (see, e.g. Hofstede 1980; House et al. 2004; Schwartz 2004). These perceptions affect the way people in a country, and perhaps especially relevantly here, managers, view the world. Since HRM is concerned with interactions between people at different hierarchical levels within an organization and also the organization-context link, these cultural differences will inevitably be reflected in differences in the way people are managed. The measures are weak and incompatible (Avloniti and Filippaios 2014) and have been critiqued (Tung and Verbecke 2010; Weller and Gerhart 2018 [in press]). Further, it has been argued that cultures can, to some extent, be managed out of the picture in a way that institutions cannot (Vaiman and Brewster 2015). Nevertheless, clearly there is truth in the concept that national cultures will influence what is acceptable and legitimate in HRM practices, even if our current measures make that difficult to tease out.

Institutionalist perspective

Institutional perspectives, by contrast, focus on the institutions within a society as being the environmental structures that keep them distinctive. Institutions are likely to shape the social construction of the nature of organizations and will certainly structure policies and practices within them. The institutional perspective (Meyer and Rowan 1977; DiMaggio and Powell 1983) argues that isomorphism between organizations is determined less by cultural differences than by institutions. Adding in a cross-national element has led some institutionalists to argue that it is the economic, social and legal arrangements of societies that keep the nations distinctive (Hollingsworth and Boyer 1997; Whitley 1999). Thus, the general and vocational education system, the way labour markets work, employment legislation and the industrial relations system will all impact on the way that HRM can be conducted in particular states. HRM will be a function of the country's particular institutional arrangements – the 'societal effect' (Maurice et al. 1986). As with the culture effects, there seems to be a kind of societal recipe that can be violated or ignored, but only at a cost, most prominently a loss of legitimacy. Most people, or most organizations, choose not to do so.

Perhaps a key institution underlying differences in HRM is the legal system. La Porta et al. (1997) distinguished between common law and civil law societies, arguing that common law, the legal system of the UK, the USA and most Commonwealth countries, accords an important role to the judges who make law in the courts by setting precedents. This provides stronger investor protection than the civil law system found in much of the rest of the world. They develop an argument that among the civil law family, French civil law provides the lowest levels of shareholder protection, followed by German civil law and then Scandinavian civil law. In common law countries, in order to protect ownership rights and ensure general economic prosperity, employee rights are best secured through individual litigation aimed at enforcing general common-law style legislation (Djankov et al. 2003: 603). Later on, La Porta and colleagues have built on this reasoning and argued that civil law countries are characterized by the direct regulation of markets, including labour markets (Botero et al. 2004: 1379). There is some evidence in the HRM research that these differences do help to explain some features of the subject (Goergen et al. 2009b; Goergen et al. 2009a; Wood et al. 2009).

The recognition of institutional differences is not new (Rosenzweig and Singh 1991). Neither are these major explanatory patterns the only ones that have been addressed in the literature. Additional explanators include patterns of ownership leading to differences in the amount of attention paid to long term sustainability vs. pressure to produce short-term profits and the incentive to drive competitors out of the marketplace (Brewster 2004; Guery et al. 2017); the relationship between national level political structures and practices; or the relative power of stakeholders at firm-level, each of which merits further investigation. Pagano and Volpin (2005), for example, suggest that the type of electoral system – a proportional or majoritarian electoral system – is a key determining factor in the levels of protection that employees and investors have and, by extrapolation, the kind of HRM found in a particular country and test this using national level data from 21 OECD countries.

Synthetic theories of comparative capitalisms have attempted to bring these different theories together into concepts of comparative capitalisms (Jackson and Deeg 2008). Leading authorities such as Amable (2003), Hall and Soskice (2001) or Whitley (1999) have developed theories about the differences between developed societies. One category covers the liberal market economies (the Anglo-Saxon countries) where competition is fierce, government tries not to get too involved and business is left as free as possible, which is compared to the coordinated market economies, such as the Rhineland states and Japan, where governments, business and other stakeholders interact positively and the actions of business are more constrained. The authorities on the subject note that both categories are equally successful. The coordinated market economies have also been further sub-divided into the Nordic countries, the southern European countries and transitional states.

So far, the evidence that we have on explanators for HRM policies and practices indicates that politics are a poor source, political systems (majoritarian or proportional representation) show a higher correlation, but the synthesized comparative capitalisms, especially in the more sub-divided Amable version, seems to provide the best explanations (Wood et al. 2014).

Diffusion perspective

Diffusion, too, is a major approach towards explaining commonalities and differences in HRM across countries. It refers to the dissemination of tangible or intangible units within a certain frame of reference, e.g. an organization, the economic system, countries etc. Diffusion can relate to very different phenomena like the diffusion of innovation (e.g. Jason and Francesco 2010), of organizational structures and processes (e.g. Boxenbaum and Jonsson 2017), of knowledge (e.g. Havakhor et al. 2018) or of language (Labov 2010). While diffusion of organizational concepts and practices happens through a number of channels such as organizational policies, expatriation, border-spanning educational systems, consultants or rating agencies, MNEs and their subsidiaries are often seen as a key element, especially in HRM, due to the growth in the number, reach and power of MNEs and their central role in the globalization process (Meyer 2000). Much attention is currently being focused on how MNEs are changing local HRM practices by importing successful practices across national borders. Hence, a major question is: are the actions of MNCs reducing national differences in HRM, and what is the balance between the extent to which foreign organizations bring new practices into a country compared to the extent to which they adjust to local practices (Quintanilla and Ferner 2003)?

It has been argued that this will vary with a number of factors, most importantly with: the kind of country the MNE operates in; theories of how different types of business systems or market economies may influence HRM; the country of origin of the MNEs; the type of organization, i.e. foreign-owned MNEs, domestic-owned MNEs and domestic organizations; and with the impact of context on MNEs operating under these different conditions (Almond and Ferner 2006; Farndale and Paauwe 2007;Ferner and Quintanilla 2001; Gooderham et al. 1999). In broad terms it seems that MNEs do bring new practices into their host territories, but at the same time they are not that different – they have to accept the constraints of the institutions of those countries (Farndale et al. 2008).

Conclusion: recognizing the comparative dimension of HRM

Overall, the work in comparative HRM has continued to expand since the last edition of this book, showing that beyond some universals, substantial differences in the meaning and practice of HRM in different countries exist. There are clear regional differences between, say, the patterns of contingent employment, anti-unionism and the role of the HRM department in the USA, Japan and Europe. And, going back to the focus-pulling analogy, within Europe different sub-regional patterns can be distinguished, reflecting the wider discussion about business systems and varieties of capitalism. Below the sub-regional level there is clearly in existence a set of broad, relatively inert distinctions between the various national contexts of personnel management that makes any universalistic models of HRM problematic. The idiosyncratic national institutional settings are so variable that no common model is likely to emerge for the foreseeable future. Our discussion of the issues of comparative HRM in general and convergence and divergence in national patterns of HRM in particular is, therefore, equivocal and perhaps needs more careful nuance than has been the case in much of the writing about HRM. HRM varies by country, sector and size of organization; by subjects within the generic topic of HRM; and by the nature of the organization (life-stage; governance; market, etc.). All this points towards the greater explanatory power of the contextual paradigm – at least in such cases.

However, comparative HRM is inevitably a complex subject. A full understanding requires drawing on a wide range of possible explanators. Beyond further clarifying the object of research and focusing on promising research themes coming from both the academic and the practitioner discourse, the current state of theory and its capacity to analyse important questions of comparative HRM is perhaps the key unresolved issue characterizing existing comparative HRM research (Mayrhofer et al. 2018 [in press]). So far, the theoretical efforts are not coherent and are only partly able to explain observed differences and commonalities. There is no coherent and widely agreed theoretical rationale for the observed comparative differences of HRM that allows an integration of the existing theoretical explanations primarily based on functional, cultural or institutional arguments. It might be too ambitious to call for a meta-theory uniting these perspectives. Yet, it is highly unsatisfactory for the field of comparative HRM research – and with it, we would argue, for much of management and cross-cultural research – to have so many different explanations of the commonalities and differences in HRM between countries, cultures and regions, but no accepted set of theoretical propositions that can unify the field.

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19 International human resource management

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Introduction

The topic of international human resource management (IHRM) has acquired an important niche in the field of human resource management (HRM) and become a key issue for practitioners in multinational corporations (MNCs). Our point of departure is that managing human resources within organizations that straddle national boundaries is more than a matter of scale and presents the field with unique and complex challenges that need to be considered carefully and critically. In this chapter, we begin by introducing the topic in the context of the traditional ethnocentric view of international management and by highlighting the historical under-representation of research on the human resource function in the international management literature. Following this general introduction, we illuminate a number of key themes in the field of IHRM which form the basis for structuring the remainder of the chapter. First, we consider the key issue of global staffing; we then explore the issue of standardization versus localization in the transfer of IHRM policy and practice. Third, we propose the adoption of an industrial relations perspective on the management of people in the international firm. Finally, we conclude by summarizing the main issues explored in the chapter and draw out the implications of the material for the management of people in the international arena.

