The SAGE Handbook of

Human Resource Management

Second Edition

Edited by

Adrian Wilkinson,
Nicolas Bacon,
Scott Snell and
†David Lepak

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To the memory of Tom Redman and Dave Lepak

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Notes on the Editors and Contributors

THE EDITORS

Adrian Wilkinson is Professor and Director of the Centre for Work, Organisation and Wellbeing at Griffith University, Australia. He holds a Visiting Professorship at Loughborough University, and is an Academic Fellow at the Centre for International Human Resource Management at the Judge Institute, University of Cambridge. He has been shortlisted by *HR magazine* for the award of HR (Most Influential International Thinker). He has authored/co-authored/edited 30 books and over 150 articles in academic journals. Recent books include *HRM at Work: People Management and Development*, 6th edition (CIPD, 2016); *Case Studies in Global Management: Strategy, Innovation and People* (TUP, 2012); *Contemporary Human Resource Management* (Pearson Education, 2016); *The Oxford Handbook of Employment Relations* (OUP, 2014) and the *Handbook of Research on Employee Voice* (Edward Elgar, 2014). He is a Fellow of the Chartered Institute of Personnel and Development in the UK and a Fellow of the Australian Human Resource Institute. He is an Academician (Fellow) of the Academy of Social Sciences in the UK as well as a Fellow of the Academy of Social Sciences in Australia.

Nicolas Bacon is a Professor in Human Resource Management at Cass Business School. His research explores the impact of human resource management practices on organisational performance and employee outcomes in a wide variety of settings including manufacturing firms, unionised workplaces, small firms, medium-sized enterprises, private-equity-owned firms and the public sector. He has published 50 academic articles in learned journals as well as numerous book chapters and edited the *Industrial Relations Journal* from 2004 to 2008.

Scott Snell is the E. Thayer Bigelow Research Chair in Business Administration and former Senior Associate Dean for Executive Education at the University of Virginia's Darden Graduate School of Business. He teaches courses in strategic management and leadership, and has worked with companies such as AstraZeneca, Changan Motors (China), Deutsche Telekom, Heineken and Shell to align strategy, capability and investments in talent. He is an award-winning researcher and is listed among the top 100 most cited authors in scholarly journals of management. He is the author of five books, including the forthcoming *In Search of Execution* (Stanford University Press). He currently serves on the board of HR People + Strategy, and previously has been a board member of Strategic Management Society's Human Capital Group, the Society for Human Resource Management Foundation, the Academy of Management's Human Resource Division, the *Academy of Management Journal* and the *Academy of Management Review*. Prior to joining the Darden faculty, he was Professor and Director of Executive Education at Cornell University's Center for Advanced Human Resource Studies and a Professor of Management in the Smeal College of Business at Pennsylvania State University. He received his BA from Miami University, as well as his MBA and PhD in business from Michigan State University.

David Lepak was Chair of the Department of Management and first holder of the Berthiaume Chair in Business Leadership, UMass Amherst. His research focused on strategic human resource management with an emphasis on employment sub-systems and the HR architecture, contingent labour, intellectual capital, and linking HR systems to important company outcomes. In addition to teaching at UMass Amherst, he has also held academic appointments at Rutgers University, the University of Bath and the University of Maryland, College Park. He also worked at the University of Missouri Columbia as an HR generalist. He has co-authored several books on human resource management and has written articles in top journals, including *Academy of Management Review*, *Academy of Management Journal*, *Journal of Applied Psychology and Journal of Management*.

THE CONTRIBUTORS

Stephen Bach is a Professor of Employment Relations and inaugural Executive Dean, King's Business School, King's College London. His research interests include: public service employment relations in comparative perspective; international migration of health professionals; new ways of working in the public services; and the growth of interim management roles in public services. His books include: *The Modernisation of the Public Services and Employee Relations: Targeted Change* (with Ian Kessler), Palgrave-Macmillan, 2012, *Managing Human Resources,* fifth edition (edited with Martin Edwards) Wiley, 2013 and *Public Service Management and Employment Relations in Europe: Emerging from the Crisis,* (edited with Lorenzo Bordogna) Routledge, 2016.

Greg J. Bamber is a Professor at Monash Business School, Monash University, Melbourne, Australia and Co-Director of the International Consortium for Research in Employment & Work. He has written more than 200 publications, most co-authored, including in leading journals and books such as: *International & Comparative Employment Relations* (SAGE); *Up in the Air: How Airlines Can Improve Performance by Engaging their Employees* (Cornell UP). He has been a co-leader of many research projects, including on: airlines, hospitals, manufacturing, telecommunications, outsourcing, dispute settlement, workplace change. He has conducted projects for governments and the International Labour Organization. He has been Co-Chair of the International Section, US Labor & Employment Relations Association, and President of the Association of Industrial Relations Academics of Australia & New Zealand, the Industrial Relations Society of Victoria, Australian & New Zealand Academy of Management. He is a Visiting Professor at Hertfordshire University and Newcastle University, UK, and has been guest faculty at other universities including Harvard and MIT.

Michael Barry is a Professor of Employment Relations in the Griffith Business School. He was Foundation Head of the Department of Employment Relations and Human Resources at Griffith University from 2010 to 2016. His research interests include employer association behaviour, international and comparative employment relations and human resource management, and employment relations in mining and in professional sports. Michael is currently engaged in research examining the integration of employee voice across the disciplines of employment relations, HRM and Organisational Behaviour.

Devasheesh P. Bhave is an Associate Professor of Organisational Behaviour and Human Resources at the Lee Kong Chian School of Business, Singapore Management University. He received his PhD from the Carlson School of Management at the University of Minnesota. His research interests span different aspects of the employment relationship and include emotional labour and customer service, technology in human resources, and the work–home interface. His research has been published in the *Academy of Management Journal*, *Journal of Applied Psychology*, *Personnel Psychology*, *Journal of Management*, *Journal of Organizational Behavior*, and other outlets.

Tanya Bondarouk is a Professor of Human Resource Management and Head of the Department of HRM at the University of Twente, the Netherlands. She also works as the Associate Editor for the *International Journal of Human Resource Management* and *European Journal of International Management*, and as Co-editor of the *Advanced Series in Management* (Emerald Publishers). She has been working on the research area of electronic HRM, and has edited a number of special issues in international journals on this topic. Her main publications concern an integration of HRM and social aspects of information technology implementations, and appear in the *International Journal of HRM*, *Personnel Review*, *European Journal of Management* and *European Journal of Information Systems*. Her research covers both private and public sectors and deals with a variety of areas such as the implementation of e-HRM, management of HR–IT change, and the HRM contribution to IT projects.

Paul Boselie is a Professor of Public Administration and Organization Science at the Utrecht University School of Governance (USG, Utrecht University). His research focuses on strategic HRM and public service performance, employer engagement of vulnerable workers and effective management implementation in public sector organisations. He is the Head of Department of USG and author of the popular textbook *Strategic HRM – A balanced approach*. He has published more than 100 journal articles, books and book chapters in the areas of HRM, performance management, talent management, private equity and employer engagement. He is a former editor of *Personnel Review* and the *International Journal of HRM*.

Chris Brewster is a Professor of International Human Resource Management at Henley Business School, University of Reading, UK, Radboud University, Nijmegen, the Netherlands and the University Vaasa, Finland. He had substantial experience as a practitioner and gained his doctorate from the LSE before becoming an academic. He researches in the field of international and comparative HRM and is a frequent international conference speaker. He has written or edited about 30 books, including, recently, the *Handbook of Research on Comparative Human Resource Management*; *Managing Performance Abroad: A new model for understanding expatriate adjustment*; and *Varieties of HRM: A Comparative Study of the Relationship between Context and Firm*. He has also published more than 100 book chapters and over 200 articles in refereed journals. In 2002 he was awarded the Georges Petitpas Memorial Award by the practitioner body, the World Federation of Personnel Management Associations, in recognition of his outstanding contribution to international human resource management, and in 2006 he was awarded an Honorary Doctorate by the University of Vaasa, Finland.

Michelle Brown is a Professor (Human Resource Management) in the Department of Management and Marketing at the University of Melbourne. She completed her PhD at the University of Wisconsin, Madison, and undertakes research into performance management and reward systems. Her current research interests focus on employee reactions to performance management systems, including emotional exhaustion and cynicism. She is also doing research into the impact of secrecy on the effectiveness of performance management systems.

John W. Budd is the Industrial Relations Land Grant Chair at the University of Minnesota's Carlson School of Management. His current research interests include employee voice, frames of reference, conflict resolution, and other industrial relations topics. His books include *Employment with a Human Face: Balancing Efficiency, Equity, and Voice* (Cornell University Press), *Labor Relations: Striking a Balance* (McGraw-Hill/Irwin), *Invisible Hands, Invisible Objectives: Bringing Workplace Law and Public Policy Into Focus* (with Stephen Befort, Stanford University Press), and *The Thought of Work* (Cornell University Press). He is on the executive board of the Labor and Employment Relations Association, and has been Director of the Center for Human Resources and Labor Studies at the University of Minnesota.

Derek Chapman is an Associate Professor in the Department of Psychology at the University of Calgary, in Alberta. He earned his PhD in Industrial and Organisational Psychology from the University of Waterloo in 2000. His current research interests focus on recruiting, person–organisation fit, selection interviews, and technology use in recruiting and selection. His work has appeared in a variety of publications including the *Journal of Applied Psychology*, *Personnel Psychology*, *Journal of Vocational Behavior*, *Journal of Occupational and Organizational Psychology* and the *International Journal of Selection and Assessment*.

David G. Collings is Full Professor of HRM and Associate Dean for Research at Dublin City University Business School in Ireland. He previously held faculty positions at the National University of Ireland, Galway, and the University of Sheffield and visiting positions at King's College London, Nanyang Business School in Singapore and Cornell University as a Fulbright Scholar. He is a leading international expert on talent management and global mobility. He has been named as one of the most influential thinkers in the field of HR for four consecutive years by *HR magazine* (2014–2017). He has published numerous papers in leading international outlets and eleven books, and his work is regularly cited in media and other outlets. His most recent book, *The Oxford Handbook of Talent Management* with Wayne Cascio and Kamel Mellahi, was published in 2017. He sits on a number of editorial boards including those of *Academy of Management Review*, *Journal of Management* and *Journal of Management Studies* and is Co-Editor-in-Chief of *Journal of World Business* and former Editor-in-Chief of *Human Resource Management Journal*. He is also Permanent Chair of the European Institute for Advanced Studies in Management's workshop on talent management.

Kieran M. Conroy is an Assistant Professor in International Management at Queen's University Belfast Management School. He has also held a visiting position at ESC La Rochelle Business School. His work focuses on exploring the intersection between international strategy and global staffing, specifically strategy development at the HQ–subsidiary interface and knowledge transfer through alternative forms of international assignments. He has published in journals such as *Journal of World Business*, *Global Strategy Journal*, *British Journal of Management* and *Journal of Global Mobility*. He is currently a Member of the Editorial Board for the *Journal of World Business*.

Fang Lee Cooke is Professor of Human Resource Management and Asia Studies at Monash Business School, Monash University. She is also a Fellow of the Academy of the Social Sciences in Australia. Previously, she was a Full Professor (since 2005) at Manchester Business School, University of Manchester. Her research interests are in the area of employment relations, gender studies, diversity management, strategic HRM, knowledge management and innovation, outsourcing, Chinese outward FDI and HRM, employment of Chinese migrants, and HRM in the care sector. Her recent research projects include: Chinese firms in Africa and their employment/HRM practices and labour relations; employee resilience, HRM practices and engagement in the finance sector in the Asian region; the evolution of industrial relations and implications for foreign firms in South Asia; organisational practices and management models in the care sector; and HRM in the care sector, including healthcare, aged care and disability care.

John E. Delery is the Raymond F. Orr Chair and Professor of Management in the Department of Management of the Sam M. Walton College of Business at the University of Arkansas. His research interests include the strategic management of human capital and the structure of human resource management systems. His research has been funded by the National Science Foundation and the US Department of Transportation, and has appeared in journals such as the *Academy of Management Journal*, *Strategic Management Journal*, *Personnel Psychology*, *Industrial Relations*, *Human Resource Management Review* and the *Journal of Organizational Effectiveness, People and Performance*. He currently serves as Associate Editor of *Human Resource Management Review* and has served on the editorial boards of *Academy of Management Review*, *Academy of Management Journal*, *Human Resource Management*, *Human Resource Management Journal*, *International Journal of Human Resource Management*, *Journal of Management, Organizational Psychology Review* and *Personnel Review*.

Paul Edwards is Emeritus Professor of Employment Relations, Birmingham Business School, University of Birmingham. He was previously at Warwick Business School, where roles included being Director of the Industrial Relations Research Unit and Associate Dean for Research. He is a Fellow of the British Academy and former editor-in-chief of *Human Relations*. He has published widely on workplace employment relations and on small firms. He co-edited *Studying Organizations Using Critical Realism* (OUP, 2014) and co-authored *The Politics of Working Life* (OUP, 2005).

Elaine Farndale is Associate Professor in Human Resource Management at the School of Labor and Employment Relations, Pennsylvania State University, where she is also Founder and Director of the Center for International Human Resource Studies. She is affiliated with the Department of Human Resource Studies at Tilburg University (Netherlands). Her widely published research encompasses the broad field of (international) human resource management. She completed her PhD at Cranfield School of Management (UK), and worked previously as an HR specialist for several years. She has also served in editorial roles for *Human Resource Management Journal*, *Human Resource Management* and *International Journal of Human Resource Management*.

Eva Gallardo-Gallardo is Associate Professor at the Universitat Politècnica de Catalunya BarcelonaTech. She previously held faculty positions at the Universitat de Barcelona and the Universitat Oberta de Catalunya. She has been a visiting scholar at the University of Minho (Portugal), the Universitat de València (Spain) and the HU Applied Sciences Utrecht (the Netherlands). Her research focuses on talent management, with a particular interest in understanding the evolution of the field, its dynamics and its conceptual boundaries. She has published articles in international journals in the areas of management, human resource management, industrial relations and labour, and scientometrics. She has (co-)authored several book chapters on talent management. Her most recent book, *Talent Management in Practice: An Integrated and Dynamic Approach*, with Marian Thunnissen, was published in 2017. She frequently reviews articles for academic journals such as *International Journal of Management Reviews, Journal of World Business and International Journal of Contemporary Hospitality Management*. She has served on the editorial board of the *International Journal of Human Resource Management*, and she currently serves on the editorial board of the *Journal of Organizational Effectiveness: People and Performance*.

