MANAGING WORK AND ORGANIZATIONS SERIES

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INTRODUCTION

This book is the culmination of about ten years of enquiry into the meaning and nature of human resource management (HRM). During that time, the field has undergone a substantial transformation, one which began a lot earlier and which is not likely to end soon. In that regard, it is probably fair to say that HRM is in a constant state of flux. The discipline concerned with the management of people, the employer–employee relationship or labour regulation has of course been around for as long as there have been formal organizations. Whether they called it personnel management, personnel administration or strategic human resource management is immaterial. The important question is what actually goes on in this process, what sets of policies and practices constitute the managers’ chosen approach and what are the key assumptions underlying these managerial choices.

An overriding assumption in the literature is that the purpose of HRM is to help organizations achieve their objectives, which are essentially seen in terms of performance. According to Brewster (1999), ‘the value of this paradigm lies in the simplicity of focus, the coalescing of the research around this shared objective and the clear relationship with the demands of industry’. Conversely it ignores the other relevant stakeholders. All too often we see books on HRM that merely concern themselves with questions
like ‘How can we manage better?’ ‘What practices are appropriate for what organizations?’ ‘How can we best adopt these practices to meet organizational objectives?’ Such approaches are usually devoid of theory, are manifestly functionalist in their stated purpose to serve organizational ends while ignoring other stakeholders, and are clearly underpinned by a rationalist epistemology which works on the basis that the reality around us is knowable, and accessible through systematic analysis. The role of the academic in helping organizations achieve their ‘strategic objectives’ through HRM is not necessarily disputed here. However, such efforts must not lose sight of a fundamental tenet of good scholarship: to understand as fully as possible the nature of the phenomenon – HRM – its social, political, ethical and cultural dimensions, rather than merely how to make it work better.

The rationalist epistemology leads to the conclusion that through rigorous systematic analysis of the reality around us we can reach the truth, which consists of universal knowledge. This eventually leads both researchers and managers alike to adopt or recommend ‘solutions’ which have been found to work elsewhere. While few people today are prepared to ignore such contingencies as culture, size, organizational form and so forth, there is still an expectation that so long as we allow for such minor inconveniences, human resource management can be made to work. HRM thus becomes at once a set of practices for realizing managerially defined business outcomes and a mirror of the desired reality which is then projected onto the organization. There is, however, more to human resource management than this scenario would suggest. What constitutes HRM, how it is constituted, for whom it is constituted and by whom it is applied are issues that are just as problematic as the issue of what sorts of organizations we are designing to achieve these ends.

As human resource management metamorphosed into strategic human resource management, it became de rigueur to treat it as a source of competitive advantage. A vast amount of literature supporting or trying to support this contention has emerged since the mid-1980s. It is more or less taken for granted that there is something out there called competitive advantage which it is in the firm’s interest to achieve. It is so much in vogue that many writers never bother to define exactly what they mean by this; they simply claim
that by doing such and such, by adopting such and such an HR practice, the organization can achieve competitive advantage.

Maybe there is no need to reinvent the wheel with every publication but it would certainly help if we had better clarification as to what exactly the superior practices are supposed to achieve. This issue is tackled in Chapter 3.

There appears to be a fallacy in recommending practices with universal appeal and supposed universal application. If all the firms are doing the same thing, implementing the same sets of HRM or any other practices, then it becomes difficult to see how each of them can gain an edge over all the rest if competitive advantage is about the capacity to outperform rivals. This trend is in part due to a commonly taken-for-granted assumption that the tacit purpose of scholarship in the field of management is to improve organizational performance, a contender for competitive advantage.

This is not to deny the existence of the corpus of knowledge which both queries this assumption and devotes itself to the critical analysis of the unspoken and sometimes explicit purposes and interests of the stakeholders who are seeking 'competitive advantage'. The volume of critical analyses into the nature, meaning and intents of the proponents of HRM is miniscule when compared to the vast literature which is committed to advancing the interests of organizations by discovering how they can better achieve their objectives. This basically means that we are likely to end up knowing more and more about the methods and practices that apparently work, and less and less about why such methods and practices have been devised in the first place. If we are not clear as to the origins and political purposes of these practices, we will equally be at a loss as to why they do not work quite as well as expected when circumstances change.

Three such circumstances are the complexities of the international context, technological advancement and the uncertainties of the future. The effects of globalization are being felt all around the world today. The opening up of foreign markets, trade liberalization, and developments in new technologies including the onset of e-commerce are changing the way businesses operate. This is in turn having a profound effect on the way people are managed. The old models of internationalization are no longer
reflected in reality. One such model holds that the firm begins with ‘domestic’ operations, then it opens a foreign sales subsidiary, followed by an international division. Such a firm goes through stages: domestic, international, global and transnational. Each of these stages requires some specific sets of practices in the way people are managed, and the kinds of ‘international skills’ and competencies they require.