International human resource management in context

The question of how organizations operating across national borders manage their foreign operations has a long history. Entrepreneurs have recognized the importance of physically relocating managers to foreign locations where business operations are based since approximately 1900 BC. Even at this stage, locals were viewed as inferior and restricted to lower level jobs while parent country nationals (PCNs) were charged with running foreign operations and afforded superior conditions, similar to modern day expatriates (Moore and Lewis 1999: 66–67). While international trade may have been the exception rather than the rule at this time, Hirst and Thompson (1999: 2) posit 'the present highly internationalized economy is not unprecedented', but rather is 'one of a number of distinct conjunctures or states of the international economy that have existed . . . from the 1860s, indicating a long pedigree of international trade'. Nonetheless, the emphasis on the role of parent country national expatriates, defined here as managers transferred from the headquarters operations to subsidiaries, generally for a period of three to five years, dominated the research agenda of international human resource management for much of the latter part of the last century (Caligiuri and Bonache, 2016). Arguably, this is reflective of the ethnocentric view of multinational management adopted by many contributions, particularly from North America, to the field (Scullion and Brewster 2001). These contributors, often implicitly, present a view that headquarters policy and practice, generally US-based, is superior and that MNCs – and, indeed, their subsidiaries – will benefit from transferring this to their subsidiary operations. However, in recent years we have seen significant advancement in the literature, including a large body of European and more general non–US-centric literature. Somewhat paradoxically, for a number of years the study of MNCs focused on activities such as international marketing and strategy, international production and the like, with human resource management research significantly underrepresented (Morley et al. 2006).

This led Ondrack (1985) to argue that IHRM was one of the least-studied areas of international business, while Laurent (1986) described the field as in its infancy. Indeed, more recently Farndale et al. (2017: 1626–1627) note that with 'this academic infancy (or adolescence) come contestations regarding how the field might best be conceptualized, what its research priorities should be, who the salient stakeholders are, along with the manner and level at which meaning is best generated'. That said, we have, however, seen significant advances in recent years, and there is now a good degree of literature in the area.

For some (Torrington 1994: 4) international HRM is little more than domestic HRM on a larger scale with some additional complexities. However, we argue that international HRM is a far more complex and challenging animal and that the management of human resources in the international context is an especially complex and demanding process. In this regard, Lazarova (2006) distinguished IHRM from HRM by reference to the additional layers of complexity of operation associated with operating in diverse national contexts combined with the requirement to manage three diverse groups of employees – namely home, host and third country nationals. Further, Schneider and Barsoux (2003) point to the heavy demands which internationalizing a company places on the HR function. Specifically, they point to the requirement for the HR function to have a sound understanding of the organization's corporate strategy and ensuring that HR policy is aligned with it. Indeed, the challenges of managing the global HR function are well documented in the literature (Farndale et al. 2010; Sparrow et al. 2013). Second, HR must understand the cultural assumptions underpinning the organization's HR policies, as well as the subsidiary's policies, and manage the tensions between home and host influences. Finally, HR must have the ability to judge the antecedents and consequences of political resistance to HQ policy in subsidiaries and indeed the reasons why HQ may wish to transfer standardized policies in specific instances (Ahlvik and Björkman 2015; Ahlvik et al. 2016).

Thus, HR professionals should also recognize the potential to learn from the subsidiaries. In this chapter, we adopt Scullion's (1995: 325) definition of IHRM as 'the HRM issues and problems arising from the internationalization of business, and the HRM strategies, policies and practices which firms pursue in response to the internationalization of business'.

Hence, in addition to regular functional HRM issues, IHRM includes a number of discreet themes including, *inter alia*: approaches to multinational management and global staffing, which explore the various strategic choices that can be made in the management and staffing of global firms; global talent management, which focuses on high-performing and high-potential employees in critical roles; standardization versus localization in the transfer of IR/HR policies and practices, which focuses on the extent to which the MNC can implement globally standard policies and practices vis-à-vis the extent to which they must be adapted to account for local norms and traditions (Collings et al. 2018; Edwards et al. 2016; Farndale et al. 2017); and the related theme of adopting an industrial relations perspective on the management of people in the international firm (Collings 2008).

The breadth of topics encompassed within the field of IHRM prevents us from undertaking a full review (see e.g. Tarique et al. 2015; Edwards and Rees 2016; Reiche et al. 2018 etc.). Therefore, in this chapter we focus specifically on the themes outlined above to provide the reader with a critical understanding of key IHRM themes and directions for further study.

Multinational management and global staffing

Given the significant impact of the parent company's international strategy and corporate top management team's beliefs on the nature of human resource policy and practice in foreign subsidiaries (Collings et al. 2018; Edwards et al. 2016; Taylor et al. 1996), we begin by considering the various orientations MNCs can have towards foreign operations. In this regard, Perlmutter's (1969) contribution represents a key point of departure. In developing a model of *the multinationality* of international firms, he argued that no single criterion of multinationality was enough, nor were quantifiable measures such as percentage of foreign equity enough in themselves. Rather 'the orientation toward "foreign people, ideas, resources" in headquarters and subsidiaries, and in the host and home environments, becomes crucial in estimating the multinationality of a firm' (Perlmutter 1969: 11). Initially he identified three approaches to the staffing of MNCs, namely: *ethnocentric*, *polycentric* and *geocentric* (Perlmutter 1969), while in later work he developed a fourth approach, the *regiocentric* approach (Heenan and Perlmutter 1979). We also point to linkages between Perlmutter's typology and some important literature on international strategy (cf. Bartlett and Ghoshal 1998) and strategic international HRM (Taylor et al. 1996). (For a fuller discussion of this area, including the advantages and disadvantages of each approach, see Collings and Scullion 2006).

As alluded to above, *ethnocentric* organizations are considered to be home-country orientated. This is reflected in the fact that key positions in the HQ and subsidiaries are generally staffed by parent country nationals (PCNs). Further, home country policies, practice and people are considered superior and there are limited opportunities for host country nationals (HCNs) to be promoted to key positions or to the HQ. Similarly, there is little attempt to identify and diffuse best practice from the subsidiaries. The literature suggests that ethnocentric policies are most appropriate during the early stages of subsidiary establishment, although Collings et al. (2008) suggest that born global firms, or firms that globalize at the early stage of their life cycles, may have limited excess managerial capability at the HQ and thus may not be in a position to deploy PCNs to subsidiaries. From a strategic IHRM perspective, an ethnocentric orientation is similar to the Taylor et al. (1996) exportive approach, which emphasizes the transfer of policy from HQ with little regard for national difference. It is also consistent with Bartlett and Ghoshal's (1998) conceptualization of global companies. In this regard, global companies are characterized by standardization and the promotion of organizational efficiency. They are focused on the integration of production and the development and diffusion of standardized products in a cost-effective manner. In global companies, most key functions tend to be centralized and the role of subsidiaries is limited.

Polycentric organizations stand in contrast to ethnocentric ones and are primarily host-country orientated. Foreign subsidiaries are principally staffed by HCNs or managers from the subsidiary location. Perlmutter has compared these organizations to confederations, or as 'loosely connected group[s] with quasi-independent subsidiaries as centres' (1969: 12). Subsidiaries are allowed to develop with minimal interference from HQ and are generally controlled through good financial monitoring and procedures. Polycentric staffing policies are most likely to be evident where organizations serve heterogeneous product markets and where products and services must be adapted and marketed to suit specific national tastes. The polycentric orientation is consistent with Taylor et al.'s (1996) adaptive orientation whereby policies are designed to ensure they are consistent with the local context. It is also consistent with Bartlett and Ghoshal's (1998) multidomestic organization model. The multidomestic companies are characterized by a decentralization of decision-making and manufacturing driven by a desire for local responsiveness. The differentiation of products and services to accommodate local tastes and requirements is more important than the standardization which is characteristic of global firms.

Geocentric organizations are less concerned with nationality, and this is reflected in the filling of positions at both HQ and subsidiary level with the 'best person for the job' regardless of nationality. Geocentric organizations are considered to represent the most complex form of organizational structure, thus requiring high levels of communication and integration across borders. The aim of the structure is to de-emphasize national culture and to emphasize an integrating corporate culture (Edstrom and Galbraith 1977; see also Caligiuri and Stroth 1995). This geocentric approach resonates with Taylor et al.'s (1996) integrative orientation.

Taylor et al. argue that integrative firms attempt to use 'best practice' regardless of where it originates within the MNC. Geocentric organizations are consistent with Bartlett and Ghoshal's (1998) transnational model of organization. The transnational is characterized by flexible organizational strategy which can respond to emerging developments in the business environment. The MNC is conceptualized as an integrated network of sub-units within which expertise and resources are neither centralized nor completely de-centralized.