Barry Gerhart is the Bruce R. Ellig Distinguished Chair in Pay and Organizational Effectiveness, Wisconsin School of Business, University of Wisconsin–Madison. He previously served as department chair or area coordinator at Cornell, Vanderbilt, and Wisconsin, as well as senior associate dean and interim Albert O. Nicholas Dean at Wisconsin. Professor Gerhart's research interests include compensation, human resource strategy, and international human resources. He received his B.S. in psychology from Bowling Green State University and his PhD in industrial relations from the University of Wisconsin–Madison. His research has been published in a variety of journals and he serves on the editorial boards of several journals. He has co-authored several books, including *Human Resource Management* (in its 11th edition) and Compensation (in its 12th edition). Professor Gerhart has received the Heneman Career Achievement Award, Thomas A. Mahoney Mentoring Award, Scholarly Achievement Award, and International Human Resource Management Scholarly Research Award, all from the Human Resources Division, Academy of Management. He has also received the Michael R. Losey Excellence in Human Resource Research Award (for lifetime achievement) from the Society for Human Resource Management. Professor Gerhart has been elected as a Fellow of the Academy of Management, the American Psychological Association, and the Society for Industrial and Organizational Psychology.

Howard Gospel is a Professor of Management at King's College London and LUISS Rome and a Research Associate at the Said Business School Oxford. He has a first degree from the University of Oxford and a PhD from the London School of Economics. His research interests include the management of human resources and corporate governance, with a particular emphasis on historical and international comparisons.

Anne-Marie Greene is a Professor of Work, Employment and Diversity at the School of Business, University of Leicester, UK. She has extensive expertise in researching employment relations and equality and diversity issues in areas of work that stand outside of the standard employment relationship. Her highly cited text *The Dynamics of Managing Diversity: A Critical Approach* (2015) with Gill Kirton is now in its fourth edition. A particular research interest is the interface between work, life, family and community, particularly in areas of work where a sense of calling, mission or activism are required. This has included research exploring the employment context of women clergy and collaborative writing on women actors. Recent projects are concerned with the management of volunteers, and the career experiences of diversity consultants.

Irena Grugulis is the Professor of Work and Skills at Leeds University Business School, an ESRC/AIM Services Fellow and an Associate Fellow of SKOPE. Her research focuses on skills and has been funded by the ESRC, EPSRC and ERDF. She has worked to introduce the idea of the partial coincidence of interest between employers and employees to writings on training and development. She has published articles in *Work, Employment and Society*, *Journal of Management Studies*, *Organization Studies*, *Human Relations*, *British Journal of Industrial Relations* and *Human Resource Management Journal*. She has served as both Editor and Editor in

Chief of *Work, Employment and Society* and written two research-led textbooks: *Skills, Training and Human Resource Development* (2007) and *A Very Small, Fairly Interesting and Reasonably Cheap Book on Studying Human Resource Management* (2017). She has been a member of the UKCES's Academic Advisory Panel and undertaken government advisory work on skills.

Mark Huselid is the Distinguished Professor of Workforce Analytics and Director of the Center for Workforce Analytics in the D'Amore-McKim School of Business at Northeastern University. His current academic research and consulting activities focus on the linkages between HR management systems, corporate strategy and firm performance. He is a Fellow of the National Academy of Human Resources (NAHR), the Society for Industrial and Organizational Psychology (SIOP) and the Association for Psychological Science (APS). He is co-author of three bestselling books, all published by the Harvard Business Press: *The HR Scorecard: Linking People, Strategy & Performance* (with Brian Becker and Dave Ulrich), *The Workforce Scorecard: Managing Human Capital to Execute Strategy* (with Brian Becker and Dick Beatty) and *The Differentiated Workforce: Transforming Talent Into Strategic Impact* (with Brian Becker and Dick Beatty). His new book, *Disrupting Workforce Competition: Executing Strategy through Workforce Analytics*, is currently in development.

Kaifeng Jiang is an Associate Professor of Management and Human Resources in the Fisher College of Business at The Ohio State University. He received his PhD in Industrial Relations and Human Resources from the School of Management and Labor Relations at Rutgers University in 2013. His research examines the effects of human resource management practices on employee, team, and organisational outcomes. He is especially interested in the boundary conditions and mediating mechanisms of HRM effects on outcomes. He has published over 20 research articles in journals and 9 chapters in books. His research has been recognised by the scientific community through several research awards and grants including the Early Career Achievement Award of the HR Division of Academy of Management.

Richard Johnstone is a Professor in the School of Law at the Queensland University of Technology. He was the founding Director of the National Research Centre for Occupational Health and Safety Regulation at the Australian National University. His research interests are in labour law, regulation (particularly OHS regulation) and legal education. He has researched OHS standard setting, OHS enforcement, worker participation in OHS, and the regulation of OHS in relation to precarious and contingent workers. His books include *Work Health and Safety Regulation in Australia: The Model Act* (Federation Press, 2012, with M. Tooma); *Work Health and Safety Law and Policy* (3rd edition, Thompson Law Book, 2012, with E. Bluff and A. Clayton), *Occupational Health and Safety, Courts and Crime: The Legal Construction of Occupational Health and Safety Offences in Victoria*, (Federation Press, 2003); and *Regulating Workplace Safety: Systems and Sanctions*, Oxford Socio-legal Series (OUP, 1999, with N. Gunningham).

Stewart Johnstone is a Senior Lecturer in Human Resource Management and Employment Relations at Newcastle University Business School, Newcastle University, UK. His research interests include employee participation and representation, HRM in smaller firms and HR during and post-crisis. As well as 20 refereed journal articles and 10 book chapters on these themes, he has authored/co-edited several books including *Finding a Voice at Work: New Perspectives on Employment Relations* (Oxford University Press, 2015), *Developing Positive Employment Relations* (Palgrave, 2016) and *Encyclopaedia of HRM* (Edward Elgar, 2016). He currently also holds leadership roles with both the British Universities Industrial Relations Association (BUIRA) and the British Academy of Management (BAM).

Ji Koung Kim is a PhD candidate in the Department of Management and Entrepreneurship at Arizona State University's W. P. Carey School of Business. Prior to pursuing his doctorate, he earned an MS in Management and a BA in Business Administration from Korea University. His research interests include impression management, social exchange relationships, organisational and social reputation, leadership, and employee engagement. His work has been published in *Personnel Psychology*.

Brian Klaas is currently the Dean and Harzfeld Chair at the Bloch School of Management at the University of Missouri-Kansas City. He has published extensively in such areas as human resources, dispute resolution and labour relations. His work has been published in some of the leading journals in his field, including *Academy of Management Review*, *Academy of Management Journal*, *Journal of Management*, *Industrial Relations*, *Personnel Psychology* and *Human Resource Management*. He also has served on the editorial boards for a number of these journals and has had his research funded by organisations such as the Society for Human Resource Management, the Upjohn Institute and the Gevity Institute.

Caroline Knight is a Research Fellow in the Centre for Transformative Work Design, Future of Work Institute, Curtin University, Australia. Her interests include work design, job crafting, well-being and performance, with a particular focus on intervention research. She received her PhD from Sheffield University, UK, in 2016, where she investigated the role of interventions to improve work engagement in organisations. Currently, she works with industry partners to design and implement interventions and explores the mechanisms underlying these. She has conducted rigorous systematic reviews and meta-analyses in this area.

Thomas A. Kochan is the George M. Bunker Professor of Work and Employment Relations at MIT's Sloan School of Management, Co-Director of the MIT Institute for Work and Employment Research. He received his PhD in Industrial Relations from the University of Wisconsin in 1973. He is past President of the Industrial Relations Research Association and the International Industrial Relations Association. His most recent book is *Shaping the Future of Work: A Handbook for Action and a New Social Contract* (2017) (with Lee Dyer).

Christopher Land-Kazlauskas is a 'freedom of association and collective bargaining' specialist based in the headquarters of the International Labour Office in Geneva. Over a 17-year career in the ILO, he has served in the headquarters, in the ILO Subregional Office for the Caribbean in Port-of-Spain, Trinidad, and in the ILO Liaison Office in Yangon, Myanmar. He has recently co-authored a working paper entitled 'Organizing on-demand: Representation, voice, and collective bargaining in the gig economy' and was a contributor to *The Global Deal for Decent Work and Inclusive Growth Flagship Report 2018, Building Trust in a Changing World of Work*.

Jeffery A. LePine is the PetSmart Chair in Leadership in the Department of Management and Entrepreneurship at Arizona State University's W. P. Carey School of Business. He earned his PhD in Organizational Behavior from Michigan State University (1998). His research focuses on factors that affect the functioning and effectiveness of employees and teams, engagement, stress, and extra-role behaviors. He received the Academy of Management's Cummings Scholar Award in Organizational Behavior (2005), and the Society of Industrial and Organizational Psychologists'

Distinguished Early Career Contributions Award (2004). He is a Fellow of the American Psychological Association and the Society for Industrial and Organizational Psychology. He has also served as Associate Editor for *Academy of Management Review* and the *Journal of Applied Psychology*. Prior to beginning his academic career, he was an officer in the US Air Force.

Pingshu Li is an Assistant Professor of Management at the Robert C. Vackar College of Business and Entrepreneurship, University of Texas Rio Grande Valley. He received his PhD in Human Resource Management and Organizational Behavior from University of Kansas, and his Master's degree in Human Resource Management from Marquette University. His research interests include strategic human capital and human resource management, prosocial motivation and behaviours, knowledge-based organisations, and multilevel modelling. His work has appeared in journals such as *Organizational Behavior and Human Decision Processes*, *Human Resource Management* and *Human Resource Management Journal*.

Filip Lievens is Lee Kong Chian Professor of Organisational Behaviour and Human Resources at Singapore Management University. In 1999, he earned his PhD from Ghent University, Belgium. Generally, his research interests focus on talent assessment and talent acquisition. Specific topics include assessment centres, situational judgement, adaptability, employer branding, and organisational attractiveness. He has published among others in the *Annual Review of Psychology*, *Journal of Applied Psychology*, *Personnel Psychology*, *Organizational Behavior and Human Decision Processes,* and *Journal of Management*. He has received several awards such as the Distinguished Early Career Award from SIOP, the Friedrich Wilhelm Bessel-Forschungspreis of the Alexander von Humboldt-Foundation, and the Douglas W. Bray – Ann Howard Award. He is a Fellow of SIOP, APA and IAAP.

Rebecca Loudoun is an Associate Professor in the Department of Employment Relations and Human Resources at Griffith University and a member of the Work Organisation and Well-Being Research Centre. Since 2002, she has worked at the university teaching undergraduate and postgraduate courses in work health and safety, negotiation and employment relations. Her research focuses on linkages between organisational, social and economic issues that influence health and safety performance. She has a particular interest in the ill-effects of shiftwork and other work systems and the nexus between workplace bargaining and work health and safety (OHS), including the role of parties external to the workplace such as unions on influencing health and safety outcomes.

Alison Mackey is a Lecturer at the David D. Reh School of Business at Clarkson University in Potsdam, New York. She received her PhD in Business Policy and Strategy from the Fisher College of Business at The Ohio State University. Her research interests span strategic human capital, executive labor markets, and corporate social responsibility. She has served on the editorial boards for *Strategic Management Journal* and the *Journal of Management*. Previously, she has taught at Westminster College, University of Utah, California Polytechnic State University, and Texas A&M University.

Wolfgang Mayrhofer is Full Professor and Head of the Interdisciplinary Institute of Management and Organisational Behaviour, WU Vienna, Austria. He previously has held full-time positions at the University of Paderborn and at Dresden University of Technology, Germany. He conducts research in comparative international human resource management and leadership, work careers, and systems theory and management, and has received national and international awards for outstanding research and service to the academic community. He has authored, co-authored and co-edited 31 books and more than 130 book chapters and 80 peer-reviewed articles. He is on the editorial or advisory boards of several international journals and research centres. His teaching assignments at the doctoral, graduate and executive level and his role as visiting scholar have led him to many universities around the globe. He regularly consults to both private and public sector organisations and conducts training in the area of HRM, leadership, teams, and self-development by outdoor training/sailing.

Lacey Leone McLaughlin is a leadership and talent management professional and executive coach with extensive experience in helping leaders drive impact through delivering on clearly identified personal and organisational goals. She has worked with clients across all industries and sizes from entrepreneurs to Fortune 100 companies. She has a proven track record of expanding business relationships and building business partnerships. She is the President of LLM Consulting Group, Inc., an executive coaching and human capital consulting firm, and Co-Founder and Partner of Business inSITE Group (BiG), a strategic partnership focused on coaching, leadership development and HR transformation. She spent over nine years as the Director of Executive Education at the Center for Effective Organizations (CEO) in the Marshall School of Business at USC. While under her leadership, CEO's Executive Education and Learning Programs were ranked in the top 5 of all Leadership Development Programs by *Leadership Excellence Magazine*.

Jonathan Michie is Professor of Innovation & Knowledge Exchange at the University of Oxford, where he is also Director of the Department for Continuing Education, and President of Kellogg College. He is the 'Interdisciplinary' Member of the Management & Business Panel for the UK's 2021 Research Excellence Framework exercise. He is Chair of Trustees for the United World Colleges (UWC) Atlantic College, and a member of the UWC Council. He is a Visiting Professor at the European University Institute, Florence; Honorary Professor at the University of the Witwatersrand, South Africa; and a Senior Fellow at Rutgers University, USA. He is Managing Editor of the International Review of Applied Economics, and recent books include An Advanced Introduction to Globalisation (Elgar).

Dana Minbaeva is a Professor of Strategic and Global Human Resource Management at the Department for Strategy and Innovation, and the Vice-President for International Affairs at Copenhagen Business School. Her research on strategic international HRM, knowledge sharing and transfer in multinational corporations has appeared in such top international journals as *Journal of International Business Studies*, *Journal of Management Studies*, *Human Resource Management*, and many others. She has published around 50 articles in international peer-reviewed journals, and written numerous book chapters and reports. She received several national and international awards for her research achievements and knowledge dissemination, including the prestigious JIBS Decade Award in 2013. She is the Founder of the Human Capital Analytics Group.

Shad Morris is the Georgia White Associate Professor of Management at the Marriott School of Business, Brigham Young University. In addition to co-authoring 5 books on people management and international business, he has over 30 scholarly publications in journals such as *Academy of Management Review, Journal of International Business Studies, Strategic Management Journal, and Harvard Business Review*. Prior to the Marriott School, he was on the faculty for five years at The Ohio State University. He has been a Fulbright Scholar and has also received numerous awards for his international research, including a top research award from the Academy of Management. Prior to becoming an academic, he worked for the World Bank.