Geographical location and orientation play a key role in the linear models, which means that in the initial stages when the firm is still essentially domestic, knowledge of international business practices and possession of international skills is minimal. All this is changing rapidly. A firm can set up its business on the internet and begin trading globally from day one. There are no stages of internationalization and no specific transition between domestic and global. An international orientation and an appreciation of business practices and cultures are inevitable and must be built up in a relatively short time-frame. International skills must be developed right from the outset. Currently not all organizations have the flexibility to adapt themselves to these new technological opportunities, but it is just a matter of time before the entire paradigm of doing business and managing across borders undergoes a complete revamp. We consider these issues in more detail in Chapters 2, 7 and 9.

The foregoing of course has implications for the way we understand or misunderstand HRM. Failure to anticipate the trends and act accordingly will mean organizations run the risk of utilizing their stock of human resources inappropriately at best. At worst, it means misusing and mismanaging resources. This of course depends on how much value managers attach to human resources and what they understand by human resources in the first place. If people are seen as the repository of organizational knowledge, it would make sense for managers to attach a high value to such a valuable resource, which means that people will be treated as a potential source of added value. Put simply, the judicious use of their skills will generate profits. As such, we can expect mechanisms will be put in place to ensure that these people will be treated well in terms of providing them with opportunities for personal growth, attractive rewards, and a chance to cultivate their creativity. We would also expect the organization to institute retention
mechanisms to ensure that this valuable resource does not walk away.

On the other hand, where people are only treated as sources of profit and little else, which means they are easily dispensed with when no longer needed, we are likely to end up with a transactional climate in which each party is driven by its own self-interest. People will thus be seen as just another input into the production process with nothing else that warrants additional efforts to retain them. People in turn will treat organizations merely as a source of immediate benefits, financial or otherwise. In reality the retention of people proceeds on a selective basis. We see this happening in this age of downsizing and corporate restructuring. These questions are considered in Chapters 3 to 6.

Understanding the dynamics of HRM also means coming to terms with some uncomfortable truths: that business strategies appear to have a life of their own, or at least one propelled by an uncompromising imperative for organizational survival which is generally unforgiving of inefficiency and waste. Therefore, even though people are often defined as the most important asset, they also seem to be one of the most expendable when the very survival of a business organization is at stake, thought to be at stake, or when managers come under pressure to manage costs. This has resulted in a paradox in which managers’ claims about the importance of the ‘greatest asset’ are not borne out in reality (Drucker, 1992). In fact, in an analysis of intangible assets, Hall (1993) found that the most valuable were company and product reputation and employee knowhow, in that order.

Recent research on the ‘psychological contract’, for example by Rousseau and her colleagues, has been shedding new light on the complexity of the employer–employee relationship (see for example Robinson et al., 1994; Robinson and Rousseau, 1994). These authors have argued, inter alia, that one party’s perceived contribution obligates the other to reciprocate. From the foregoing, the question that arises is how prevalent and sustainable this notion of perceived reciprocity is today. This appears to be a blind spot in employment relationships which are more concerned with the tangibility of what the parties are able to secure from each other. On a more optimistic note, Burack (1993) proposes a new basis for a psychological contract which includes
elements like ‘good faith’ in maintaining employment continuity and a ‘family’ metaphor in which ‘managers treat people with respect and provide real support in new paradigm organizations’ (p. 159). We explore these and related concepts in Chapter 8.

Mechanisms such as performance appraisal give managers the opportunity to make supposedly rational choices as to the relative value of the contributions of the employees. These imputed values in turn serve as a surrogate for the value the appraisers place on the employees themselves. Whether the mechanisms are in effect rational or not is immaterial here; the important point is that tools are available and can be invented, if need be, to differentiate between people vis-à-vis the organizational requirements and imperative for growth. This argument parallels Davis and Moore’s (1966) functional theory of stratification in which society decides who gets what positions based on the perceived functional importance of their talents and training. The perceived importance of people’s skills either as individuals or vis-à-vis other competing resources plays a role (alongside other factors including favouritism and bias) in determining what positions they take in the organization and whether they retain these positions in times of organizational turbulence. This raises an issue that is not often recognized in HRM debates – the perceptions that people have about their own ‘value’. This is attributable to the practice of analysing HRM from an organizational perspective. Do people think of themselves as a valuable resource? Do they think of themselves as the most important asset? What are their expectations in the information age and are their voices being heard? There seems to be a need for more research from this perspective and to reconcile it to the predominant organizational/managerial one. I attempt to explore these issues in Chapter 3.

This book therefore is about what it means to manage people, and how this is changing and is likely to change as we advance into an increasingly complex world where many of our assumptions about management are constantly being challenged. Various authors have attempted to explain human resource management in different ways, and the critical–analytical literature continues to bring us closer to gaining a more complete picture of what HRM really is about. Schuler and Jackson (1999) have recently suggested the use of a variety of theoretical frameworks, including
institutional theory, resource dependence theory, human capital theory and so forth. Theoretical frameworks are useful analytical devices whose contribution to unravelling the HRM phenomenon is evident in the robust literature. Our arguments here are not framed in an overarching theoretical framework; in fact, one key objective is to examine the value of some of the more recent frameworks, such as the resource-based view (see Chapter 4).