Finally, *regiocentric* organizations are conceptualized on a regional basis, and managers are generally selected on the basis of 'the best in the region', with international transfers generally being restricted to regions. Under this structure, subsidiaries within a region may have a relatively high degree of autonomy. Corporate policies and communication are generally mediated through the regional HQ. This strategy has become more popular in recent years, with many MNCs choosing to organize operations regionally. Indeed, writers such as Alan Rugman argue that most MNCs are regional rather than truly international, with the majority of their operations and sales being concentrated in their home region, thus highlighting the potential significance of the regiocentric orientation. However, based on their case research, Collings et al. (2008: 209) argue that

> at a corporate level regiocentric strategies may be as limiting as ethnocentric ones, in that the MNC may fail to source key talent outside of the home region, thus limiting the performance of the MNC through failing to adequately understand the peculiarities of regions outside of the home one and a failure to exploit the best talent within the MNC.

They also argue that regional structure can lead to the emergence of silo mentalities, whereby regional managers prefer to hold and protect their top talent within the region rather than allowing them to develop outside the region. Notwithstanding this, the significance of TCNs has increased significantly due to a number of factors, including: (1) the increasing significance of regional trading blocks such as NAFTA, the EU; (2) the increasing regional focus of MNCs identified by Rugman and colleagues; and (3) the difficulties associated with implementing global strategies in MNCs.

Bartlett and Ghoshal's typology has also been influential in the IHRM sphere and has been adopted in studies on global talent management (Morris et al. 2016; Collings et al. 2018) and in other areas.

Global staffing

A key visible measure of a MNC's orientation towards the management of their foreign subsidiaries emerges with regard to staffing decisions. These staffing decisions are encompassed under the term global staffing, which has been defined as 'the critical issues faced by MNCs with regard to the employment of home, host and third country nationals to fill key positions in their headquarters and subsidiary operations' (Scullion and Collings 2006: 3).

Global staffing is considered a critical issue in IHRM for several reasons. First, the success of global business is increasingly linked to the ability of MNCs to attract and retain the quality of management talent required to effectively coordinate and implement global strategies (Pucik et al. 2016). Second, shortages of international management talent is a growing problem for many MNCs and has been exacerbated in recent years by the rapid growth of emerging markets such as China, India, Central and Eastern Europe and South America (Dicken 2007). This poses a significant global staffing challenge for MNCs as there will be an increasing need for international management talent with both the distinctive competences and the willingness to manage in these culturally challenging and geographically distant markets (Björkman and Xiucheng 2002). In addition, there is increasing recognition of the growing importance of staffing strategies such as inpatriation (the transfer of foreign employees to work in the home country of an international organization on a temporary or permanent basis), and the use of third country nationals (Collings and Isichei 2018). Finally, both the problems of expatriate performance and the challenges of localization continue to be problematic for many MNCs, including the growing numbers of SME international firms (Scullion and Brewster 2001).

A key underlying theme in debates on global staffing concerns the reasons why MNCs use expatriates to staff their foreign operations, and Edström and Galbraith's (1977) classic study identified three key motives for utilizing international transfers; position-filling, individual development and organizational development. In the first case, expatriates are employed to fill key technical and managerial roles. In the second, assignments are used mainly for individual development purposes, and in the third case, assignments are used to build organizational competence at the organizational level and to promote the transfer of knowledge within the MNC network. More recently, there has been an increasing awareness of the role of expatriates in controlling foreign subsidiaries, a motive for expatriation traditionally underexplored in the literature. Brewster (1991: 34) traces this traditional lack of focus to the North American origin of much of the previous research at this time combined with the tendency among managers and academics to consider control to be a relatively disreputable rationale for using expatriates. A key contribution to this latter debate was Harzing's (2001) study. Harzing identified three control roles of expatriates. First, expatriate managers can act as 'bears' in that they become the main focal point of control over the subsidiary in contrast to centralized control systems. Second, expatriates can perform as 'bumble bees' used to control subsidiaries through socialization and the development of informal networks. Finally, expatriates can act as 'spiders' seeking to achieve control through the weaving of informal communication networks within the MNC. Harzing's (2001) study goes beyond the question of why MNCs use expatriates and seeks to engage with the broader issue of how important these roles are in different situations. In this regard, her findings suggest that while expatriates tend to perform their roles as bears regardless of the situation, their roles as spiders and bumble bees tend to be more context-specific. For example, the bumble bee role appeared more important in newly established subsidiaries, while the bumble bee and spider roles were more significant in well-established subsidiaries.

Emerging issues in global staffing

In the preceding section, we established the importance of global staffing in MNCs and unearthed the roles performed by expatriates in the MNC. However, as alluded to, global staffing issues are becoming more significant as shortages of international talent emerge as a key strategic issue for many international firms and often constrain the implementation of global strategies (Pucik et al. 2016). One key issue in this regard relates to the supply of such employees (Collings et al. 2007). In explaining this supply issue, we point to a number of key trends. First, research has highlighted the low level of female participation in international management as a key constraint on the supply of international managers and suggests that many women have restricted opportunities to expand their careers through international assignments (Linehan 2002), therefore limiting the pool of potential incumbents for international roles. Research also shows that failure by many MNCs to adopt a strategic approach to repatriation impacts adversely on the supply of international managers, and that many MNCs continue to adopt *ad hoc* approaches to repatriation (Lazarova and Caligiuri 2001). Thus, managers are reluctant to accept international assignments owing to the negative repatriate experiences of colleagues. A further constraint on the ability of MNCs to implement their international strategies is the growing barrier to international mobility among potential international assignees. Key constraints which emerge in explaining these barriers to international mobility include dual career issues, quality of life considerations, and the fear of international terrorism (Collings and Isichei 2018; Scullion et al. 2007).

Apposite to the decreasing supply of individuals with the competence and desire to accept international assignments, the demand for such individuals continues to grow. Collings et al. (2007) identify a number of demand factors in this regard. These include, *inter alia*: the emergence of new markets in China, India and Central and Eastern Europe and the increasing internationalization of small and medium enterprises.

More broadly, the political climate in developed economies such as the US under the Trump administration and in the UK in the context of Brexit at the time of writing raise significant concerns about the ability of MNCs to transfer individuals to these economies. Such policy threats to the mobility of talent into these markets are forcing MNCs to reevaluate their talent strategies (Collings and Isichei 2018; Horak et al. 2018).

The changing context of global staffing has resulted in organizations re-evaluating their global staffing orientations. In this regard, recent research suggests the emergence of newer, short-term, more flexible non-traditional forms of international assignments which are increasingly being used as alternatives to the traditional long-term expatriate assignment (Collings et al. 2007). While long-term assignments continue to be used, one recent survey found that over a third of respondents expected the number of traditional assignments to be reduced over the following five years, a trend that has been consistent for a number of years (Santa Fe Relocation Services 2016). The same survey identified the increasing use of alternatives to the traditional long-term IA, such as short-term assignments, international business travellers (IBT), and commuter assignments, which represent the biggest expected change in global mobility over the same period. The emergence of this 'portfolio approach' to international assignments poses considerable challenges for the HR function of the multinational firm (Collings et al. 2007; Collings and Isichei 2018) Dilemmas arise for organizations regarding the role of the international human resource function in managing these global staffing arrangements. Recent research has highlighted the lack of HR support provided for staff on alternative assignments and shows that the burden of managing the impact of alternative assignments (such as the effect of unexpected travel schedules on their family relationships) is largely left with employees and their families (see Collings and Isichei 2018 for an up-to-date review).

The potential benefits associated with alternative forms of international assignment from an organizational perspective include reduced costs, increased supply of potential candidates who might consider a short-term or commuter assignment but may not have considered a traditional assignment, greater opportunities to develop employees in the international context, etc. Individual employees involved in alternative assignments are perceived to experience less disruption to their careers because they do not change jobs and stay in the promotion loop, and they avoid the often painful re-integration phase (Collings et al. 2007). However, they may be involved in frequent travel and be required to develop networks and personal relationships in a wide range of different countries, putting considerable pressure on family and work commitments at home (Scullion and Collings 2006; Collings and Isichei 2018). Further research is required to help us more fully understand how staff on alternative assignments manage the multiple demands of their lifestyle and whether assignments would be more successful for the organization and individuals if HRM policies and practices focused more on family-friendly staffing arrangements (Mayerhofer et al. 2004).

Having considered some of the issues relating to the management and staffing of international firms we now go on to explore issues relating to the transfer of IR/HR policy and practice between the parent company and the geographically dispersed subsidiary.

MNCs and IR/HR policy transfer: standardization versus localization

A key role of the HR function in the MNC is the development and dissemination of HR policy and practice to foreign subsidiaries where appropriate. While a complete discussion of the differing theoretical perspectives on transfer is beyond the scope of the current chapter, we do focus on introducing two models which may assist in understanding the reasons why we first may wish to transfer HRM policies and practices and furthermore the factors which may retard the transfer process (for a consideration of some relevant theoretical approaches, see Brewster and Mayrhofer in the current volume).

A key point of departure in considering the transfer process is the notion that MNCs' aspiration to transfer IR/HR policy and practice is driven by the desire to internalize ownership-specific advantages (cf. Rugman 1981) by replicating in foreign subsidiaries employment practices which they perceive to be advantageous in the HQ organization. We present two key theoretical contributions on the international diffusion of IR/HR policy and practice, Cooke's model and Edwards and Ferner's four influences framework. While there are a number of other theories presented in the literature, these are chosen because of their academic merit and their potential to advance theory in the field.