Dr Paula Mowbray is a Postdoctoral Research Fellow in the Centre for Work, Organisation and Wellbeing at Griffith University. Her research interests are in the areas of employee involvement, participation and voice, organisational culture, high-performance work systems and employee engagement. Her work has recently been published in the *International Journal of Management Review* and *International Journal of Human Resource Management*.

Niki A. den Nieuwenboer is an Assistant Professor of Organizational Behavior and Business Ethics at the University of Kansas School of Business. She holds a PhD from the Rotterdam School of Management, Erasmus University. Her current research focuses on deviance in the workplace and examines topics such as the influence of social status on misconduct, the role of social structure in inducing widespread unethical behaviour, and the identity challenges that those who occupy ethical roles face. She has published in *Organization Science*, *Organizational Behavior and Human Decision Processes*, *Annual Review of Psychology* and *Journal of Business Ethics*. She was the 2017 winner of the best business ethics paper of the Social Issues in Management Division of the Academy of Management. Prior to earning her PhD, she worked for KPMG Forensic in Brussels as a consultant in ethics management.

Sandra Ohly is a Professor in Business Psychology at the University of Kassel, Germany since 2010. She received her PhD from the Technical University of Braunschweig, Germany in 2005, and her habilitation from the Goethe University Frankfurt, Germany in 2010. Her research focuses on well-being, creativity and proactive behavior at work. She is also interested in affective and motivational processes, oftentimes using diary methods. In a recent research project she examines how smartphone use after hours relates to well-being and work-home interference. Her research has been published in *Journal of Organizational Behavior, Journal of Applied Psychology, Journal of Occupational and Organisational Psychology*, and *Journal of Business and Psychology*. She is associate editor of *Journal of Personnel Psychology*, and member of the editorial board of *Journal of Organizational Behavior, Journal of Occupational and Organisational Psychology*, and *Journal of Business and Psychology*.

Jaap Paauwe is a Professor of Organization and HRM. His research focuses on the relationship between HRM, performance and well-being, HR functional excellence, institutional context, HR analytics and talent management. He is Vice-Dean for Research at Tilburg School of Social and Behavioural Sciences, Tilburg University, and Director of the People Management Centre, a centre for work, well-being and performance, which focuses on building bridges between academia and practitioners. Next to his affiliation with Tilburg University, he is also involved in supervising a number of PhD students in the area of HRM in health care settings at Erasmus University Rotterdam. He holds Honorary Chairs at Pablo de Olavide University in Seville (Spain) and at North-West University (South Africa). He has published widely in international refereed journals. His latest book, written together with Elaine Farndale, is *Strategy, HRM and Performance: A contextual approach* (OUP, 2017).

Sharon K. Parker is an ARC Laureate Fellow, a Professor of Organisational Behavior at the Curtin Faculty of Business and Law, an Honorary fellow at the University of Western Australia, and an Honorary Professor at the University of Sheffield where she was previously Director at the Institute of Work Psychology. She is a recipient of the ARC's Kathleen Fitzpatrick Award, and the Academy of Management OB Division Mentoring Award. Her research focuses particularly on job and work design, and she is also interested in employee performance and development, especially their proactive behaviour. She is the Director of the Centre for Transformative Work Design. She has published more than 100 internationally refereed articles, including publications in top tier journals such as the *Journal of Applied Psychology, Academy of Management Journal, Academy of Management Review*, and the *Annual Review of Psychology* on these topics. Sharon is a Fellow of the Australian Academy of Social Sciences, and a Fellow of the Society for Industrial and Organizational Psychology. She is an Associate Editor for Academy of Management Annals, a past Associate Editor of the leading organizational psychology journal, *Journal of Applied Psychology*, and she has severed on numerous editorial boards. Professor Parker has attracted competitive research funding worth over $40,000,000, and has worked as a researcher and consultant in a wide range of public and private organizations. Her research has been cited more than 17,000 times.

Monder Ram OBE is the Director of the Centre for Research in Ethnic Minority Entrepreneurship (CREME) in Aston Business School. He has published widely on employment relations in small firms and ethnic minority entrepreneurship in a range of journals, including British *Journal of Management, British Journal of Industrial Relations, Ethnic and Racial Studies*, *Sociology* and *Work*, *Employment and Society*. Professor Ram's work has been supported by grants from a full range of research funding bodies; including research councils, government departments, regional and local agencies and the private sector. He is Visiting Professor at the University of Tuku, Finland; and visiting Fellow at the Industrial Relations Research Unit, Warwick University.

B. Sebastian Reiche is a Professor and the Department Chair of Managing People in Organizations at IESE Business School in Barcelona. His research focuses on the forms, prerequisites and consequences of global work, international HRM, global leadership, language in multinationals, and knowledge transfer. His research has appeared in a variety of outlets, including *Journal of International Business Studies*, *Personnel Psychology*, *Journal of Management Studies*, *Academy of Management Discoveries*, *Human Relations* and *Human Resource Management*. He is also Co-editor, with Guenter Stahl, Mark Mendenhall and Gary Oddou, of *Readings and Cases in International Human Resource Management* (6th edition, Routledge), and Co-editor, with Anne-Wil Harzing and Helene Tenzer, of *International Human Resource Management* (5th edition, Sage). He is Co-editor of *Advances in Global Leadership*, Associate Editor of *Human Resource Management Journal*, and regularly blogs on topics related to expatriation and global work.

Bram Roeleveld works as an HRM professional for Oxilion. He has conducted research into HRM and Management Fashion, and now he is working in the field of HRM and Technology.

Dorothea Roumpi is an Assistant Professor of Human Resource Management in the School of Labor and Employment Relations at the Pennsylvania State University. Her research interests are at the intersection of human resource management and strategic management. Specifically, her areas of interest and research include: strategic human resource management, human capital mobility constraints, and inclusive human resource management practices. Her work has led to publications in the *Human Resource Management Journal* and the *Africa Journal of Management*, along with presentations at several major conferences, such as the annual meetings of the Academy of Management and the Strategic Management Society. She has received research grants, such as the Strategic Research Foundation Dissertation Research Grant (Strategic Management Society).

Huub Ruël is a Professor of International Business at The Hague Hospitality Business School, Director of the International Business and Diplomacy Academy (IBDA) and a research affiliate at the University of Twente. His research focuses on the intersection between international business and international relations, in particular on export promotion and diplomacy, competencies for international business and on business diplomacy competencies and instruments. Furthermore, his research focuses on international human resource management and technology. He has published in international journals and books and has guest edited several special issues for research journals.

Peter Sheldon is a Professor, School of Management, University of New South Wales Business School, in Sydney, and Director of its Industrial Relations Research Centre. He has published extensively, through books and articles, in the following areas: employer associations in Australia, East Asia and Europe; Australian industrial relations: history and contemporary developments; comparative international employment relations; employment relations in Italy, China and Korea. Most recently, he has been doing research on 'just transition' opportunities from coal-fired power to clean energy, and on improving educational design for negotiation skills, his principal teaching focus.

Oded Shenkar is the Ford Motor Company Chair in Global Business Management and Professor of Management and Human Resources at the Fisher College of Business, The Ohio State University. He is also the Academic Director of the National Center for the Middle Market and a member of the East Asian Studies Center and the Middle East Studies Center at Ohio State. He is the author of numerous articles and books, most recently Navigating Global Business: A Cultural Compass (Cambridge University Press, 2017, with Simi Ronen), and Copycats: How smart companies use imitation to gain a strategic edge (Harvard Business Press, 2010).

Marian Thunnissen works as a Professor at the School of HRM and Applied Psychology of Fontys University of Applied Sciences in Eindhoven. She has over 20 years of experience in research, consulting and teaching. Her current research is focused on the identification, attraction and development of talent, in particular in the public sector. Her recent interests concern a 'team-based' TM approach, the role of the line manager in TM, and the dilemmas and tensions organisations experience in developing and implementing TM. She finds it very important to share her knowledge with organisations and HR practitioners, in order to support them in an evidence-based TM approach. Her work has been published in *Human Resource Management Review*, *International Journal of HRM*, *Personnel Review and Employee Relations*. She has (co-)authored several book chapters on TM, e.g. on TM in knowledge-intensive organisations, TM in the public sector and TM in academia. She frequently reviews articles for academic journals such as *Career Development International* and *Journal of Organizational Behavior*. She is the Editor-in-Chief of the *Dutch Journal of HRM*.

Linda K. Treviño is a Distinguished Professor of Organizational Behavior and Ethics in the Smeal College of Business at Penn State University. She holds a PhD in management from Texas A&M University. She has published three e-books and 90 peer-reviewed articles, appearing in the management field's top journals. In 2007, she was elected a Member of the Academy of Management Fellows. Her research has focused on the influences on employee (un)ethical behaviour, ethical leadership, speaking up, ethical roles, and ethical values in organisations among other topics. Her current research includes a focus on how scandal affects leaders and organisations, and moral advocacy in ethical decision making. A 2018 study found her research to be among the most impactful in terms of being cited in textbooks on management and organisational behaviour. Ethisphere named her one of the 100 most influential people in business ethics in 2015.

Monique Veld is an Assistant Professor in Human Resources Studies at the Utrecht University School of Governance (USG). Her research is concerned with strategic human resource management (in health care), strategic climate, employee well-being and employability.

Albert A. Vicere is an Executive Education Professor of Strategic Leadership for The Smeal College of Business at Penn State, and President of Vicere Associates Inc., a consulting firm whose clients span the globe. An award-winning teacher, he has published over 100 books, articles and professional papers, is a recipient of the Institute for Management Studies' Distinguished Faculty Award, was named one of the '12 Gurus of Executive Education' by the journal *Business Horizons*, and was listed among the 10 top leadership development coaches in the book, *The Art and Practice of Leadership Coaching*.

Janet Walsh is a Professor of Human Resource Management and a Vice Dean at King's Business School, King's College London. She received her PhD from the University of Warwick, UK. Her research focuses on human resource management and the changing nature of work and careers, with special interests in gender and employment, interactive service work, working time, including flexible work arrangements, and the work-life interface. Her work has been published in *Human Resource Management*, *Journal of Management Studies*, *Work, Employment & Society*, *Gender, Work & Organization*, *Journal of Applied Psychology*, *Journal of Occupational and Organizational Psychology* and the *British Journal of Industrial Relations*. She was on the Editorial Board of *Work, Employment & Society* for several years.

Ingo Weller is a Professor of Management at LMU Munich's School of Management in Munich, Germany. His research interests include strategic human capital resources, matching processes (including talent management), compensation (including executive pay and pay transparency), and people analytics. He received a diploma in business administration from the University of Paderborn, Germany, his PhD in management from the University of Flensburg, Germany, and his Habilitation from the Freie Universität Berlin, Germany. His research has been published in a variety of journals, including the *Academy of Management Journal, Academy of Management Annals, Journal of Applied Psychology, Strategic Management Journal*, and the *Journal of Management*. He serves on the editorial boards of several journals, including the *Academy of Management Journal, Personnel Psychology*, and the *International Journal of Human Resource Management*.

Ian Ziskin is the President of EXec EXcel Group LLC, a human capital coaching and consulting firm located in Sag Harbor, New York. He is also the Co-Founder and Partner of Business inSITE Group (BiG), a strategic partnership focused on coaching, leadership development, and HR transformation, located in Los Angeles, California. He has experience as a business executive, CHRO, advisor, board member, coach, consultant, entrepreneur, speaker and author. He has written or co-edited three books and dozens of articles, blogs and book chapters on HR, leadership and work. In 1988, *Human Resource Executive* magazine named him one of 12 'Up and Comers in HR'. In 2007, he was elected a Fellow of the National Academy of Human Resources, considered to be the highest honour in the HR profession.

The Changing Field of Human Resource Management

Adrian Wilkinson, Nicolas Bacon,
Scott Snell and David Lepak

The purpose of this chapter is to outline some of the key elements of human resource management (HRM), and to introduce our framework for this volume. The field of HRM continues to evolve in today's organizations, in part due to the economic, technological, and social realities that influence the nature of business. In a global economy, a wide range of factors – that varies from global sourcing and labour arbitrage to regional trade agreements and labour standards, cultural differences, sustainability, strategic alliances, and innovation – all point to the vital nature of HRM. In a large part this is because, from a strategic standpoint, observers have noted that traditional sources of advantage such as access to capital, protected markets, or proprietary technologies are rapidly eroding, and that survival depends more often on the ability to innovate, adapt, and learn, and then transfer that learning globally (Wilkinson et al., 2017a, b). As one might guess, these capabilities rest squarely on the management of people (Morris, Snell, and Björkman, 2016).

But while few will argue against the premise that HRM issues are critical in today's organizations, the mantra of 'people are our most valued asset' has largely been a rhetorical one in most organizations, and the research evidence has often not backed it up (cf. Snell, Shadur, and Wright, 2002). Historically, organizations have not rested their fortunes on human resources. The HR function remains among the least influential in most organizations, and competitive strategies have not typically been based on the skills, capabilities, and behaviours of employees. In fact, the harsh reality is that labour is still often viewed merely as a cost to be minimized, particularly in tough times. Executives have more often tried to minimize the impact of employees on performance by introducing mechanization to substitute for labour where possible, and designing bureaucratic organizations that separate those who think from those who actually do the work (Snell, Youndt, and Wright, 1996).

But there are some encouraging signs that much of this is changing. As Quinn (1992,

p. 241) noted, 'with rare exceptions, the economic and producing power of the firm lies more in its intellectual and service capabilities than in its hard assets'. Again, this clearly highlights the importance of HRM. The science of HRM has also made significant strides forward in providing studies to illustrate how employees are managed has a significant impact on organizational performance. Compelling evidence has accumulated to show a positive association between organizational performance and a bundle of complementary HRM practices that comprise high-performance work systems (HPWS). This bundle includes selective recruitment, extensive training, internal promotion, performance appraisals, work teams, and employee participation among other practices. A positive association between HPWS and organizational performance holds in a wide range of studies (Combs et al., 2006; Huselid, 1995; Wright and Ulrich, 2017) and in those conducted in many different countries (Rabl et al., 2014). This universalistic 'best practice' perspective in HRM indicates that the HPWS bundle should be implemented on a worldwide scale – good people management matters everywhere.