Questions about the use and legitimacy of control, using skills and competencies to enhance organizational performance, eliciting commitment and fostering a viable organizational climate and so forth have been debated for some time now. Similarly, managers, academics and consultants have covered the ‘practices’ terrain very thoroughly – what selection, training and performance appraisal techniques are being used where and how. Others have addressed what constitutes HRM in ‘reality’ vis-à-vis the claims made about it, how it differs from other mechanisms for managing people, and so forth. The debate has been shifting to other areas of theoretical sophistication, building bridges with disciplines like strategic management, international management, critical theory, post-modernism and so forth. These developments point to the different ways in which researchers define and approach their problematics, how this is underpinned by certain assumptions within their respective paradigms, and what they see as their role in these processes.

These themes, assumptions and theoretical perspectives have a profound bearing on the questions this book addresses. In fact, the discussion goes further and questions whether the current academic undertakings have succeeded in giving us a complete picture of the dynamics of managing people. This is a difficult question because it involves questioning the whole idea of ‘managing’, and trying to discover whether the phenomenon of HRM should actually be seen as something other than ‘managing’. I consider this question in Chapter 8.

The foregoing is a general introduction to the challenges I have embraced in this book. Below, I offer a more specific summary of each of the subsequent chapters. Chapter 2 begins by examining the role of organizations in managing people, by focusing on the notion of improving the human condition. It locates the discussion in a historical context and looks at the potential future
directions in the enduring task of ‘humanizing work’. The chapter goes on to consider some of the definitive themes in the current conceptions of HRM, and concludes by querying whether we are now coming to a mature phase of HRM.

Chapter 3 considers the emergent version of HRM: strategic HRM. This chapter tackles some controversial issues in the strategic HRM debate, such as the idea that the utilization of human resources can be a source of competitive advantage. This argument appears to be part of a bandwagon effect that began in the mid-1980s and evolved mainly at the conceptual level before researchers moved ahead with empirical investigations which have also raised a new set of concerns. The chapter discusses the practical implications of these academic debates with regard to questions like training and retention. It also proposes further research from the point of view of those most affected by the actions arising from these developments.

Chapter 4 takes the strategic HRM debate further by examining a major contribution of the 1990s: the resource-based view (RBV). Although the concept itself emerged much earlier in strategic management, its ‘discovery’ by human resource theorists is a more recent phenomenon. The resource-based view refocuses attention on the resources that exist within the organization and over which the organization has some control. The discussion traces the development of this concept and its implications for the management of people. This discussion also identifies some weaknesses in the application of the RBV to a discipline as complex as HRM. It also challenges the dominance of the external environment paradigm and the enduring emphasis on practices at the expense of resources.

Chapter 5 tackles one dimension of the resource-based view that has only received limited attention in the HRM literature so far: appropriation. Within the strategic management debate, appropriation is understood to be the firm’s ability to retain for its own use the benefits of utilizing resources under its control. The firm’s appropriative arms logically stretch into the HRM domain to the extent that managers are utilizing human resources for specific organizational ends. Herein lies the paradox: the forms of control normally applied for other resources are likely to be of limited use in the case of human resources which organizations do not, strictly
speaking own. This leads us to a consideration of the limits of appropriation, the importance of employee retention in the appropriation regime, and the use of resource and mobility barriers.

Chapter 6 takes a critical look at the concept of knowledge. ‘Knowledge’ has become the latest buzzword in organization science as well as in the world of business. The discussion brings together some of the earlier constitutive strands in the conception of knowledge, from information management and the power of experts to questions about the production of knowledge. The chapter then offers a number of perspectives to elucidate the concept of knowledge, including its social construction, and the extent to which it is self-perpetuating and context-specific. The concept of knowledge gives us a fresh approach into the human resource management debate, in particular the challenges of managing the tacit dimension, and the challenge of securing organizational control over it. This chapter also explores the interface between knowledge management and the resource-based view.

Chapter 7 aims to locate the HRM debate within the international context. That is not to say that the previous chapters concern themselves with ‘domestic’ issues; rather, this chapter identifies the key issues that come to the surface when operations take on a decidedly international complexion. This chapter takes issue with the somewhat narrow perspectives that have characterized international HRM so far, such as the preoccupation with serving the needs of multinational firms, the adjustment problems of expatriates and cross-cultural management. The global arena is a lot more complex than that. It requires a concerted effort to understand the socio-political and economic circumstances of those affected by global business and trade. The issue of ‘globalization’ has recently been getting a lot of bad press. This chapter identifies some of its effects on HRM, particularly in the special case of developing countries, and the challenge of appropriation in an international context.

Chapter 8 raises some additional issues about the context of business, suggesting that the social context has a lot more to offer to our understanding of the challenges of managing than is readily evident. It examines the suitability of mechanisms like the ‘community concept’ and the idea of ‘facilitating resourcefulness’ as a way of understanding the task of ‘managing’.
Understanding human resource management

The final chapter wraps up the discussion by suggesting some ways in which we might begin to think of human resource management in an increasingly turbulent world. It also offers some suggestions as to how the debates covered in this book might encourage further research.