Cooke's framework is premised on a number of assumptions. First, MNCs seek to optimize profits on a global basis. Second, unions seek to optimize gains to workers (Cooke 2006). Looking specifically at the IR domain, MNCs will attempt to diffuse specific IR policies and practices to their subsidiaries if they consider them to have ownership-specific advantages. In other words, if the MNC perceives a specific IR practice to be a source of competitive advantage which will differentiate it in the global marketplace, it will have a preference to replicate it in its foreign subsidiary. For example, a US manufacturing multinational may perceive that the operational and financial flexibility associated with its non-union status may be a key variable in its competitive success and one which competitors in other countries, with higher levels of union power, may find difficult to replicate. In this context, the MNC may well have a preference for establishing subsidiaries on a non-union basis to continue to reap the rewards of this orientation. Alternatively, a German MNC may consider its highly skilled workforce, which would have been developed through the German vocational education and training system, to be its source of competitive advantage and thus may attempt to replicate its systems in foreign subsidiaries. The gains which either party can realize are, however, bounded by the broader economic and socio-political environments within which they operate.

As noted above, however, the impact of the host context is also significant in explaining not only the location of MNCs subsidiaries but also the configuration of IR policies and practices in the subsidiaries. In this regard, each subsidiary location offers specific location (dis)advantages. The US MNC referred to above would perceive the ability to set up on a non-union basis in a country with lower levels of institutional constraint in this regard to be a location-specific advantage, whereas the relative difficulty of setting up on a non-union basis in a more regulated country would be considered a location-specific disadvantage.

The IR system within the MNC's home country, and the various host countries within which it operates, all form part of a complex interplay which influences the configuration of IR policy and practice in MNC subsidiaries (Cooke 2003). Further, the exercise of power by both parties in the employment relationship also serves as a moderating factor in the optimization of gains (Cooke 2006). This point is also made by Edwards (2004), who notes that since institutions are not deterministic within a given host country, key actors will have a degree of 'wriggle room' in interpreting policy and practice in the subsidiary.

The kernel of Cooke's thesis is that the parties act rationally and calculatively weigh up the potential costs and benefits associated with replicating a perceived ownership-specific advantage abroad. Thus, in deciding on the final configuration of IR policy in a subsidiary, MNCs will weigh up the IR ownership advantages they enjoy and the IR location advantages available in different hosts.

An alternative theoretical framework for the analysis of decisions to diffuse HRM policies in MNCs is Edwards and Ferner's (2002) four influences framework (see also Edwards 2004; Ferner et al. 2013). This framework presents a useful classification of four key influences on the nature and configuration of the transfer of employment practices across borders. The influences are interrelated and comprise home and host country effects and the relative economic dominance or otherwise of each of them on the configuration of management practice within MNCs. Further, the impact of structural factors within the firm is considered in terms on international integration of production. We outline some of the key aspects of this framework below.

Country of origin effects

The first element of the four influences framework is the country of origin effect. This concerns the extent to which a MNC's country of origin imprints a distinctive national effect on the management style and configuration of employment practices within an MNC. This results in a degree of embeddedness of a MNC in its home business system (Almond 2011; Ferner 1997). In this regard, there is a growing body of literature which emphasizes the impact of a MNC's country of origin on its management practice (cf. Gunnigle et al. 2002; Ferner et al. 2004; P. K. Edwards et al. 2013). The country of origin effect is often evident in the concentration of assets, key employment categories and even sales in a MNC's country of origin, reflecting the significance of the home country. Further, most MNCs fill key positions in the executive team with parent country nationals (cf. Edwards 2004). The country of origin effect may be seen in a number of management practices within MNCs. For instance, US MNCs are distinctive in terms of centralized, standardized and formalized approaches towards HR policy (Ferner et al. 2004, 2013). Similarly, a large body of research across a number of countries appears to confirm that US MNCs 'tend to show relatively little enthusiasm for institutions which accord a role for organized labour' (Muller-Camen et al. 2001: 445; see also Almond et al. 2005; Gunnigle et al. 2005, etc). As Hayden and Edwards (2001) note, however, the country of origin does not impose a straitjacket on management, forcing all MNCs from a particular country to act in a certain way; rather, many other factors, such as ownership structure, sector and the like, result in elements of heterogeneity between firms emanating from the same business system.

The country of origin effect may also be visible in terms of variations in how firms are financed. O'Sullivan (2001), for example, draws the distinction between the fluid, arms-length relationships between managers and shareholders in the Anglo-Saxon context and the stable and cooperative relationships between the respective parties in Germany. This, she argues, is driven by the nature of stock ownership in the respective countries. In the Anglo-Saxon model, stock ownership is generally concentrated in a small number of large institutional shareholders, whose primary objective is to maximize short-term profits. This has led to an emphasis on short term management practices in firms emanating from these countries, and this is particularly pronounced in US MNCs (cf. Ferner et al. 2013). Significantly, however, the country of origin effect is not fixed and rather evolves over time, particularly as firms operate in the international marketplace for longer time periods (Edwards and Ferner 2002). Nonetheless Edwards (2004) notes that in considering the relations between different groups of organizational actors (in this case HQ and subsidiary managers), the logic of the country of origin effect is that actors in the parent country are likely to be key players in the transfer process. While acknowledging the potential impact of political considerations in the actual extent of transfer, the country of origin effect is likely to play a significant role in the determination of industrial relations policy and practice in foreign subsidiaries of MNCs.

Dominance effects

The second influence in Edwards and Ferner's framework are so-called dominance effects. The notion of dominance effects derives from the work of Smith and Meiskins (1995), who posit that at a point in time a hierarchy of economies exists within the international capitalist system and that in this context, nations in dominant positions have developed methods of structuring production or division of labour which draw emulation and interest. As Edwards (2004: 397) notes, 'the logic of the "dominance effects" argument is that such transfer is not solely created by the legacy and force of institutions but is also shaped by competitive pressures at the international level'. In this regard, Gunnigle et al. (2002) found dominance effects to be one of the key factors in explaining higher levels of standardization in US MNCs in Europe than in their European counterparts. They argued that the hegemonic position which the US economy had reached at that time meant that US firms could more credibly impose standardized management practices on their foreign subsidiaries than their European counterparts. Again, Edwards and Ferner (2002) remind us of the important consideration that the hierarchies of economies evolve over time. They point to the emergence of the dominance of the US economy in the mid-part of the last century, then the emergence of Japanese firms in the 1970s and 1980s which threatened and indeed overtook the US position, and more recently, the US economy has come to the fore again. The most significant implication of dominance effects in the context of our consideration is that MNCs emanating from dominant economies may use their position to influence the adoption of company-imposed models of the management of IR to subsidiaries (see also P. K. Edwards et al. 2013). It is important to note, however, that the flow may of course be in the opposite direction and that MNCs may draw on the dominant position of the host countries in which it is located and transfer practices in the opposite direction (Edwards and Ferner 2002), although the extent to which reverse transfer occurs appears to be relatively limited (cf. Edwards et al. 2006).

International integration

The third element of the framework is international integration, defined as 'the generation of inter-unit linkages across borders' (Edwards 2004; Edwards et al. 2013). MNCs are increasingly realizing the synergistic benefits of integration of operations across national borders through advances in telecommunications and transportation technologies, combined with more homogeneous product markets and decreasing barriers to international trade. This is considered a structural influence on the diffusion of employment practices in MNCs, and there is a significant sectoral effect on the extent to which it is evident within an MNC (Edwards et al. 1999). International integration is reflected in the growing significance of regional divisions at the expense of country-based models. There are two forms of integration which MNCs may pursue in this regard, namely, segmentation of operations across countries and standardization across countries (Edwards 2004). The segmentation of operations is aimed at exploiting the various location advantages offered by different host locations to produce particular parts of a final product in various locales and is also termed vertical integration (Shenkar and Luo 2004: 12) or global commodity chains (Gereffi 1999). A key example would be the apparel or footwear industries, whereby production advantages of low-cost locations mean that production is often concentrated in those locales, whereas design and marketing expertise available in more developed countries means that these functions are concentrated in higher cost locales. Alternatively, international integration may be driven by standardization across different countries. In this regard, MNCs aim to develop and produce relatively homogenous products, with relatively similar production techniques. A key implication of the latter would be the ability of the MNC headquarters to engage in coercive comparisons by generating internal competition between plants and thus pressuring management and worker representatives to adopt practices favoured by HQ due to fears over production location and investment decisions (cf. Edwards et al. 1999). In the industrial relations sphere, Hamill (1984) has shown that higher levels of international integration lead to centralization of decision-making on IR/HR issues, a finding replicated in Marginson et al.'s (1995) contention that it drives the development of standardized policy with regard to labour management.