However, this is not an uncontested view in the academic and business worlds (Kaufman, 2012). An alternative contingency perspective proposes that effective HRM practices are context specific, whereby firms need to consider practices that 'best fit' with aspects of the context in which they operate. From this perspective, competitive advantage is gained by aligning HRM practices with aspects of the organization's internal context (e.g. size, business strategy, technology) and external context (e.g. societal cultures, economic and business systems, laws/regulations, labour markets, and industrial relations systems) (Jackson and Schuler, 1995). Studies in support of these arguments report that differences in context explain variations in HRM practices between firms, industrial sectors, and nations (Aycan, 2005). Whether these differences moderate the relationship between HPWS and organizational performance continues to be studied.

Most recently, there is growing emphasis on a firm's ability to manage multiple HR systems simultaneously. Drawing on the resource-based view of the firm, it is suggested that a differentiated workforce perspective is required to distinguish between occupational groups or individuals in the workforce that are especially valuable to the firm. This requires focusing HR expenditure and running different sets of strategically targeted HR systems for different groups of employees (Lepak and Snell, 2002). More recently this emphasis on a multifaceted architecture has been explored as a foundation for achieving ambidexterity, agility, and organizational learning (Patel et al., 2013).

But we need to clarify briefly some conceptual issues before reviewing the state of knowledge in the field. We observe that for some authors debates about HRM are portrayed as being in a state of unrest, plagued with conceptual problems, inadequate theory, and colonized by uncritical positivistic psychology (Dundon and Rafferty, 2018). They also point to a crisis of legitimacy for the HRM profession. It is helpful in considering these arguments to unpack the various usages of HRM as a term because we find considerable slippage and hence confusion in the literature. We identify four main usages. First, HRM is used to describe the evolution of a profession from a welfare role that emerged in the 1890s to one responsible for establishing modern personnel methods (Kaufman, 2007). However, it has been often seen as largely an administrative function to deal with the 'labour problem' rather than contributing to strategic goals. Second, it is used to denote a particular approach to the management of people that attempts to develop and utilize the potential of HR to the full in pursuit of an organization's strategic objectives. It is the promise that is held by this latter view that has most excited practitioners and attracted the attention of management academics (Guest, 2011; Paauwe et al., 2013; Storey, 1992;

Wilkinson et al., 2013). This approach has a normative underpinning since the examples provided were often US non-union firms and has been termed variously high-commitment HRM or high-performance HRM. But as Bacon (2003) points out, if HRM is defined exclusively as high-commitment management then the subject marginalizes itself to the discussion of a relatively small number of distinct companies. Equally as Charlwood and Hoque (2017, p. 195) point out, despite attempts to position HRM as a strategic discipline that offers tools and approaches (such as a high-commitment approach to HRM) which turn people into a source of inimitable competitive advantage, in most organizations most of the time, HR is a primarily administrative activity in the service of production and operational management, with a mandate to ensure compliance with local rules and customs. So rather than high-commitment management we have seen more examples of a 'bleak house' approach to managing employees (Guest and Conway, 1999).

Third and the approach we take in this text is that HRM is a map or a field of study covering 'all aspects of people at work' (Kochan, 1980, p. 1). As Boxall and Purcell (2011) suggest, HRM refers to all those activities associated with the management of work and people in organizations: related terms such as 'employee relations', 'labour management', and 'people management' are used as synonymous for HRM; and it is not restricted to any one style or ideology (Boxall and Purcell, 2011, pp. 1 and 34).

It is fair to say that there have been different traditions of writing within HRM. One is primarily associated with a North American approach and has more focus on performance and an organization-level model of an HRM system inspired by the stream of research on HPWS which examines the links between HR strategy and employee outcome measures such as commitment. The model combines theories and concepts from strategic management and organizational behaviour, with a focus on resources and processes internal to the organization, and takes a unitarist–shareholder perspective. But there is also a more critical tradition drawing from industrial relations and taking a pluralist stakeholder approach with more emphasis on forces outside the organization (see Kaufman et al., 2018). Our book represents both strands and our editorial team similarly has feet in both camps, and indeed we include contributors from both traditions.

Of course labels carry baggage and it is certainly true that much of the literature on HRM has encouraged a greater emphasis on efficiency and competitiveness. However, this need not imply a unitarist approach that assumes limited conflict between the interests of employers and employees, but also recognizes what is obvious to most workers and trade unions – that employers and employees have common as well as divergent interests. It is possible, therefore, to see efficiency and issues of cooperation as worthwhile to explore without having a managerial intellectual agenda. There is a danger, evident in the critical management studies' tradition, that all practical reforms to improve organizations and the lot of workers are doomed, and the abolition of capitalism is required to emancipate the human spirit (Ackers and Wilkinson, 2003). In short, our view is closer to Boxall et al.'s (2008, p. 1) who note that HRM is 'a fundamental activity in any organization in which human beings are employed. It is not something whose existence needs to be elaborately justified: HRM is an inevitable consequence of starting and growing an organization'.

To explore how HRM is changing, and to examine best practice across its array of activities, we organize this chapter as follows. First, we present a 2 × 3 matrix that summarizes both micro and macro perspectives on elements of HRM across: (a) a human focus, (b) a resource focus, and (c) a management focus. Second, we describe the structure of the book and how the individual chapters deal with the issues raised by this matrix of HRM perspectives.

A HUMAN FOCUS

The history and evolution of HRM (Chapter 1) emphasizes its longstanding concern with a human focus. Historically this focus placed a strong emphasis on employee rights and employee well-being in general. This focus was much in evidence in early developments in the areas of occupational health and safety (Chapter 17), grievance management (Chapter 19), and industrial relations (Chapter 18) in particular. More recently we can see this focus reflected in broad debates about job design (Chapter 23), work–life balance (Chapter 22), equality and diversity (Chapter 14), and well-being (Chapter 17).

At its root, HRM focuses on managing the employment relationship and the implicit as well as explicit agreements that are established between individuals and organizations. In many instances, the HR function plays the role of employee advocate or 'employee champion' in ensuring the equitable treatment of employees in order to ensure that the interests of employees as well as the organization are protected, and a strong psychological contract is developed between individual employees and their employer.

A micro perspective. From a micro standpoint, HRM includes managing the nature of employment to ensure some degree of balance is maintained between the parties involved (Chapter 3). This consists of issues such as employee involvement and voice (Chapter 15), and seeking to enhance feelings of employee engagement as opposed to alienation or burnout (Chapter 21). This raises the importance of employees' experience at work and its outcomes, such as whether individuals have their voices heard (Chapter 15), their levels of engagement (Chapter 21), work–life balance (Chapter 22), and general well-being (Chapter 17).

A macro perspective. From a more macro perspective, the human element of HRM addresses collective agreements between employees and organizations that characterize industrial relations and collective bargaining (Chapter 18), as well as formal policies and procedures that ensure rights of redress in matters of discipline and grievance (Chapter 19). From a broad perspective, the human focus of HRM concerns issues related to ethics (Chapter 29), equal opportunity (Chapter 14), health and safety (Chapter 17), as well as fairness and workplace justice during downsizing and redundancy (Chapter 20).

A RESOURCE FOCUS

Balancing the needs and interests of employees against the needs and interests of the organization is often a difficult task in HRM. The contradictions and tensions between different models of the HR function, such as that between an 'employee champion' and a 'business partner' role in the organization, have received considerable attention in the literature (Francis and Keegan, 2006; Ulrich, 1997). Although HRM by its very nature has a decidedly human focus, it also focuses on employees as a resource in driving performance. Many of the practices that are typically associated with HRM thus focus on increasing productivity and enhancing the competitiveness of the firm.

A micro perspective. From this perspective, HRM focuses on individual practices that improve organizational performance by increasing employees' skills, motivation, and opportunities to contribute. The enduring importance of linking together these activities is theorized as the ability–motivation–opportunity (AMO) model (Appelbaum et al., 2000; Gardner et al., 2011; Jiang et al., 2012). Ability-enhancing practices ensure employees have appropriate knowledge, skills, and abilities. Recruitment and selection practices (Chapter 8), for example, constitute important organizational investments to ensure that the best and the brightest talent is brought into the organization to fulfil its particular needs. Training and development (Chapter 9), in turn, augment the staffing process to build the talent base of the organization and close the gap on required skills, abilities, and other factors. Talent management systems (Chapter 10) and management and leadership development programmes (Chapter 11) help to ensure a strong cadre of executives is available to succeed current leaders, and to provide a succession of experiences that develop this talent over time. As surveys of business leaders frequently identify a shortage of talent as one of the key issues limiting firm performance, the HR function has opportunities to help organizations place an increased emphasis on developing and identifying talent in organizations.

Motivation-enhancing practices seek to increase discretionary effort from employees and align this with organizational goals. Performance appraisal (Chapter 12) is central to this process. Reinvigorating the traditional administrative and developmental requirements of performance management, it also identifies and rewards talent in organizations, addresses ability-related factors, seeks to motivate employees to improve individual and organizational performance, and identifies talent for promotion in order to drive the business forward. Given these aims it ties directly to the management of rewards (Chapter 13) and the various compensation methods organizations use such as pay for performance, incentives, and the like, that have significant consequences for employee motivation. Motivation is also significantly enhanced by fair treatment (Chapter 14) and opportunities to voice concerns (Chapters 15, 16, 18, and 19). How organizations treat employees during difficult periods of downsizing and redundancies is a critical test in the management–employee relationship (Chapter 20). Having developed highly capable and motivated employees it is also essential that they are able to give of their best. Opportunity-enhancing practices, such as work teams and employee participation (Chapter 15), may thus empower employees and increase opportunities to contribute towards organizational objectives. Effective job design (Chapter 23) helps align the motivational basis of work with the micro-structural requirements necessary to enable employees to maximize their contributions to the organization. The links between motivation and opportunities to participate are central to the current popularity of employee engagement (Chapter 21) as an idea eagerly embraced in many boardrooms.

A macro perspective. From a more macro perspective, a resource focus on HRM addresses the set of practices for managing the aggregate of human capital in organizations and nation states (Chapter 26). Much of this literature is informed by the resource-based view of the firm as it applies to HRM (Chapter 27). From a competitive standpoint, executives recognize that their talent base is a source of advantage, and as a consequence they take care to develop strategies that build and deploy their workforces in ways that enhance firm performance (Chapter 24). Different models of macro HRM (Chapter 2) capture the universalistic 'best practice' approach to HRM, the contingency approaches, and the configurational approaches which emphasize the combination of practices that reinforce and support one another. Just as individual talents combine to create a collective capability in organizations, multiple HR practices also combine to create an overall HRM strategy positioned within a regulatory context that affects the employer's choice of specific practices (see Chapter 4). This regulatory context requires employers to consider an international framework of human rights in addition to their traditional focus on national employment legislation. The evolution of HR strategy (Chapters 2 and 24) has taken organizations from a fairly static view focused on person–job fit, to one focused on organizational and cultural fit, and to managing a global workforce where practices differ across regions and cultures (Chapters 5 and 6). The development of distinct subfields of international and comparative HRM reflects increased interest in these issues. In cases of hyper-competition and rapid change, this often includes the use of contingency workers, strategic partnerships, and alliances that span organizational boundaries (Chapter 7). A traditional focus on outsourcing has expanded to consider the implications of offshoring as business processes are relocated from one country to another. At the extreme, these approaches have an aggregate impact on industry innovation and national economic performance (Chapter 26). The increased mobility of capital and firms continues to pose significant labour market challenges, encouraging significant flows of migration within and between nations.

A MANAGEMENT FOCUS

While much of the literature on HRM has focused on the needs and concerns of employees (as humans) in organizations, as well as their potential contribution as resources contributing to organizational performance, an important subset of concerns relates to the management of the HR function itself. In many ways, the evolution of the HR function, its organization, and the professionalization of HR managers represent some of the biggest changes occurring over the last decades.

A micro perspective. Although the earliest roles and responsibilities of HR managers emerged from the administrative and transactional requirements of employment and personnel issues (Chapter 1), the contemporary setting requires HR managers to adopt a more strategic set of roles that focus on managing change, building organizational culture, and becoming a partner in the business (Chapter 16). The skills, knowledge, and behaviours of HR managers and leaders in this context are substantially different, and many companies are challenged with identifying and developing the next generation of HR professionals. This is further complicated by outsourcing aspects of the HR function and also the integration of information technology into HR activities (Chapter 16). The increased availability of Big Data (Chapter 28) offers the HR function unprecedented opportunities to model and understand how their activities influence employee attitudes and behaviours. Demonstrating the bottom line impact of HR practices in their firm may offer the HR function a long-sought-after seat in the boardroom. However, HR managers require new skills in data analytics to use this information effectively and risk being usurped by other functions in which managers are traditionally well versed in the necessary techniques.

A macro perspective. From this perspective the HR function has undergone a significant amount of change as well. Many firms have restructured to establish a cadre of HR generalists (business partners), complemented by centres of excellence (specialists), and supported by a shared services organization for administrative/transactional activities. In part these changes have taken place to create economies of scale in multinational companies (Chapter 31), and to manage staff across national borders, and in many cases on a global scale (Chapter 5). But some of the change is occurring in small and medium-sized firms as well (Chapter 30) where strategic partnerships give smaller firms access to specialized HR talent. In both settings, the trend towards outsourcing transactional activities such as managing the payroll has also continued.

The issues related to HRM in developing countries are no less significant (Chapter 25) and related to both micro issues of HR managers and macro issues of organizing the HR function within the firm. The rapid economic development of China and India with multinational companies emerging out of these nations to become global players indicates that in the future they will be exporters of HR innovation. Similarly, the special nature of the public sector (Chapter 32) also creates specific HR challenges that continue to affect many managers and employees.

The themes and developments outlined above are reflected in the chapters that follow. In the first part, the contributors provide an overview of the history and different perspectives underpinning the field. Gospel in Chapter 1 examines the management of HR, covering employment relations, work organization, and industrial relations. He covers periods from the nineteenth century to the present day, taking leading sectors and drawing primarily on the UK, USA, Germany, France, and Japan, and in doing so stresses change, continuity, and coexistence of systems over time. In Chapter 2 Jiang and Li start from the point of strategic HRM research having made considerable progress, then examine the relationships between HRM systems and performance outcomes, review the traditional theoretical frameworks that have influenced strategic HRM research in the past three decades, and discuss the new theoretical developments in this field. They then provide an integrated model to combine the traditional perspectives and new developments, and offer research implications to examine the relationships between HRM systems and performance outcomes in the future.

Budd and Bhave argue in Chapter 3 that a deep understanding of the field and practice of HRM is impossible without fully appreciating the elements of the employment relationship, their conceptualizations, and the resulting four frames of reference for HRM. Consequently, they provide a conceptual overview for thinking about the key elements of the employment relationship as a basis for understanding alternative perspectives on important HR issues. Although the employment relationship can be highly diverse in practice, there are five common building blocks: employees and their interests, employers and their interests, states, markets, and contracts. A review of the different perspectives on these elements results in the development of four distinct models of the employment relationship. After describing these models (equivalently, frames of reference), the chapter demonstrates that the four models provide very different perspectives on key issues in HRM: HR practices, equality and diversity, labour unions, and the globalizing employment relationship.

In Chapter 4 Barry and Wilkinson draw on insights from different fields of study to explain how the regulatory context informs the development and application of employer choices within organizations. In considering the contribution of fields such as organizational studies, industrial relations, comparative politics, economics and legal regulation, they note that in most developed countries in the last 20 years, the regulation of employment has shifted from a predominantly national institutional to an organizational setting. Despite this change, which brings the role of HRM and 'the firm' into closer scrutiny, they nevertheless maintain that changes in regulatory structures and methods do not simply equate to a shift from regulation to deregulation. While the management of the employment relationship now often involves organizational actors such as employees, supervisors, and managers, rather than institutional actors such as unions and employer associations, the regulatory context nevertheless underwrites and constrains the space in which these actors can shape HRM policies and practices.

Collings and Conroy in Chapter 5 start from the point that effectively managing HR is a complex endeavour and that this complexity is amplified for multinational enterprises (MNEs) that operate across national borders, particularly in the current environment where business is now more interconnected and complex than ever before. They explore three key areas of international human resource management (IHRM) research and practice. Given the long-recognized challenges of managing 'interunit linkages' in MNEs, the authors begin by considering the changing nature of international assignments in the context of staffing global operations in the MNE. They then move on to explore the nature of HR subsidiary relations from an IHRM perspective. Finally, they consider the emerging literature on global talent management, which they argue is one of the key contemporary challenges that MNEs face in the context of IHRM.

Farndale, Brewster and Mayrhofer argue in Chapter 6 that comparative HRM helps us understand the fundamental importance of context, which addresses concerns raised in both the HRM and international business fields about how theories that originate from studies in one context might not be readily applied to other contrasting contexts. Omitting or side-lining context is considered a fundamental mistake as HRM is not context-free. The authors note that different approaches to HRM can be equally successful in delivering the desired outcomes. The chapter explores the roots of comparative HRM as a field of study, highlighting how incorporating different levels of analysis (macro and meso) can enhance understanding of how people are managed in organizations worldwide. The question of whether convergence in HRM practice is occurring is also raised, concluding that national-level context is still highly relevant to understanding HRM practice adoption.

Morris, Shenkar, and Mackey note in Chapter 7 that a large body of literature examines the organization's ability to manage or direct its HR. This literature has largely drawn a line at the boundary of the organization; those within the boundary can be, and are, managed by fiat, the imposition of the employer's will, while those outside are not subject to direct employer control. Informed by transaction cost economics and the resource-based view of the firm, current theory holds that employees with highly firm-specific resources are kept inside organizational boundaries. However, the authors theorize that developments in globalization and the increased modularity of work, coupled with the proliferation of knowledge-based and professional work, have altered the landscape for organizations in their human capital decisions. Specifically, globalization and the modularity of work have decreased the value of the employment relationship to the organization, such that organizations have begun attempting to push traditional workers into third-party, independent contractor roles. At the same time, high-value knowledge workers are often brought into the organization, yet, because of their scarcity, are largely free from managerial fiat.

In the second part of the book we move to the fundamentals of HRM. Lievens and Chapman in Chapter 8 focus on the key themes in recruitment and selection in recent years. In personnel recruitment, the review highlights the impact of technology, the rise of employer branding, the renewed importance of the recruiter, and the need to address ageing populations and temporary workers. In personnel selection, the review discusses the increased emphasis on the strategic value of selection, the need to assess dark side traits, the use of social media in selection, the reliance on Big Data analytics, and the gamification trend. Despite these trends, it remains often difficult to demonstrate that recruitment and selection matter to the organization.

In Chapter 9 Grugulis notes that training and development have the potential to benefit every party to the employment relationship and, as a result, it is standard practice for textbooks to promote them. She acknowledges the advantages of training and development but locates the analysis firmly in workplace realities. It contrasts training that is focused on maintenance or meeting statutory requirements with training concerned with skills development, and puts forward a framework for analysing work-related training by dividing it into four different types: developmental, administrative, soft skills, and information and communication. The chapter goes on to examine what is happening to jobs, recruitment, and the issues of supply and demand for skills.

In Chapter 10, Gallardo-Gallardo and Thunnissen point to the rise of talent management (TM) as a hot topic. To survive in today's dynamic and competitive global environment, organizations need to excel and continuously perform better than their competitors, and talent is seen as a unique strategic resource, central to achieving sustained competitive advantage. Thus, organizations use TM to capture, leverage, and protect these resources. However, research on TM has been accused of lagging behind in offering organizations vision and direction on the matter. Despite the increasing scholarly attention to TM in recent years, it is a rather diffuse area of research, and there still is no consensus on its conceptual and intellectual boundaries.

McLaughlin, Vicere, and Ziskin tackle the subject of leadership development in Chapter 11. Given the flux in the world of work the leadership capabilities required for success are being redefined and reimagined. Leadership development practices and processes designed to prepare leaders are being rethought and reconfigured. The authors ask if leaders are ready for and relevant to the transformational changes that will be taking place over the next 10–15 years and beyond, and if organizations are prepared to disrupt and reshape the way they define and cultivate leadership talent. They argue that future-readiness will be found in the shift from 'ready now' to 'ready able' leadership development.

In Chapter 12 Brown reviews performance management from the perspectives of the two key participants – supervisors and employees. For supervisors, she examines the challenges and motivations in making an assessment of employee performance. For employees the outcomes of performance appraisals can have an impact on their pay and career opportunities. The chapter carefully examines the impression management tactics used by employees to create a favourable performance rating. It also reviews current debates about the value of performance appraisal as a tool of HRM.

Gerhart and Weller note in Chapter 13 that employee compensation or remuneration is a major cost, often the single largest operating cost for organizations. Thus, to be successful, an organization must effectively manage not only what it spends on compensation, but also what it gets in return. Contextual factors serve to place some limits on compensation decisions. Legal, institutional, cultural, and market factors vary across and often within countries, meaning that the degree of discretion an organization has in managing compensation decisions will also vary. Nevertheless, organizations typically have at least some discretion in compensation design. This choice can have a major impact at every level of the organization: on decisions made by individuals (through its incentive effects), as well as who those individuals are (through its sorting or self-selection and selection effects). In other words, compensation is a major factor in successfully executing an organization's strategy. The chapter's focus is primarily on decisions concerning the pay basis/mix ('how to pay?') and, to a lesser extent, the pay level ('how much to pay?'). Finally, the authors address potential pitfalls in using pay for performance and how contextual factors may influence compensation strategy and effectiveness.

Greene examines equality and diversity issues within HRM research and practice in Chapter 14. This begins by providing some background context in which the central theme is the move in thought from liberal approaches to equality based on 'sameness', and to diversity approaches founded on 'difference'. The chapter is structured around the gap between rhetoric and reality of theory and practice, and the problems of making a business case for equality; moves towards 'best fit' or contextualized policies and practices; and looking at who should have responsibility for diversity within organizations.

Wilkinson and Mowbray in Chapter 15 adopt a life-cycle perspective to examine those factors that affect the birth and initiation of employee involvement and participation (EIP) schemes, the design and implementation of EIP practices, and their outcomes. EIP schemes can contribute to improved outcomes for organizations and employees. However, their success or otherwise relies on a combination of organizational and individual factors. These include the extent to which the organizational climate is supportive of EIP and has embedded practices demonstrating both breadth and depth, along with managerial support. The predispositions and motivations of the individual managers, supervisors, and workers involved are also significant considerations affecting the EIP life cycle. The authors identify that EIP schemes may not be successful for all organizations; at best, EIP schemes may transform to a hybrid system, with some practices atrophying over time, while others are reinvigorated. The chapter reveals that there are many variables influencing the life cycle of EIP schemes, with each of the factors and their interactions regarded as complex.

Bondarouk, Ruël, and Roeleveld in Chapter 16 note that for about two decades private and public sector organizations have been digitizing HRM, a phenomenon coined as electronic HRM or e-HRM. The motivation has been mostly promises of cost savings, HR service quality improvements, and a more strategic HR orientation. A growing body of scholarly work since has aimed to test these promises. However, as yet, no study has investigated whether e-HRM implementation by organizations is based on a clear rationale or whether other non-substantial factors dominate. This chapter presents a study that analyses e-HRM through the lens of Abrahamson's theory of management fashion to determine if, and to what extent, e-HRM is truly rational and progressive. Drawing on empirical studies on e-HRM adoption and implementation the authors' findings indicate that e-HRM can indeed be rational and progressive, and its use does generate time savings, increased profitability, error reductions, and higher quality HRM services. Furthermore, organizations also experienced socio-psychological benefits for national and organizational culture, the mindset and behaviour of employees, the computer skills of employees, and the quality of interpersonal communication with other e-HRM adopters. The techno-economic forces that played a role in e-HRM decision-making include organizational size, environmental infrastructure, industry, available resources, government regulations, firm performance, and pressure from competitors.

In Chapter 17 Loudoun and Johnstone point out that while some industrialized nations have achieved substantial reductions in the number of occupational deaths and injuries, work-related injuries, illnesses, and deaths remain at unacceptably high levels. This chapter considers the effect of changing employment patterns, technology, and production techniques on occupational health and safety performance, management strategies, and enforcement strategies. It explores the broadening meaning and focus of workplace health and safety as well as emergent occupational health and safety (OHS) hazards, and international developments affecting work and production. In doing so, it examines developments in strategies to manage and regulate work health and safety along with current and future challenges for policymakers, workers, and managers.

Sheldon, Bamber, Land-Kazlauskas, and Kochan take up the subject of modern industrial relations (IR) in Chapter 18 by advancing distinct sets of approaches – academic, policy, and practitioner – to the challenges posed as workers organized from early industrialization. The field gained increasing prominence, during the early to mid-20th century, by also addressing how great numbers of workers collectively responded to those challenges. In examining them, together with employer IR strategies – including through employer associations – IR has sought to explain how these have produced national IR systems built upon combinations of legislation and collective bargaining. Collective bargaining and unions remain particular foci, but since the 1980s, policies hostile to worker collectivism have contributed to greatly increased labour market inequality and insecurity for many.

Klaas in Chapter 19 examines what research tells us about the impact of different designs and structures for disciplinary and grievance systems. The chapter also examines work focused on recent efforts at experimentation with disciplinary and grievance systems. Finally, it examines how managers and employees use disciplinary and grievance systems within different contexts. The chapter identifies what is currently known and the key questions that need to be addressed in future research.

Johnstone in Chapter 20 provides an overview of the downsizing phenomenon. First, the chapter explores the origins and conceptual ambiguity surrounding the 'downsizing' term. Second, it considers the motivations and explanations offered for downsizing decisions, and notes how such decisions are not necessarily motivated by external threats or underperformance, but can also be a deliberate strategy in seemingly healthy organizations, as part of an attempt to further improve metrics of organizational performance. Third, the different forms downsizing can take are considered. These are further explored in relation to evidence regarding the employment practices and HR strategies adopted during the Great Recession of 2008. The final section then considers the evidence regarding the outcomes of downsizing for both employers and organizations before drawing some conclusions.

In Chapter 21 Kim and LePine outline theoretical perspectives that explain how and why employee engagement leads to positive outcomes for employees and organizations alike, and discuss the implications of employee engagement for HRM. First, they review different frameworks underlying engagement research, as well as different approaches scholars and practitioners utilize to measure this construct. Second, they conduct a critical analysis comparing the strengths and limitations of each framework, followed by suggestions as to when each framework is most appropriate. Third, the chapter concludes by discussing the implications of employee engagement for different HRM functions, including job design, recruitment, selection, training and development, and employee compensation/rewards.

Walsh notes in Chapter 22 the intense debate about the time demands and pressures of work and their impact on employees' ability to coordinate their work and non-work commitments. These issues were evident in the work of Arlie Hochschild (1997) who argued more than 20 years ago that employees were experiencing a 'time squeeze'. The chapter examines trends in working time, the debate about employees' temporal pressures and long-hours working, and the effects of work–life conflict on employees and their organizations. Following this, evidence on individual work-time strategies is considered, as well as work–life policy-making, including how work–life initiatives can assist employees in managing their work and personal lives. Finally, the recent development of work redesign initiatives is examined.

Parker, Knight, and Ohly take up the changing face of work design research in Chapter 23. They point out that the way jobs are structured and organized, or their work design, can have a profound impact on employees' psychological states and behaviour. Indeed, the way jobs are designed can also affect organizational success, as shown by the proliferation of popular practices that have work design issues at their core (such as lean production, empowerment, high-performance systems, team work, re-engineering and, recently, holocracy). The authors briefly review classic work design theories and research, followed by an outline of some alternative theoretical perspectives. They then return to the dominant concern of mainstream work design research – the relationship between work characteristics and outcomes – and identify several ways this approach has been developed to better meet the needs of the contemporary workplace.

In Part III of the book we look at contemporary issues. Roumpi and Delery in Chapter 24 comment that in over three decades of relevant research, the field of strategic HRM has offered important theoretical insights and empirical findings regarding the relationship between HRM deployments (practices or systems of practices) and organizational outcomes. The chapter identifies four specific areas of enquiry that could be the focus of future strategic HRM research: the black box of the HRM–organizational outcomes relationship; systems of HRM practices; the resource-based view and its potential to bridge the micro–macro divide, and contextual factors that influence the relationship between HRM activities and organizational outcomes.

Fang Lee Cooke examines a number of aspects related to HRM in developing countries in Chapter 25. It starts by outlining some of the features of the political and institutional environment manifested in a number of developing countries, and examines diversity and disparity in approaches to HRM. It provides a summary of the general characteristics of HRM in developing countries, highlighting management mindsets, approaches, differences across ownership forms, as well as deficiencies of strategic HR capabilities. The chapter also assesses the role of premium cities and economic zones in developing countries and considers the HRM implications. The emerging impact of technology on HRM and talent shortages are also discussed. The chapter concludes by arguing that developing countries are not only diverse but also may be leading in some aspects of technological, business, and HRM innovations. These developments challenge existing HRM concepts, theories, and practices. A stereotypical approach to perceiving HRM in these countries should be avoided and some of the new developments found in these countries may be useful for other societal contexts.