Host country effects

The final element of the framework is host country effects. In particular, the concern in this regard is the aspect of the host business system which can limit MNCs in their attempts to diffuse practices to subsidiaries. Specifically, the introduction of standardized practices across MNCs is clearly impacted by the institutional and cultural constraints in the host country. The higher the level of institutional constraint in the host environment, the more difficult it will be for an MNC to implement standardized practices in that environment (cf. Gunnigle et al. 2002). Basic HRM issues are often subject to significant legal or institutional constraint in the host environment (Young et al. 1985; Ferner and Quintanilla 1998). In the context of this discussion, it is important to note that 'while host institutions are not viewed as totally constraining actors . . . they pose certain limits within which action occurs' (Lane 2003: 84). Thus, many MNCs utilize threats to move production out of specific host countries and other techniques to leverage the diffusion of preferred policies with regard to subsidiary IR and HRM. For instance, Ferner et al. (2001) note that even in highly regulated institutional contexts MNCs were able to create sufficient flexibility to preserve elements of their home style.

Frameworks such as those proposed by Cooke and Edwards and Ferner provide useful mechanisms for understanding and exploring the various influences on employment relations in MNCs by drawing out the key constraints, opportunities and pressures which MNCs are subject to in transferring IR/HR policy and practice between parent company and subsidiary.

Adopting an IR perspective on international management

A key critique of much research on HRM in the international contest is that it has often assumed an overly unitarist orientation. In contrast, Collings (2008) has argued that an industrial relations perspective may help scholars and academics to understand the management challenge in MNCs. Collings (2008: 175) defines international IR (IIR) as the 'IR issues and problems, for both capital and labour, arising from the internationalisation of business, and the IR strategies, policies and practices which firms, employees and their representatives pursue in response to the internationalisation of business'. Thus, an IIR approach advances studies in the IHRM tradition in two key ways, and an IIR approach can be differentiated from an IHRM one in two further regards. This first distinction is on the basis of the substantive coverage of an IIR approach. Specifically, it engages with a range of issues which are often neglected in the international HRM literature, including trade union recognition and avoidance, collective bargaining, employee participation and involvement and the like. Second, it offers a different perspective on the areas under study which relates to the analytical approach toward the topics explored. Specifically, its consideration of the responses of other IR actors (the state, trade unions, employer organizations, European works councils, etc.) towards managerial strategies in MNCs is an important perspective omitted in many studies in the IHRM tradition. IIR approaches generally recognize the significance of collective groups of employees, often represented by a trade union, as a pluralist interest group within the firm, a perspective lacking in many unitarist studies in IHRM. Further, the consideration of power is one of the key means through which international IR research can contribute to our understanding of management in MNCs. Indeed, Edwards and Kuruvilla (2005) note the scope for organizational politics and power to shape the ways in which MNC manage their international workforces. They further note that the impact of power has also been neglected to a large degree in studies of the global–local debate in IHRM research. Arguably, an international IR perspective, with its pluralist underpinning, would help in understanding some of the challenges of managing human resources on a global scale (see Collings 2008 for a full discussion of these issues). To a degree, both of the theoretical frameworks presented in the preceding section display elements of an IIR perspective, and hence they are considered particularly appropriate examples in the context of the current volume with its emphasis on a critical perspective on HRM. Indeed, insights from an industrial relations tradition inform much of the critical content of this volume.

Conclusion

This chapter presented a number of key themes and critical issues with regard to the management of the international firm. In the international arena, strategic choices need to be made about the approach taken to global management, whether it is an ethno/poly/geo- or regiocentric approach. The approach adopted has direct implications regarding global staffing, and the options and issues involved in staffing the international firm were highlighted here. The collaborative transfer of knowledge, policy and practice between the parent company and the subsidiary is another important determinant of the success of the international firm. In this regard, we explored the motivation behind the approach taken to, and the extent of, diffusion of IR/HR policy and practice across geographical boundaries. The four influences framework proposed by Edwards and Ferner offers us a schema for classifying the various approaches to the transfer of employment practices across borders. Finally, we considered Collings's (2008) proposal for adopting an IR perspective on the management of people in the international firms and argue it is justified as it allows for consideration of issues and actors otherwise neglected. It also allows for a more collective, pluralist orientation that gives due consideration to the importance of the concept of power in the employment relationship of the international firm.

The importance of IHRM is unlikely to abate in coming decades and represents a key contemporary issue in the wider field of human resource management. In adopting a critical perspective on the field, we advocate the use of a pluralist industrial relations lens as a means of looking beyond the traditional unitarist and managerial assumptions underscoring much of the extant research and thinking in the field.

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20 HRM in crisis

Jill Rubery and Mathew Johnson

Introduction

In the decades leading up to the 2008 crisis, a general complacency emerged among economists that the risks of a severe business cycle as experienced in the Great Recession no longer applied. Sophisticated management of the macro-economy could insure against financial meltdown and maintain advanced capitalisms on a growth path.

A consensus formed that a combination of steady, rule-based monetary policy and a few automatic fiscal stabilizers – such as increased unemployment insurance payments as people lose their jobs and lower tax receipts as incomes fall – were all it took to tame the business cycle. As Lucas put it in his 2003 presidential address to the American Economic Association, the 'problem of depression-prevention has been solved' (Fox 2013).

The consequence of this complacency among economists was that human resource management theorists were free to treat the macro-economic environment in which companies were operating as stable and largely irrelevant to the understanding of companies' long-term strategies. This allowed a focus instead on internal concerns of which type of HRM practices to use to fit the company's strategy and product markets. Economic uncertainty was limited to changes in specific product markets or technologies and adjustments to varying economic conditions were assumed to be borne by non-core staff, often employed by subcontractors (Lepak and Snell 1999). This presumption of stability could be considered an essential prerequisite for some of the key tools and principles on which high-commitment human resource models for core employees were built. The underlying assumption is that companies have control over their own destinies and can thereby enter into medium or long-term engagements with their employees to establish the trust and the commitment necessary to underpin high performance. Even though the high-performance model involved some shifting of risks to employees, through variable and profit-related pay and through revisions and renewals of the psychological contract, this flexibility was not expected to wipe out the entire value of stocks or rupture the psychological contracts for core staff.

The economic crisis of 2008 was thus unanticipated not only in timing but also as a possible scenario. Its importance for HRM, however, went beyond the need to incorporate external changes into what had previously been a very internalized perspective as the specifics of the crash exposed the drivers of capitalism in the late twentieth century and beyond to be a search for profits 'increasingly through financial channels and financial engineering rather than production and product markets' (Thompson 2013: 475). This undermined the competitiveness concept on which the models of HRM had been built, that is, high-performance labour processes to enable production of high-quality products and services. The potential disconnects between shareholder capitalism with its focus on short-term financial returns and the implied long-term policies of high-commitment HRM had been pointed out from time to time, but the disconnected capitalism thesis (DCT) put forward by Thompson (2003) took the argument to a further stage.

Growth strategies for firms were directed to a simultaneous squeezing of labour and more active management of corporate assets, manifested in delayering, disaggregation, downsizing and divestment. Local, unit and functional managers were tasked with responsibility for pursuing high performance from labour, but they ultimately lacked the capacity to sustain the enabling conditions. As a result, the DCT was pessimistic about the sustainability of high-performance work system strategies as the foundation for either firm competitiveness or business models (Thompson 2013: 473).

Thus, the HR strategies based on the espousal of real economy objectives related to production and consumption of goods and services could be considered a smoke screen for the real drivers of corporate activities, a cover which was blown away by the economic crash. It was the bundling of insecure with more secure assets and their sale and repeated resale that caused the problems in the banking sector, alongside the over-lending to people who found it difficult to keep up repayments (Crotty 2009). Likewise, it was the collapse of the financial arm of General Motors, not problems in motor car manufacture, that caused its collapse and revealed the tenfold greater profits that came from financial leasing rather than from manufacture (Cohan 2009). The emergence of new mechanisms for extraction of value, including private equality (Appelbaum et al. 2013) undermined potentially profitable businesses: for example, the collapse of Southern Cross, a large-scale provider of residential homes for the elderly, was not primarily due to the squeeze on fees for residential care but to the sale and lease back of its properties by its previous private equity owner, leading to rent payments that were unaffordable (Scourfield 2011).

These high-profile failures were thus not connected to any failures of HR, to any problems of employee performance or commitment, to motivation or to skills. This major disconnect between the workplace and the economic system thus immediately put in question many of the mantras of the HRM school – labour is the company's greatest asset, employee engagement is the answer to business success and the like. However, at the same time as the capacity of human resource policies to ensure the survival of companies was being questioned, the severity of the crisis itself clearly became dependent upon the efforts by governments and companies to minimize the loss of employment. The more that labour was laid off and unemployment rose, the greater the risk of downward spirals affecting all sectors through reduced consumption.