Michie in Chapter 26 examines the link between HRM and national economic performance in terms of how HR practices might enhance that performance in terms of productivity and competitiveness. He notes that the management of labour has been recognized as a crucial determinant of national economic and points out to how Adam Smith identified the division of labour as being fundamental to labour productivity, and hence to the economic prosperity of the firm in question and of the economy in aggregate. The role and importance of workforce skills have remained central to the economic analysis of labour and to the HRM field. While the literature and field have developed since 1776, many of the fundamental issues have long been recognized. Thus, the productivity of labour depends on a range of factors, to all of which HRM can contribute either directly or indirectly, with three key areas: first, skills and hence training; second, work organization; and third, the state of technology.

Boselie, Paauwe, and Veld point out that human capital can be a source of (sustained) competitive advantage of organizations through the application of HRM. In Chapter 27, the resource-based view (RBV) is combined with theoretical insights from new institutionalism. The overview presented consists of a general introduction and review of existing empirical HRM and RBV studies. In addition, the RBV is critically analysed in terms of measurement difficulties, lack of attention to context, and tautological issues in the approaches. Next, the RBV approaches are linked to institutional theory in particular to further contextualize the RBV in HRM studies. Finally, the chapter provides a future research agenda proposing alternative methods and techniques.

In Chapter 28 Huselid and Minbaeva observe that the business community's interest in Big Data is substantial, as the amount of available data is growing exponentially, and firms are spending billions of dollars on data and infrastructure. The authors suggest that with the right analytics, Big Data can deliver rich insights and that the advent of Big Data in HRM represents both a major opportunity and a significant challenge. As the authors point out, most organizations spend 50% to 70% of their revenue on their workforces and related expenses, but the quality of analytic processes and infrastructure in most organizations is poor. To address the challenges and opportunities of Big Data for HRM and to move the field forward, the authors ask if the trend towards using Big Data will be positive for the HRM field. Will Big Data and analytics transform HRM as we know it? Where do Big Data and analytics add the most value for HRM and what are the key priorities for the development of workforce analytics? They argue that the advent of Big Data provides an important opportunity, but one that comes with danger if managed incorrectly.

Nieuwenboer and Treviño in Chapter 29 examine the role of HR managers in ensuring ethical behaviour in organizations. While larger organizations often employ ethics and compliance officers to focus on ethics management (who then work with their HR partners), other organizations rely mostly on HR managers to develop HR systems that support ethical conduct in the organization. Indeed, anecdotal evidence suggests that the ethical issues that arise in organizations most often are HR-related issues. In this chapter the authors take an HRM lens to consider the behavioural ethics literature, with the aim of advancing a research agenda that unites these hitherto independent research domains. Specifically, it reviews research on attraction and recruitment, performance management, training, employee voice, abusive and ethical leadership, as well as justice and fairness. They conclude that ethics and compliance officers and HR managers should, thus, be thought of as partners in increasing ethical conduct and reducing misconduct in organizations.

Edwards and Ram in Chapter 30 note the role of the small firm in the economy and that small firms are commonly seen as different from large ones, notably in the informality of their employment. As they note, it is frequently observed that small firms lack formal HR systems. Although such systems are rare compared with the situation in large firms, they vary in the extent of formality. The authors first map the extent of formal HR practices and then consider the underlying managerial processes involved, before considering employee responses to HR practices in small firms, and identifying the sources of variation between firms. Finally, they assess the HPWS debate in the context of the small firm.

In Chapter 31 Reiche and Minbaeva comment that the multinational company (MNC) serves as an important organizational context for the design and diffusion of HRM policies and practices. This is because the HR function typically has higher levels of location-specificity relative to other functions, which requires MNCs to make trade-offs between their HRM configuration at their HQ and subsidiary levels. This chapter outlines the various HRM issues that MNCs encounter across national borders. It first pinpoints the domain of HRM in MNCs before discussing key thematic areas that have received research attention. Subsequently, it reviews relevant theoretical lenses and methodological approaches adopted in past research and then provides recommendations for meaningful future research.

In the final chapter (Chapter 32) Bach examines HRM in the public sector. He notes that while the distinctive values and institutional arrangements of public services, and their oversight by the state, have encouraged separate consideration of HRM in public service workplaces, the findings have rarely been integrated into mainstream debates. As the boundaries and barriers between sectors have loosened, there is increased recognition of the similar HR challenges faced by large organizations, whether in the public or private sector. This chapter examines the context for HR in the public sector before examining the new public management reforms and the subsequent impact of the global financial crisis and austerity measures. It notes that the public sector will continue to experience organizational reform and the HR agenda will have to take account of a wider variety of providers delivering public services, encompassing public, private, and third-sector providers, and a more diverse workforce, less dominated by the traditional professions, will need to respond to increasingly vocal and demanding citizens.

The chapters in the *Handbook* attest to the continued importance of HRM for both organizational performance and employee well-being. They also identify the broad and increasing scope of academic disciplines generating evidence and developing theories to understand existing practices and help guide managers in the future. The extent to which academics and managers can meet the challenges posed in these chapters will have an impact on our future working lives.

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PART I

Context of Human Resource Management

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1

Human Resource Management: A Historical Perspective

Howard Gospel

INTRODUCTION

In this chapter, the management of human resources is broadly defined to cover three broad interconnected areas: work relations, employment relations and industrial relations. Work relations are taken to cover the way work is organized and the deployment of workers around technologies and production systems. In other words, it refers to what has been known as the division of labour. Employment relations deal with the arrangements governing such aspects of employment as recruitment, training, job tenure, and reward systems. Industrial relations are taken to cover the voice aspirations of workers and institutional arrangements which may arise to address them, such as discussion groups, joint consultation, works councils, trade unions, and collective bargaining. The focus is therefore on human resource management (lower case), which has been an eternal phenomenon in all organizations over time, and not on Human Resource Management (upper case), which is a term which has developed over the last two decades. In addition, in this chapter, the term the management of human resources and the management of labour are used generically and interchangeably.

The focus throughout this chapter is on major patterns in these three areas as they have emerged over time, especially in large private-sector firms, over a long period from the nineteenth century onwards. It draws mainly on the core economies of the twentieth century, namely the USA, UK, Germany, France, and Japan. The focus is primarily on the management of lower and intermediate classes of labour, which have constituted the majority of employees and which are best covered in the literature.

The next section provides a broad overview of the contexts within which labour has been managed, including technological, market, political, and business contexts. There then follow sections which present broad 'stages' in the history of human resource management, taking examples from leading sectors of the economy. However, throughout, the aim is to stress continuities over time between stages, the coexistence of systems, and how older sectors adapt over time. The final section raises some caveats and areas for further research and draws broad conclusions.

THE HISTORICAL CONTEXT OF HUMAN RESOURCE MANAGEMENT

A number of major contexts are outlined schematically here and used further in each section. These include the changing technological, market, political/legal, social, and business environments. Though these contexts shape the activities of employers, managers, and workers, the chapter also shows how the actors themselves have shaped the situations within which they operate (Dunlop, 1958).

The technological context has historically shaped basic aspects of labour management. Some writers have suggested a broad movement over time from artisanal or craft production (with skilled workers having significant control over work) to mass production (often associated with Ford-type assembly line systems in industries such as automobiles), and to more flexible production systems (sometimes referred to as post-Fordist or 'lean' systems) (Beynon and Nichols, 2005; Bhamu and Sangwan, 2014). In practice, changes have been complex, with overlaps in types of production regimes over time and with older sectors adopting aspects of new arrangements. Thus, skilled, small-batch production was never superseded in many areas often typified as mass production, such as metalworking and light assembly industries. Similarly, many aspects of work in modern retail stores, fast food restaurants, and call centres are very much of a mass-production kind. A constant theme in the history of labour management has been employers' introduction of new technologies, workers' counter-attempts to exert some control over these, and managers' further attempt to develop and refine management systems (Nelson, 1975; Hounshell, 1984; Piore and Sabel, 1984; Lazonick, 1990; Scranton, 1997; Tolliday, 1998).

The market context comprises labour, product, and financial markets. In the labour market, there are both longer-term and shorter-term influences. For example, longer-term factors include demographic change, the broad balance of labour supply and demand, and the changing composition of the labour force. Thus, in various periods in different countries, labour shortages have induced firms to substitute capital for labour and to introduce new production systems, as was the case in the USA in the early/mid-nineteenth century (Lewis, 1952; Habbakuk, 1962; Allen, 2011). Shortages also induced firms to introduce systems to attract and retain labour and these have often become embedded and left continuing inheritances, as for example with skilled labour shortages in Japan in the early twentieth century (Jacoby, 1979; Gordon, 1985; 1998). Shorter-term labour market influences include the fluctuating level of unemployment which has immediate direct effects on the balance of power between management and labour. In this respect, for example, sharp rises in unemployment in the UK in the early 1920s and early 1980s significantly affected the bargaining power of management and unions, strengthened managerial prerogatives, and led to significant changes in labour management and industrial relations (Gospel, 1992).

In the case of product markets, the boundaries of markets and the degree of competition in them have an effect on labour management, both directly and indirectly. For example, Smith (1776), in his celebrated examination of a pin factory, pointed out that the extent of the market shaped the division of labour. Similarly, Commons (1909) used the extension of markets to explain the organization of production, the emergence of distinct classes of masters and men, and the subsequent growth and organization of trade unions.

In like manner, a large and relatively homogeneous market in the USA facilitated mass production in that country, compared to the smaller and more fragmented markets of Europe (Habbakuk, 1962; Rosenberg, 1969; Hounshell, 1984). The degree of competition within the product market also influences the constraints on management. Thus, over a long period from the interwar years onwards, high levels of product market protection and collusive behaviour underpinned the position of trade unions and the development of internal labour-market-type arrangements in many countries. Subsequently, the progressive opening up of markets and the growth of international competition, in the form of what has come to be known as 'globalization', especially since the 1970s, have reshaped the international division of labour and the extent to which labour can extract rents from management (Gospel, 2005).

Financial markets, ownership, and corporate governance have also historically shaped human resource systems. Owner-financed and owner-controlled firms historically often had a personal form of paternalism and such firms tended to oppose dealings with trade unions. From the early twentieth century onwards, the growth of equity financing and the separation of ownership and control in countries such as the USA and UK allowed for a more bureaucratic approach to labour and lay behind the development of what some have described as 'welfare capitalism', with strong internal labour-market-type arrangements (Brandes, 1976; Jacoby, 1985; 1997). In recent years, new financial pressures from owners and markets (often referred to as 'financialization') have put pressures on firms to adjust employment more directly to market forces. By contrast, up until recently, the continuation of private and more concentrated ownership and greater reliance on insider finance have meant that such pressures have been less strong in countries such as Germany and Japan (Gospel and Pendleton, 2004).

The history of labour management systems has been profoundly shaped by political and legal contexts. In countries such as the USA and UK, liberal states have overall been less interventionist in labour management, with so-called 'voluntarism' being a strong tradition, more than in other countries. Even in these countries, however, there have been major exceptions, especially during two world wars, the New Deal in the USA, and in the 1980s under the Reagan and Thatcher administrations. By contrast, in more coordinated economies, such as Germany, Japan, and France, there has long been a tradition of state intervention in labour matters (Crouch, 1993; Friedman, 1999; Hall and Soskice, 2001; Yamamura and Streeck, 2003). Nevertheless, it is probably true to say that, over time, in most countries there has been a gradual build-up in intervention in terms of rights off the job (state welfare and pension systems), rights on the job (workers' compensation, health and safety, racial and sexual equality legislation), and regulation of collective employment matters (the law on trade unions, collective bargaining, and information and consultation at work). In Europe, the European Union (EU) has taken these tendencies further, especially from the 1980s onwards (Supiot, 2001).

The social context is in many ways the most difficult to categorize and summarize. Over the decades, the position of children and women at work has changed profoundly, at least in advanced market economies. The starting age of employment has slowly risen, the proportion of women in paid employment has increased, and the numbers of people who can retire from paid employment have risen. Another emerging trend, however, is that in advanced industrial countries many older workers are staying on in work longer. Major changes have also come with rising living standards and a greater awareness of social and human rights. Over time, social identities have also changed, with notions of 'class' playing a significant part in worker mentalities through much of the twentieth century, but becoming less powerful in more recent decades. Other social identities at work which have long existed, on the basis of gender, race, religion, and immigrant status, have been successively reshaped and added to with new identities in terms of age, sexual orientation, and disability (Noiriel, 1989; Magraw, 1992; Piore and Safford, 2005). On the other hand, traditional divides between workers and staff, or between hourly/weekly and monthly paid, have slowly eroded in many countries. Managements have had to take account of these changing social contexts. The so-called 'management of diversity' in the workplace is now stressed in modern management discourse; however, history shows that this has always been a concern of management (Klarsfeld, 2012).

A number of final points may be made about the business context of the organization in historical perspective. First, most firms have been small and medium-sized – though in practice least is known about human resource management in such firms. Over time, big firms have come to constitute a larger proportion of total output and of total employment, though this is larger in the USA and UK than countries such as Germany, Italy, and Japan, which have more employment in medium-sized firms. They have also gone multinational, posing challenges in terms of the integration and differentiation of human resource management across borders. Second, there have been major compositional shifts. Generalizing, the typical large employer in the early to mid-nineteenth century was a textile company; by the mid- to late nineteenth century, the biggest single group of major firms in most economies were railway companies; by the mid-twentieth century, the main groupings were manufacturers (steel, chemicals, automobiles, electrical); and by the end of the twentieth century, the biggest single group of large firms was to be found in sectors such as retailing, information and communication technology (ICT), and financial services (Gospel and Fiedler, 2008). This predominance of certain industries played an important part in laying down patterns or sediments of labour management. Third, over time, big firms in particular have developed more sophisticated hierarchies, not least in the labour area, with the growth of 'welfare' or 'labour' managers, later 'personnel' managers, and now 'human resource' managers (Niven, 1967; Jacoby, 1985; Morikawa and Kobayashi, 1986; Kocha, 1991; Tsutsui, 1998; Fombonne, 2003; Kaufman and Beaumont, 2003). However, it should be remembered that in some countries, especially those of northern continental Europe, firms still rely significantly on outside employers' organizations and their staff for the management of industrial relations. Also, in fairly recent years, there has been some growth in the outsourcing of the human resource function (Gospel and Sako, 2008). Fourth, big firms have also changed in structure from being historically either loosely organized holding companies or centralized, functionally organized firms at the beginning of the twentieth century, to being more coordinated multidivisional structures and sometimes decentralized networks of firms by the end of the century (Chandler, 1962; 1977; 1990; Cassis, 1997; Whittington and Mayer, 2000). As will be shown below, this has also had implications for labour management. Finally, as already suggested, ownership and governance have changed, though differentially between countries, with personal and family ownership declining over the course of the twentieth century and outsider ownership increasing in the big-firm sector, especially in the USA and UK (Gospel and Pendleton, 2005; Mayer 2013).

THE EMERGENCE OF LABOUR MANAGEMENT IN THE 'FIRST' INDUSTRIAL REVOLUTION

Here we provide a perspective on two key industries of the First Industrial Revolution: that is, over the period of time roughly from the late eighteenth century to the late nineteenth century. The two industries, textiles and railways, are very different but were both based on a new general purpose production technology, namely steam (Helpman, 1998). They provide us with a set of insights into how labour was managed during a key period of economic transformation.

Textile industries have been at the forefront of industrialization in many countries. Classic problems for employers emerged in these industries – in terms of work relations (how to organize production and the division of labour), employment relations (how to attract, retain, and motivate labour), and industrial relations (how authority was to be maintained and whether or not to concede employees a voice at work).

In practice, nineteenth-century textile and allied industries in Europe and the USA had elements of both older artisanal and newer factory production. In artisanal sectors, production was on a small scale, work was often organized on the basis of putting out to households or small workshops, and family involvement was important. In these circumstances, masters relied on key (usually male) workers to organize their own work and controlled and paid them by piecework where this was possible. Problems for the masters were uncertainties about the quality of production and the wage–effort relationship (Mendels, 1972; Berg, 1985). As technologies developed and markets expanded, masters increasingly built their own factories and installed machinery. In turn, this meant they had the problem of attracting larger labour forces, especially where factories were located in less populated areas near water power sources. In cotton spinning, large numbers of women and children were employed, usually under tight and often coercive systems of direct control and often paid by time. However, even within the new factories, there persisted forms of inside contracting to key workers and the possibility of drawing on pools of specialized craft labour from local industrial districts (Lazonick, 1990; Rose, 2000). The motivation to develop the factory system came from market and technological opportunities, but it also gave employers a means for better control over their labour forces (Marglin, 1974; Landes, 1986).

The emergence of this system in the UK has been classically described by Pollard (1965) who emphasized its heavy reliance on child and female labour, extensive use of piecework, and devices such as factory housing. At the same time, there was in most textile districts a reliance on external economies of scale, for example in terms of apprentice-type training and piecework price lists. In the USA, the more vertically integrated cotton industry moved more quickly to introduce new technologies, to build larger factories, and to develop a greater internal division of labour within the workplace under management control. Later, in Japan, during industrialization in the late nineteenth and early twentieth centuries, some similar problems for management and some similar responses are discernible. For example, in that country, factory and artisanal production also coexisted, though the latter was much smaller; in the large factory sector, employers used predominantly female workforces; they built factory dormitories and provided various forms of paternalistic benefits; and used tight supervision and simple pay and benefit systems to control workers (Nakagawa, 1979; Hunter, 2003). Today, many of these forms of work organization and employment relations have later appeared and are still to be found in textile industries in India, China, Brazil, and other fast-developing countries today.

Under early forms of labour management, industrial relations systems were diverse. As suggested, the management of labour was often a mixture of both hard, direct control and also of paternalistic oversight of a personal ad hoc kind (Joyce, 1980). Nevertheless, some key male workers could exert control over their work and employers depended on them to organize production. In the UK, by the final half of the twentieth century, unions of male textile workers had grown to become the largest in the country, along with unions for other artisan and craft trades, engineering workers, and coalminers. Those with skills or a strong position in the production process were able to force recognition from employers of their trade societies and to establish regional or national collective bargaining where firms joined together in employers' organizations to deal with trade unions (Jowitt and McIvor, 1989; McIvor, 1996). In the USA and continental Europe, by the First World War, collective bargaining had also developed in certain craft sectors, such as small metalworking, printing, and footwear, but on the whole it was less extensive than in the UK (Mommsen and Husung, 1985; Montgomery, 1987).

From the mid-nineteenth century onwards, the railways represented a further stage in the growth of the modern business enterprises in most countries (Chandler, 1977; 1990). In terms of labour management, railway companies encountered both a traditional and a new set of problems. Traditional problems were in terms of recruiting, training, and controlling staff, albeit on a much larger scale. New problems included the complexity of scheduling, the safety of goods and passengers, and the geographical dispersion of work. Under managements from various backgrounds (technical, governmental, military, and accounting), the railway companies were the first to put in place some of the first and largest bureaucratic systems of employment. These included more systematic recruitment, the creation of job and promotion hierarchies, and related pay systems based on fixed rates of pay. They also introduced welfare arrangements, of a less personal and more bureaucratic kind, such as housing, basic sick care, and later pension benefits for some workers, usually dependent on length of service with the firm.

In terms of industrial relations, the large railway companies of the USA, UK, and continental Europe were run according to a 'unitarist' rather than a 'pluralist' model of management (Fox, 1985). Management was deemed to be the sole source of authority, issued commands, and expected workers to obey. A plurality of sources of authority, with legitimate worker voice and checks and balances, was not permitted. Discipline was based on the notion of a 'uniformed' service. In keeping with this and in contrast with the sectors described above, trade unions were not recognized and collective bargaining was rare, until just before or after the First World War.

This pattern of bureaucratic management later grew in other sectors, such as the gas, electricity, and water utilities (Melling, 1979; Berlanstein, 1991). It also provided something of a model for areas of industry such as steel, chemicals, and later oil refining. Developed in the late nineteenth and early twentieth centuries, the model has in many respects persisted up to the present day in both state and private railways and utility systems, albeit since the Second World War with extensive unionization and collective bargaining.

This account of bureaucratic employment on the railways prompts three further points. First, the railways were some of the first companies to develop extensive hierarchies of managerial and white-collar staff. These were necessary to organize and coordinate diverse and dispersed operations. Such employees were offered something like 'careers' within the company and moved up wage and benefit hierarchies. Though the employees learnt on the job, there were books, magazines, and courses which they could attend. Second, and by contrast, the railways were constructed and to some extent maintained in more traditional ways, by gangs of labourers, who were apart from this bureaucratic system and did not partake of the benefits of others who worked on the railways. Third, the workshops owned by the railway companies, where engines and rolling stock were built and maintained, were also different. Here workers had more control over production, belonged to occupational craft communities, were paid wages which related more to those in craft labour markets, and were more likely to belong to trade unions. Within them, craft forms of production and management existed and unions were more likely to be recognized. However, it should also be noted that the railway workshops included some of the more sophisticated engineering shops of their day, especially in terms of work organization (Coleman, 1981; Drummond, 1995).

THE DEVELOPMENT OF PERSONNEL MANAGEMENT IN THE 'SECOND' INDUSTRIAL REVOLUTION: THE NEW HEAVY PROCESS AND ASSEMBLY LINE INDUSTRIES

In the late nineteenth and early twentieth centuries, major industries were transformed or created anew with the advent of the new general purpose technology of electricity and with new production processes (steel, chemicals, and later electrical products and automobiles). Employers in these sectors used some old methods and developed other, newer forms of what came to be called personnel management.

For example, in steel and chemicals, systems of internal contracting under skilled workers and gang masters continued to exist, at least for a time. Much of the work involved these arrangements and some more skilled and strategically placed workers had considerable control over work organization. Employment was often short term and wage and benefit systems simple. Slowly, however, different arrangements developed. Large firms, such as Carnegie and US Steel in the USA, Krupp in Germany, and Schneider in France, substituted their own foremen for internal contractors, began to recruit more systematically, trained workers internally on the job and not usually through apprenticeship systems, and developed employment hierarchies and some of the welfare arrangements described above (notably housing, workmen's compensation, sick pay, and pensions) (McCreary, 1968; Stone, 1975; Jacoby, 1985; Fitzgerald, 1988; Vishniac, 1990; Gospel, 1992; Welskopp, 1994).

In these sectors and in large-scale metal working, there was a desire on the part of employers to gain information on worker effort and to organize work more systematically under managerial control. This developed rapidly in the USA, where fast-growing and large national markets and a shortage of skilled labour gave managers an incentive to invest in the development of skill-displacing technologies. In metalworking and engineering, as early as the mid- to late nineteenth century, there emerged a distinctive 'American system of manufactures', based on standardized and interchangeable parts. This in turn came more and more to use semi-skilled or unskilled workers who tended high-throughput machinery or worked on what came to be assembly lines (Rosenberg, 1969; Hounshell, 1984).

By the early twentieth century onwards, in various forms, this led to the development of so-called 'systematic' and 'scientific' management (Litterer, 1963; Nelson, 1975; Merkle, 1980; Littler, 1982; Fridenson, 1986; Tsutsui, 1998). The latter is usually associated with Frederick Taylor (Taylor, 1911; Nelson, 1980), but there were other writers and practitioners at the time advocating new systems of labour management. Usually some combination of the following were used: a study of the organization of work by specialist 'time' and 'work' study experts; the reorganization of work, often leading to a greater subdivision of jobs; and the fixing of wages by new types of bonus systems related to performance. In practice, such arrangements developed only slowly, but with some acceleration after the First World War, especially in lighter areas of manufacturing (Nelson, 1992). The most significant technological and organizational development was the spread of the assembly line and mass production from the early twentieth century onwards (Ford, 1926; Nelson, 1975; Fridenson, 1978; Meyer, 1981; Schatz, 1983; Hounshell, 1984; Lewchuk, 1987).

Especially where unions had a presence, these developments often met with worker resistance. In part to counter unions, there was some development of new welfare and personnel policies, though these grew as much in sectors of light industry such as food and light assembly work. There was also some interest in so-called 'human relations' techniques as a less collectivist approach to the management of labour (Nelson, 1970; Nelson and Campbell, 1972; Jacoby, 1985; Gillespie, 1991; Gospel, 1992).

THE MANAGEMENT OF INDUSTRIAL RELATIONS: THE CLASSIC CASE OF THE AUTOMOBILE INDUSTRY

Up to the First World War, in all countries, employer recognition of trade unions and collective bargaining was a minority phenomenon (Bain and Price, 1980). Union membership and recognition by employers was most extensive in the UK, followed by Germany and the USA. Membership was much lower in countries such as France, Italy, and Japan, in part reflecting larger agricultural sectors and smaller-scale industry in those countries. Even where unions were recognized in the UK in craft industries such as metalworking and printing, in parts of cotton spinning, and in coalmining, collective bargaining was underdeveloped and often informal, spasmodic, and subject to recurrent employer counter-offensives.

The position of trade unions was significantly strengthened during the First World War: labour markets were tight, product market competition was curtailed, and both employers and the state were dependent on workers to achieve production. In these circumstances, employers were constrained to recognize unions, not least at government prompting, and collective bargaining developed, in many cases on a multi-employer basis, covering a whole industry either regionally or nationally. After the war and especially where there was economic depression in the 1920s, employers launched counter-offensives and curtailed the scope of, or withdrew entirely from, collective bargaining. The depression which affected all countries from 1929 onwards further reduced union presence and collective bargaining declined in coverage and content (Brody, 1980; Clegg, 1985; Schneider, 1991; Reid, 2004).

From the mid-1930s onwards, however, this situation changed, especially in automobiles, electricals, and other growing industries. In the UK, unions slowly increased their membership and managements had increasingly to deal with them (Tolliday and Zeitlin, 1986; Lewchuk, 1987). For the most part they chose to do this on a multi-employer basis. In France, in the late 1930s, a combination of economic and political factors led French employers to enter into new dealings with unions, albeit temporarily (Chapman, 1991; Vinen, 1991). Employer opposition was particularly strong in the USA. But, even there, the large automobile firms recognized unions, in significant part in the context of a change in the stance of government and legal requirements introduced in the New Deal from the mid-1930s onwards and during the Second World War and its aftermath (Dubofsky, 1994). Thus, General Motors recognized the United Auto Workers in 1937 and Ford followed suit in 1941. In the USA, in contrast to the UK, employers chose to deal with unions more at a company level and negotiated formal legally binding contracts which regulated wide aspects of wages, employment, and work organization. There were elements of pattern setting and following within industries, but, for the most part, dealings were at the level of the firm (Slichter et al., 1960; Brody, 1980; Harris, 1985; Jefferys, 1986; Tolliday and Zeitlin, 1986). By contrast, in the UK, bargaining was often at multiple levels, including informal bargaining with shop stewards at the workplace (Edwards and Terry, 1988).

In Germany, France, Italy, and Japan, the settlement with organized labour came after the war. Under fascist and military regimes and foreign occupation, independent unions were outlawed, state- and employer-dominated labour bodies were imposed, and most aspects of work and employment were unilaterally determined by management or government. After the war, in Germany, in a situation of turmoil, unions were recognized by employers and a system of regional and industry-wide collective bargaining emerged which has largely persisted up to the present day. Reverting to an earlier German tradition, with origins in the nineteenth-century mining industry and in legislation after the First World War, there was also established by law a system of works councils at company and workplace level and worker representation on the boards of German companies. In part this was at the prompting of the British occupation authorities and met with some resistance from German business. However, over time, German employers came to accept these arrangements and accommodated them into their systems of labour management (Teuteberg, 1961; Streeck, 1992; Dartmann 1996). It should be noted that works councils and board-level representation are to be found in other continental European countries, but not usually on the scale or with the powers of those in Germany (Rogers and Streeck, 1995).