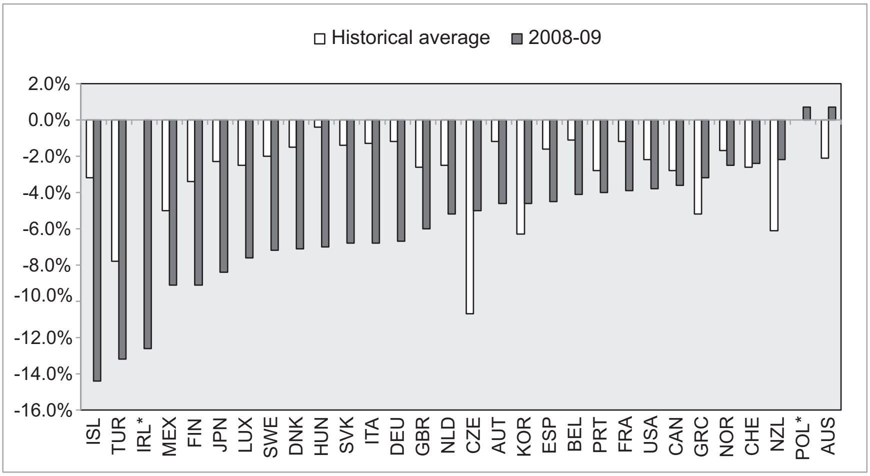

Figure 20.1 Change in output in the 2008–2009 recession

*: Historical average not available.
(1) Australia and Poland did not have a recession in the 2008–2009 period but are shown for comparison purposes over the period 2008 Q3 to 2009 A2.
(2) The number of recessions used to calculate the historical average varies across countries depending on data availability and the frequency of recessions. Recessions that occur in the period from approximately 1960 until 2006 are included.

Source: OECD Economic Outlook Database. OECD (2010), 'Change in output in the 2008–2009 recession in historical comparison: a deep recession in most countries', in *OECD Employment Outlook 2010: Moving beyond the Jobs Crisis.* Paris: OECD Publishing, http://dx.doi.org/10.1787/empl_outlook-2010-graph11-en.

Figure 20.1 indicates the scale of the 2008–2009 crash compared to each country's historical average experience of recessions. This reveals the severity of the recent crash, as it exceeds the historical legacy in all but a few cases. The reactions of companies to the crash were not in themselves easy to predict, as there are alternative theories on the likely short- and longer-term effects. Indeed, the immediate effect of an external shock may be denial or paralysis (Rosenthal et al. 2001). One example of denial could be the response by some HR 'gurus', according to Teague and Roche's (2014) analysis, who saw the crash not as undermining the principles on which their models had been built but offering opportunities for an even greater emphasis on high-commitment performance models. The main competing theories, however, are between those who see a depression/severe recession as likely to constitute a critical juncture, leading to a transformation of the prevailing employment models, and those that expect responses to be a muddling through and a mixture of incremental change, gradual erosion and preservation of the status quo. The more that the current employment practices are out of sync with the current drivers of capitalism, the more one might expect a radical change to the employment model. However, that prediction in part depends on whether the crisis itself induces change in the evolution of the capitalist system, either by accentuating pre-crisis trends or perhaps causing movement into a new phase or direction.

These concerns raise the issue of time frames for determining impacts. The example of interpretations of the impact of the 1930s depression are relevant here; for some it is the hollowing out of employment protections in the 1930s, while for others it is the New Deal in America and the post-war settlements in Europe, where World War II and its aftermath are in many respects a direct outcome of the impact of the Great Depression (Roche et al. 2011). A similar time scale problem applies to the most recent crisis. First the financial crash led to the austerity policies introduced to reduce public expenditure in Europe after private debt became converted to public debt. Even beyond this, the effects continue, as the Brexit vote and Trump election in 2016 are regarded as evidence of emerging resistance to the changing employment model, which could lead to yet further changes driven by the new political uncertainties. This volatile environment is in itself a problem for scholars working within the mainstream of HRM, as what HRM has failed to do has been to embed employment policies and practices within the wider environment. As the environments become more unstable, the more problematic such simplifying assumptions become. Furthermore, international and national policy environments can be expected to have a significant impact on companies' responses to the crisis.

To address these issues, the following section considers the impact of context on employment responses. This requires consideration first of differences in the long-term national models between advanced countries, as these shape the priorities attached by both companies and governments to factors such as skills retention or social protection for employees on the one side or on returns to shareholders, for example, on the other. A second important contextual factor is the change that the crisis induced or accelerated in these national models, either through changes promoted by the international policy community (for example the G20, the IMF, the EU etc.) or within nation–states themselves. This review of variations by national context sets up the third and fourth sections which, respectively, look at company responses to the downturn and their practices in the recovery phase. The distinction between these phases is necessarily blurred and varies by country, sector and organization, but it is important to differentiate between how companies adjust to a decline in demand from how they react when they need to start expanding their workforces again or consider more longer-term changes to technology and work organization. We conclude by looking beyond the crisis, recognizing the overlap between the recovery from the crisis and the arrival of the so-called fourth industrial revolution.

HRM in crisis: embedding HRM in diverse and changing contexts

The downplaying of macro-economic risks prior to the 2008 crash led to a long-term focus on the supply side as the core determinant of economic performance of both nation–states and individual countries. This supply-side approach took different directions: for example, the best practice HRM theorists focused on strategic decisions by companies disembodied from their institutional, social and economic context. In this paradigm, the environments in which the companies were operating were mainly viewed as enabling or hindering 'best practice' policies and practices rather than as an input into the development of national or company-level comparative advantage.

In contrast, the varieties of capitalism approach (Hall and Soskice 2001) emphasized the differences in firm behaviour and competences between liberal market economies (LMEs) and coordinated market economies (CMEs) that derived from the long-term interactions between institutional arrangements environment and company strategies. The outcome of these interactions was differences in comparative advantage between countries, with firms in CME countries more able to take a long-term approach, reinforced by institutional arrangements reducing the short-term pressures associated with shareholder capitalism, and consequently more likely to invest in firm-specific skills. These arrangements favoured specialization in high-end manufacturing, while companies in LME economies were more likely to specialize in service activities, to be more reactive to shareholder pressure and to buy rather than make skills.

While there is much debate and dispute over these categorizations, and over their current applicability, there is no doubt that differences in approaches to employment and social protection and skill development influenced the responses to the recession. There was no straightforward relationship between fall in GDP, the usual measure of changes in demand or activity and the rise of unemployment (OECD 2010; Rinne and Zimmerman 2012; Messenger and Ghosheh 2013). In part this is due to changes in the share of people in the workforce, as recession can induce more people to join or some to leave. However, it is also due to differences in approach among firms to maintaining employment – what is called by economists labour hoarding. This rather negative term, however, may be motivated by company interest in retaining skills, in protecting its workforce against loss of employment together and with their interests taking advantage of state-funded schemes to encourage retention.

Work-sharing schemes in practise had major effects on the impact of the decline in GDP on employment levels. Work-sharing programmes had already been implemented in a number of countries in the industrialized world prior to the onset of the global economic crisis, most of these being within the category of CME countries, in line with the greater interest in skill retention in these countries. These included Austria, Belgium, France, Germany, Switzerland and the Netherlands, but also two LME countries, Canada and a few states in the United States together with Korea. During the crisis, the use of work sharing extended to include Argentina, Chile, Mexico and Uruguay in Latin America; Bulgaria, the Czech Republic, Hungary, Romania, Slovakia and Slovenia in Eastern Europe; and also South Africa and Turkey (G Messenger and Ghosheh 2013).

The OECD (2010) found that several of these schemes were very significant in preserving employment and reducing unemployment. This applied particularly to Germany, which has been characterized as providing another economic miracle

(Rinne and Zimmerman 2012) by hardly allowing unemployment to rise during the crisis as it extended its 'kurzarbeit' scheme, which subsidized employees and employers to allow for a maximum duration of 24 months. In March 2009, 1.26 million workers were covered by this scheme, compared to 155,000 a year earlier (Cazes et al. 2009). However, the OECD (2010) also found that schemes that were already in place when the crisis hit had more effect than schemes introduced in response to the escalating crisis. The former cases were more likely to be found in countries where a long-term approach to employment and investment in skills is built into the wider institutional structure. In the case of Germany, it was not only the kurzarbeit government-funded schemes that helped to minimize redundancies but also the widespread use of working time accounts whereby workers would store up rights to paid time off when they worked overtime rather than take the overtime as pay. In the crisis most of those accounts were run down as the workers themselves also helped to fund the work sharing. This also applied in other contexts but in a more haphazard way as individuals took paid or unpaid holidays, often encouraged or even required by companies, but the more widespread institutionalization of schemes to assist in labour hoarding had stronger effects.

The influence of societal factors on company behaviour depends on a range of factors, not just financial incentives, to retain or dismiss but by social norms, workforce expectations, trade union power and strategies and wider institutional structures (Rubery and Grimshaw 2003). Examples include Denmark with its now famous flexicurity model that offers long term and generous unemployment benefits (now two years entitlement but previously four years) coupled with schemes offering opportunities for retraining and development. This system increases the social acceptability of short-term layoffs as a means of adjustment to demand fluctuations. In contrast, where opportunities for employment following layoff are low (for example in countries such as Japan where recruitment is done primarily at the start of a career), and especially when unemployment support is also limited, companies may be less inclined to resort immediately to redundancies due to the impact on morale and on their future ability to recruit given the undermining of trust in job security. Indeed, the example of Japan is highly relevant here as its model of jobs for life was built and maintained not on the basis of high legal employment protection but on systems of training and work organization reinforced by employee expectations and social norms (Rubery and Grimshaw 2003).

As the financial crash transmogrified into a sovereign debt crisis as a consequence of financial bailouts by governments of bad debts held by banks, several countries, particularly in the European Union, needed external support to deal with the problems of financing the sovereign debt. This led not only to restrictions on public expenditure but also to supplementary demands in return for the bailout to change employment regulations, thereby accelerating a trend for international organizations such as the IMF, the World Bank, the EU and the European Central Bank to call for deregulation of labour and product markets (Rubery and Piasna 2017). The outcome has been significant changes in a range of labour market regulations that in principle should impact on company behaviour post-crisis in a number of different countries. Two main areas can be considered here: employment protection and wage-setting. With respect to employment protection, there has been a general downgrading of employment protections, though this has sometimes been focused on both permanent and temporary workers and sometimes on only one or the other. Consequently, there still remain large differences between countries with narrow to large differences in the strictness of regulations across both groups (Myant and Brandhuber 2017).

However, what is also clear is that there a regulatory change does not have a simple predictable impact on employer behaviour. To take the key example of Spain, which has for a long time been the key user of temporary contracts, there has been a long and protracted policy of reducing protection for permanent employment in Spain further accelerated by the crisis. Despite these efforts to narrow the regulatory gap, employers still prefer to use temporary contracts (OECD 2017: 42). This segmentation of the labour market is still attributed to too high employment protection for permanent workers, even though Spain is now firmly in the middle of strictness of regulation across OECD countries. This suggests that once risk-averse behaviour become the norm, it may take more than regulatory changes to overturn the practice.

With respect to wage-setting, there have been pressures on those countries receiving bailouts to implement a whole set of regulations designed to both reduce wage costs and trade union influence, following the recommendations of the IMF, the EU and the ECB. These include decreasing statutory and contractual minimum wages; narrowing collective bargaining coverage, including by decreasing (automatic) extension of collective agreements; promoting more decentralized bargaining ways; and extending opportunities to derogate from higher level agreements or to negotiate company-level agreements, all with the intention of producing an overall reduction in the wage-setting power of trade unions (Schulten and Müller (2014: 103) – quoting European Commission (2012: 103–104)). The outcome should be to leave companies with more scope and discretion to change their wage-setting arrangements in countries where collective and legal regulations are important influences. However, the effect of the crisis is not all in one direction: in some countries, minimum wage levels have been increased (for example, Slovenia increased its minimum wage by 23% in 2010) or even new minimum wage systems introduced, for example in Germany in 2015 (Bosch 2015), in efforts to reduce the risk that the crisis will impose low wages, thereby generating poverty and low living standards, dampening aggregate demand. In the United States, there was a further spread and resurgence of the living wage movement to establish much higher minimum wages, particularly in major cities and on a state by state rather than a federal basis (Luce 2014). Again, these movements have been fuelled by the increasing risks of poverty and low living standards induced by the crisis. These changing environments are likely again to impact on employer behaviour but not necessarily in a systematic direction. Higher national minimum wages plus opportunities for deviations from collective agreements may lead some companies to consider insourcing rather than more outsourcing, while in other contexts companies may outsource more to take advantage of more organizations being outside of collective regulation or lower national minimum wages. Whichever the direction the effects, what is clear is that in assessing how companies change their HRM policies in response to the crisis it is necessary to consider these responses in the context of changing labour market, institutional, social and political as well as economic conditions.

Downsizing and restructuring at the company level

Analysing employment change at company level is important to understand how organizations respond to adverse economic conditions, while also providing an insight into the relationship between the business cycle and prevailing models of HRM (as well as the long-term secular trends outlined earlier). This section will consider four key questions. First, what was the extent and form of adjustments and in particular downsizing by firms in response to the recent crisis? Second, how is the process of restructuring managed? Third, what alternatives are there to downsizing? Fourth, what are the longer-term implications of 'crisis induced' restructuring?

Downsizing – a strategy for good times and bad?

Downsizing, and other euphemisms for staff layoffs such as 'rationalization' and 'streamlining', are often portrayed as an unpleasant but 'essential measure' for firms to cut costs in order to survive during a downturn. However, downsizing has increasingly come to be regarded as a legitimate management tool in its own right to address poor performance and low productivity (Cameron 1994; Datta et al. 2010; Kinnie et al. 1998). Managers may resort to downsizing in order to emphasize 'strong' and 'decisive' leadership within the organization (Farrell and Mavondo 2004) and to send signals to the market that the organization is 'lean and mean' (Harrison 1997). Despite mixed evidence that layoffs in and of themselves increase productivity, downsizing has become something of a 'corporate addiction' (Brunning 1996, cited in Wilkinson 2005), but unfortunately one which has implications far beyond the boardroom.

For example, it has been estimated that around 8 million workers were made redundant in the US between 2007 and 2010; General Motors alone shed over 100,000 workers (McIntyre 2010), and in the UK around 3.5 million workers lost their jobs between 2008 and 2013 (equivalent to around one in seven workers; Office for National Statistics 2013). The 'big four' UK banks alone (Lloyds, HSBC, RBS and Barclays) shed close to 200,000 jobs between 2007 and 2012 (Guardian 2013). Within Europe, countries that were heavily exposed to the global downturn, such as Greece, Ireland, Portugal and Spain, saw high levels of job losses, and sectors such as construction were badly affected in most countries, as were smaller firms (OECD 2015). At the same time, conditions of fiscal austerity in most European countries from around 2009 onwards also meant that there was rapid retrenchment across public services (Grimshaw et al. 2012).

A certain proportion of 'job displacement' may be unavoidable owing to firm closures, but redundancies on this scale can contribute to something of a downward economic spiral within countries as GDP levels and consumption fall, and layoffs can have a significant 'scarring' effect on certain communities, regions and industries. Layoffs are also not experienced equally between groups. For example, younger workers, older workers and low-skilled workers are particularly at risk of job displacement and may not easily find other work, which means that skill levels and productivity become further depleted (OECD 2015). Displacement by gender has been found to largely follow patterns of segregation with men most affected in the initial crisis but women by the cutbacks in the public sector under austerity (Karamessini and Rubery 2014).

Managing (and mismanaging) the downsizing process

Beneath the aggregate data, there are, however, different 'modes' of downward adjustment, each of which carries different implications for both firms and workers. Making staff redundant may be an immediate response to falling demand, but it has been argued that firms are increasingly moving away from making quick but indiscriminate 'across the board' cutbacks, what Cameron (1994) describes as 'throwing a grenade in a room', to more targeted cuts which in the management parlance is referred to as 'smart' downsizing or 'rightsizing' to hold on to the best staff (Wilkinson and Redman 2013). This may involve a more structured selection process taking into account performance levels, competence and attendance, and may help reduce the 'panic' and uncertainty created by mass redundancies. The risk is that drawn out or repeated cutbacks are equally as distressing for workers (Cameron 1994), and the suggestion that firms are increasingly moving away from blunt 'last in first out' models for downsizing is contradicted by recent evidence which points to a significant effect of length of service in shielding workers from job displacement (OECD 2015). Downsizing by attrition takes advantage of natural wastage and voluntary severance to reduce staffing numbers in a less confrontational manner and is particularly used in large organizations and the public sector to avoid compulsory layoffs. The problem here is that firms also risk losing significant stocks of human capital and 'corporate memory' by allowing skilled and experienced staff to leave voluntarily (who may have alternative options) or to retire early.

The main problem is that many firms draw up plans for headcount reductions without succession planning or a long-term strategic view of what core activities will be prioritized (and what will be scaled back), what training will be required or how work will be redesigned and new technology introduced to reduce the pressure on remaining staff. Cutting staff often means increased work intensity and can lead to stress and burnout, particularly if remaining staff are not trained or supported to take on new tasks. 'Survivor syndrome' reflects the negative psychological effect of downsizing on those left behind who may have seen close colleagues laid off and may be worried about future cutbacks (Dolan et al. 2000). There are also implications for the HR professionals who may have to switch from a broad role of motivating and engaging staff in order for the organization to grow and develop to a hard HRM model of downsizing and restructuring (Wilkinson and Redman 2013). Downsizing envoys (e.g. those individuals or teams charged with delivering news of redundancy) can experience significant emotional strain, and organizations need to pay special regard to the adverse effects of downsizing on HR professionals (Ashman 2012).

This short-term cost-cutting approach also potentially undermines organizational resilience and future plans for growth. For example, management delayering has become a common strategy to simplify and rebalance 'top heavy' organizational structures in the short term, but is at odds with longer-term strategies to develop and grow talent within internal labour markets as there are fewer opportunities for promotion (Beynon et al. 2002; Cappelli et al. 1997). Similarly, outsourcing supposedly allows organizations to share risks and buy in expertise when needed, but it also hollows out skills and capacity and introduces new costs and layers of bureaucracy in the form of contract management (Greer et al. 1999). More broadly, as Richbell and Wood (2009: 214) note there is a fundamental trade-off between the level of flexibility in staffing arrangements within firms to be able to adapt to changing market conditions, and the level of commitment they can expect from staff in return:

> firms that value the ability to flexibly adjust their workforce sizes through the regular use of redundancies or sub-contracted labour are rarely likely to be able to engender much loyalty among employees.

Alternatives to staff layoffs

The choice of recessionary strategy within firms is shaped by a number of factors such as the context of national regulation, competitive sectoral dynamics, the size of a firm and whether it is unionized or not. Firms may negotiate temporary layoffs in response to falling demand, on the assumption that staff will be rehired once business improves again (although not necessarily in the same company), or that systems of social protection will cushion individual workers against layoffs (as in the Danish 'flexicurity' model; see above). Firms may also seek to maintain staffing levels as far as possible by implementing reduced working hours over the week, month or year (Van Gyes 2009); collectively agreed short-time working in Germany ('kurzarbeit') is credited with containing job losses during the crisis (Brenke et al. 2011). In smaller firms, managers may have greater control of work schedules and pay systems (and HRM is likely to be less formalized), which means that these firms may tend towards shorter working hours and pay cuts (Lai et al. 2016). Conversely, large firms may have more structured work schedules and pay systems, leading to a higher incidence of layoffs and reductions in agency staffing but with a greater range of 'fringe' benefits (administered through formal HRM systems) to be cut back, such as training, overtime and pension contributions. Functional flexibility in the form of internal redeployment and retraining can reduce the need for numerical flexibility (e.g. layoffs) and temporal flexibility (e.g. using contingent labour) and can encourage the organization to think more carefully about how the business needs to be redesigned and how workers can be supported to transition into roles within a new business model through the provision of training and development opportunities. The problem is that in a recession firms tend to switch to short-term planning, which can mean that training budgets are cut back at a time when they are in fact needed the most (Felstead 2016). Much depends on the business model of individual firms and the perceived source of competitive advantage (e.g. cost or quality), but some of the variance can also be explained by the dominant views among managers within the firm that staff are either an asset to be invested in and 'nurtured' or a cost to be minimized (Cascio 2009).

Involving workers in discussions over restructuring can help to reduce anxiety and resentment (Marchington and Kynighou 2012), and unions can give workers a significant collective voice in discussions with management (Heery 2009). However, where union density and collective bargaining coverage are low, employers may tend towards shallower forms of 'information sharing' and 'consultation' rather than meaningful 'negotiation'. Furthermore, the pressures of restructuring on smaller firms (which are less likely to have a dedicated HR function) can mean changes in work organization and investment in technology are effectively imposed without consultation. Furthermore, the crisis has also seen systems of collective bargaining even in coordinated market economies come under pressure as employers seek greater flexibility to lower standards (Marginson 2015).

HRM in the recovery: towards a new model of HRM?

The evidence as to whether the crisis is inducing a critical change in the prevailing model of HRM only emerges in the recovery period as companies begin to move beyond crisis management towards a new steady state of employment and work organization. However, even in the crash aftermath, the fallout from the crash and in particular the greater availability of not only workers but also skilled and potentially compliant labour, given the change in bargaining power, may encourage the adoption of what could be termed a low-road approach to economic recovery. This may constitute a new model or simply represent an intermediate phase where the main motivation is opportunism and risk aversion.

The global financial crisis of 2007–2008 may be considered to be more likely to bring about a turning point in HR practice given the severity of the crisis and the associated policies to bring about downward adjustments in pay and conditions and transfer risks through non-standard forms of employment and subcontracting (Grimshaw et al. 2016). At the same time, it has also been argued that rather than producing a fundamental shift in HRM, the crisis has simply 'crystallized' longer terms trends in growing employer preferences for flexible and contingent contracts that are often marked by job insecurity and low wages (Stone and Arthurs 2013).

Nevertheless, in the UK nearly 75 per cent of employers reported making one or more financially driven cutbacks following the crisis, including wage freezes, work reorganization, reduced overtime and compulsory or voluntary redundancies (even those firms not adversely affected by the recession and including the public sector) (Van Wanrooy et al. 2013). This may have been in anticipation of recessionary pressures that never materialized or may reflect a degree of opportunism on the part of managers to make cutbacks during a period of turbulence when others in the market were doing the same. In fact, growing perceptions of job insecurity driven by high levels of redundancies and unemployment across the wider economy (Lübke and Erlinghagen 2014) may increasingly be leveraged by managers to extract concessions from workers on pay, terms and conditions and working practices that would have been difficult in more benign labour market conditions (Cook et al. 2016).

Thus, the ready availability of labour, both from within the UK and from the ready pool of migrants, often from countries facing even deeper employment problems, coupled with the strict enforcement of a long-term pay squeeze in the public sector has enabled employers to maintain stagnant wages (in money terms and declining in real terms). Other strategies to take advantage of the downturn in worker bargaining power have included: offering part-time and temporary jobs such that an increasing share of those taking these jobs do so because they cannot find a full-time or a permanent job; the increasing use of zero-hours contracts now said to account for over a million jobs and at least 900 thousand workers in the UK (Grimshaw et al. 2016); the increasing use of self-employed labour to cover many new types of jobs, for example for delivery of online retail sales; the outsourcing of work, particularly from the public sector, to take advantage of weaker employment conditions outside the public sector, or in some cases the setting up of new market-focused subsidiaries within the public sector and transferring staff to these activities outside the remit of the collective bargaining agreement. Another reason for low-road development is that it may be difficult to rebuild trust and commitment in organizations that downsized under the impact of the crisis. And, therefore, the high-road employee commitment recipes may be less plausible or effective in the new climate. Moreover, companies may not feel under pressure to take steps to increase trust if labour turnover remains low: one of the paradoxes of the trend towards more flexibility and insecurity is that average tenure rates of employees may rise as voluntary turnover declines due to low opportunities of changing jobs and enhanced perceived risks of entering a new organization at a time of economic volatility. Entrapment, however, must not be confused with commitment, particularly organizational commitment, which is more likely than work commitment to be undermined by downsizing and economic turbulence.

Not all companies within the UK and certainly not all companies in countries affected by the crisis have been solely pursuing policies of cost-cutting and flexibilization. Indeed, it is the UK's low productivity growth not only in historical terms but also relative to competitor countries that may be considered of concern. Even in Ireland, one of the countries most affected by the crisis, there was evidence of the use of multiple strategies to make savings and 'reshape the business' rather than just lay off staff (Teague and Roche 2014). These 'recessionary bundles' contained a mixture of high-and low-road practices such as the downwards restructuring of pay alongside the efforts to engage workers in negotiations over the strategic direction of the firm. Making incremental changes in this way arguably 'softens the blow' of restructuring and potentially helps maintain the commitment of incumbent workers as the economy moves out of recession and firms begin to stabilize and grow again.

HRM beyond the crisis

All these changes to HR practice are occurring alongside potentially radical changes in technology, the so-called fourth industrial revolution that may be accelerating change in the nature of employment relationships but which is difficult to disentangle from the crisis and austerity policies. This revolution may have been delayed but not eliminated by the great crash. The problem of disentanglement is evident in the case of the growth of self-employment in the UK since 2008–2009; this is argued by central government to be a positive sign of 'entrepreneurial spirit', but the growth of freelance and contract work in the 'gig economy' arguably also reflects, on the one hand, new business models driven by the adoption of new technology which fundamentally breaks the link between employer and employee and, on the other hand, the pressure on the unemployed not to stay unemployed but to enter either employment or self-employment.

Moreover, there is a problem in determining short-term from longer-term effects. These technologies are, on the one hand, associated with low-road employment practices – for example crowdsourcing work or online retail delivery workers – but are also likely to displace or change many lower skilled jobs in the future as drones or driverless cars displace the new precariat of the false self-employed. The key problem is that the new technologies are being implemented at a time when labour has limited bargaining power, both because of high unemployment and because of the shift of focus within the capitalist system from production to financial values. Thus, the consequences of these investments in new technologies are far from clear: the British Retail Consortium (2016), for example, is predicting losses of around 30 per cent of jobs in retail but also that the trend will be towards higher quality work. These 'future of work' issues run even deeper than the economic crash and suggest first that the trend towards more insecure and low-paid jobs may be only the beginning of a major process of both change and displacement. This realization also suggests that the responses by governments at national and international levels to the crisis to seek to use flexible labour markets as a means of adjustment and of developing competitive strength were at best responses to a vision of employment paradigms that belonged pre-crisis and pre-industrial revolution 4.0. Competing on the basis of low wages and job insecurity will not be sufficient to meet the challenges that will come from major investments in new technologies, and both governments and companies will need to find much more innovative policies than their current promotion of highly precarious and non-standard work. If this is the model taken forward, the implications of the technological displacement for both living standards and for aggregate demand could be extremely damaging.

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