Also after the war, Japanese employers came to terms with unions, though along different lines. At first, they confronted demands from militant general and industrial unions. With support from the American occupation authorities and the Japanese government, in the late 1940s and early 1950s, employers confronted and defeated these unions in major lockouts and strikes and replaced them with a system of enterprise-based unions. Collective bargaining was subsequently conducted mainly at enterprise level, with some industry coordination by employers' organizations and federations of unions. This settlement with enterprise unions interacted with traditional and emerging Japanese management practices and led during the subsequent years of economic growth in the 1950s and 1960s to key aspects of the Japanese employment system: the provision of job security for core male workers, the use of complex wage and benefit hierarchies often related to seniority, systems of management-led consultation within the firm, and a strong ideological encouragement of the notion of the company as a community. By the mid- to late 1950s, such a system was in place in firms such as Toyota, Nissan, Toshiba, Hitachi, and other large manufacturing companies. In the 1970s, this came to be recognized as the 'Japanese system of management' and attracted considerable foreign attention (Dore, 1973; Taira, 1970; Cusomano, 1985; Gordon, 1985; 1998; Koike, 1988; Shiomi and Wada, 1995; Hazama, 1997; Inagami and Whittaker, 2005). However, as will be seen below, in the slowdown in the 1990s, the system came under growing pressure, with some reduction of 'lifetime employment', an increase in pay based more on merit and performance, and less of a role for enterprise unions, especially in bargaining about work organization and wage levels.

The postwar industrial relations settlements in France and Italy were rather less clear and in some ways more akin to the British situation. After the war, employers increasingly had to recognize unions and enter into collective bargaining. However, they were less able to contain a system of multi-unionism (including in these two continental countries communist-dominated unionism) and multi-level collective bargaining. Large firms such as Renault, Citroen, Peugeot, and Fiat made varying compromises depending on the economic and political contexts at particular times (Fridenson, 1986; Durand and Hatzfeld, 2003; Musso, 2008). In some respects, it was only in the 1980s and 1990s, when union power was on the wane, that French and Italian companies reached a settlement of their industrial relations more acceptable to management.

In big firms in most of these countries, over the first three decades after the Second World War, with full employment and union bargaining, there developed systems of relative job security, possibilities for internal promotion to higher-paying jobs, and wages based on seniority and hierarchical grading systems. However, there were differences between countries. In Japan, the USA, and Germany, management maintained more control over the production system than, say, in the UK or Italy. In Germany and Japan, workers received more training than in most of the other countries and were more involved in improvements in processes and products. This was to lead to what in Germany has been called the 'diversified quality production' system and in Japan to what came to be called the Toyota or 'lean production' system, with more consultation and discretion given to better-trained workers (Ohno, 1982; Dohse et al., 1985: Streeck, 1992; Shimokawa, 1993; Wada, 1995; Tolliday, 1998).

The union-based system of personnel and industrial relations management has declined differentially across these countries. In the USA, union membership fell from the mid-1960s onwards, and the coverage of collective bargaining contracted (Kochan et al., 1986; Jacoby, 1997). It is now restricted to a few areas of the private sector, such as parts of the steel, automobile, engineering, and transportation industries. In France, union membership never attained very high levels; it has fallen since the 1970s, and collective bargaining is much constrained (Howell, 1992). In the UK, a change in the economic and political climate in the 1980s led to a hollowing out of the collective-bargaining-based system of labour management and the development of new forms of human resource management such as will be discussed below. Along with this, union membership has fallen (Millward et al., 2000; Gospel, 2005). In Germany and Japan, changes have been slower, but in recent years employers have come to have less recourse to collective bargaining with trade unions and more to consultation with their workers, either via work councils in Germany or more informal joint committees in Japan (Thelen, 2001; Inagami and Whittaker, 2005).

THE DEVELOPMENT OF HUMAN RESOURCE MANAGEMENT: CHALLENGES OF FLEXIBILITY AND DIVERSITY IN THE 'THIRD' INDUSTRIAL REVOLUTION

Alongside the developments described above, other trends may be distinguished from the 1970s onwards. In the postwar years, sectors which grew rapidly included electrical goods, food and drink, and household and personal consumer products. In the USA and UK, large firms, which had often grown by merger and acquisition and which had increasingly diversified into new lines of business, developed multidivisional forms of organization to manage their diverse activities (Chandler, 1962; 1977; 1990; Whittington and Mayer, 2000). Increasingly, such firms faced 'new' labour forces, enjoying higher standards of living, with less commitment to trade unions and more heterogeneous in terms of interests. Also, from the 1980s onwards, a new general purpose technology, in the form of information and communication technology (ICT), began to make an impact on the world of work.

Increasingly firms had to develop new policies to deal with growing product market competition and changes in labour market composition. Here we give the example of the fast-moving consumer goods sector where firms came to adapt and transform a set of centralized and often paternalistic policies which they had first developed in the late nineteenth and early twentieth centuries. Some of these approaches have since come to be collectively described as Human Resource Management (Foulkes, 1980; Gospel, 1992; Jacoby, 1997).

In the USA, for example, Procter & Gamble (P&G) had organized its labour management centrally, though with some plants unionized and others remaining non-union. Employment systems were rather bureaucratic; use was made of scientific management, and dealings with the labour force had strong elements of paternalism. As the company grew, in part organically and in part through merger and acquisition, and diversified into new areas such as food and drink, paper goods, and personal care products, so it faced new problems and challenges. These it came to manage with central direction in some key areas (the development of managerial staff and the non-recognition of unions in new plants). Through the 1970s, in most other areas, human resource management was increasingly left to the level of the constituent divisions or companies, where a degree of differentiation and controlled experimentation was allowed. On the basis of this, the company introduced new forms of job flexibility, management-directed team working, and pay for skills and performance, wherever possible maintaining a non-union environment and often with the use of contingent labour.

A similar flexible and decentralized trajectory can also be seen in Unilever in the UK, though with a time lag of a decade or more. Unilever had had a tradition of rather centralized, somewhat paternalistic employment practices which it had developed in the interwar years. In the UK context, it was less able or inclined to escape from a collective-bargaining-based system than P&G. Nevertheless, through the 1970s and 1980s, it transformed its practices into a more differentiated and flexible set of arrangements, based on its divisions and subsidiaries (Jones, 2005a). In France, a comparable example is Danone, that country's largest food company. Over the 1970s, BSN-Danone moved from being a glass producer to a glass bottle, drinks, and diversified food producer and then later restructured around a range of food products. It developed a rhetoric and practice of human resources and social partnership with its employees, including unions, but essentially ran its various parts in a decentralized, flexible manner. This enabled experimentation and facilitated the acquisition and disposal of companies. In many instances, these and similar firms increased their flexibility by employing a core labour force, supplemented by a periphery of part-time and temporary workers (Dyer et al., 2004).

Some contrast may be drawn with the German and Japanese equivalents of these companies. Henkel and Kao both had a rather centralized and paternalistic system of labour management through to the 1970s. More slowly than their counterparts referred to above, they nevertheless introduced different arrangements – less reliance on union bargaining, more reliance on joint consultation and direct employee involvement, greater use of flexible pay and conditions, and more resort to contingent employment for different parts of their companies (Gospel, 1992; Feldenkirchen and Hilger, 2001). However, to date, they have not proceeded as far as their US, UK, and French counterparts in terms of developing variegated and flexible human resource systems. In part this reflects the fact that they have grown organically and are less diversified and divisionalized companies – a broader characteristic of both countries. In part, it also reflects the fact that they have been subject to rather more legal and union constraints (in Germany) and ideological and customary constraints (in Japan).

Up to this point we have described the development of decentralized and flexible systems of human resource management which have spread across the large-firm sector. However, we also stress continuities and diversities. We have already noted national differences. In addition, some firms still remain relatively centralized (automobiles) and bureaucratic (utilities). Also, in the medium- and small-firm sectors, firms have not had to confront the issues of diversity of operations in the same way. Here human resource management is usually less purposely decentralized and less professionalized. In some localities, medium and small firms have also maintained external economies of scale in terms of skills training and innovative working in industrial districts such as have been identified especially in Germany and Italy (Crouch et al. 2001). There is also a considerable spread, with some firms pursuing 'high-road' practices of good pay and conditions, high training, and employee involvement, while others pursue 'low-road' practices of minimal benefits and cost minimization (Foulkes, 1980; Guest and Hoque, 1996; Osterman, 1999).

The most marked change in employment composition in the final quarter of the twentieth century has been the decline of manufacturing and blue-collar jobs and the rise of services and white-collar jobs. Service companies and service work cover a wide spread. They cover the financial sector, ICT services, hotels and catering, health and personal care, and retailing. They also cover a spread in terms of company size, from small start-up firms to some of the largest companies in the world. Consider for example Compass, Aramark, and Sodexo, relatively unknown names to most people, but major food services companies and among the largest employers in the world. They also cover a wide spread of occupational levels from graduate managerial, technical, and professional employees to low-level mundane work in call centres, fast food restaurants, and wholesale warehousing and retail stores. Recent changes in this sector have been very much driven by the application of new ICT technologies which have facilitated the rise of the so-called 'gig' or 'on-call' workforce.

In financial services, there are some patterns which have long existed, as in banks and insurance companies – relative job security, gendered and educationally segmented hierarchies, and salaries and benefits which rise with age. In recent years, some of these have been subject to change, especially the notion of lifetime careers and incremental salary scales. There are also new aspects, within both old and new firms in these sectors – the reliance on self-investment in training and development, greater mobility and more flexible careers, more project working, and, especially for higher-level employees, the spread of share- and stock-based pay. However, in many wholesale warehouses and telephone call centres, connected with the new service economy, work is organized along different lines – with elements of mass production, tight computer monitoring, and limited pay and benefit systems. In recent years, in these areas, there has been a growth in so-called 'outsourcing' and 'offshoring' of jobs and the rise of 'on-call' or 'gig' employment (Marchington et al., 2005).

By the end of the twentieth century the biggest single grouping of large employers were retailers such as Wal-Mart, Target, and Home Depot in the USA, Carrefour and Auchan in France, Tesco and Kingfisher in the UK, and Metro and Karstadt in Germany. Such firms have developed further some aspects of systematic and scientific management. They make extensive use of ICT to match the flow of goods, customer demand, and the deployment of labour. In turn, extensive use is made of part-time employment, often young, female, and immigrant workers, to facilitate flexible scheduling. Jobs are narrowly defined, with little scope for training and development, but employees may be expected to work flexibly across jobs, such as unloading, stacking, and checkout. Wage hierarchies are short and non-wage benefits limited. In the USA, Wal-Mart and other large retailers make efforts to promote individual identification with the company and are strongly anti-union (Lichtenstein, 2006). In Europe and Japan, unions have a limited presence and play little part in management calculations.

Human resource management systems such as operate in call centres and supermarkets have elements of mass production such as have existed from the early twentieth century onwards. However, there are a number of important differences with earlier systems. First, computer control facilitates a more exact synchronization of production and work. Second, there are now more mixed identities on the part of workers and less solidarity and opposition to management. Third, union membership shows little sign of developing as it once did in earlier mass-production systems and more sophisticated managements seem more likely to prevent its growth.

Some commentators have recently referred to a growing diversity within national systems; this may in turn maintain diversities between national systems (Katz and Darbishire, 2000). A historical perspective suggests there has always been diversity. Certainly, many arrangements described above are to be found side by side within national systems such as the provision of discretion for more skilled and higher-level employees versus mass-production-type systems for many workers, as well as elements of bureaucratic forms of management versus more differentiated and flexible systems. This same diversity may increasingly be found in manufacturing where, among other factors, unions are less able to impose uniformity. Hence in manufacturing, some firms are pursuing so-called 'high-performance' and 'high-involvement' policies while many others have not developed sophisticated human resource strategies and provide little employee voice (Foulkes, 1980; Kochan et al., 1986; Guest and Hoque, 1996; Osterman, 1999; Millward et al., 2000).

CONCLUSION

This chapter has concentrated on major stages in the development of human resource management in advanced capitalist economies, while stressing continuities and diversities across stages. However, we register a number of gaps. The chapter has concentrated on the history of labour management in the USA, Western Europe, and Japan. It has left out other countries: smaller countries of the developed world; Russia and the Soviet Union, China, and other former communist states; and labour management in developing countries such as India and Indonesia. In addition, the chapter has focused mainly on large firms at particular stages of history. There has been some coverage of smaller firms, especially with reference to textiles at the beginning of the period and start-up high-tech companies at the end. On the whole, however, less is known about labour management in the medium- and small-firm sector.

The chapter has largely left out the public sector, in central and local government and in organizations such as national post offices, utility companies, and public health service organizations. Such public sector organizations are important, not only because of their size, but also because they were often considered to be 'good' employers and historically at times acted as trendsetters for the private sector. Studies of such firms showed historically the extensive use of bureaucratic management methods, the presence of a certain paternalism, and the strength of trade unions and collective relations with the labour force, especially through the postwar period (Hannah, 1979; 1982; Frost, 1983; Berlanstein, 1991). More recently, in these sectors, there are new political and market pressures which are leading to management practices emphasizing more flexibility and decentralization of operations, not least as parts of the public sector have been privatized and opened to more outside market competition in the form of so-called 'new public management'.

A further caveat might be that the chapter has tended to treat labour as a rather homogeneous entity. For example, little has been said specifically about the management of female labour. However, there are some excellent historical studies of women's employment, in both manufacturing and service industries, which might be used to look at the management of female labour (Fourcaut, 1982; Glucksmann, 1990; Milkman, 1987; Cobble, 1991; Omnes, 1997; Wightman, 1999; Hunter, 2003). These pose questions as to whether historically the management of female labour has been largely the same as that of men or to what extent there are different patterns of gender segregation. The chapter has concentrated mainly on lower- and middle-level, especially blue-collar-type, workers, on the basis that these have been the main group of employees over most of the time period under consideration. However, in most national economies, these are now a declining part of employment. We have touched on white-collar and managerial labour forces in several of the industry sectors, for example in discussing railways in the nineteenth century and financial services in the late twentieth century. A wide literature exists on white-collar, professional, technical, supervisory, and managerial workers which might be used for studies of white-collar labour management (Lockwood, 1958; Kocha, 1977; 1991; Melling, 1980; Hyman and Price, 1983; Morikawa and Kobayashi, 1986; Morikawa, 1991; Prendergast, 1999).

The chapter has also dealt with employment within the firm largely within one country, namely the country of origin. Since the early twentieth century, a growing number of large firms have had multinational activities and this has accelerated in the postwar period. Further work needs to be done on the historical development of human resource management in such multinationals, where some of the essential decisions concern whether firms take practices from their home country, adopt those of the host country, or develop distinct global patterns of labour management. Multinationals have to make major choices as to whether they integrate or differentiate their human resource processes (Perlmutter, 1969; Enderwick, 1985; Knox and McKinlay, 1999; 2002; Rosenweig and Nohria, 1994; Ferner and Varul, 2000; Kristensen and Zeitlin, 2005; Jones, 2005b).

Bearing in mind the caveats referred to above and the emphasis throughout on both change *and* continuities, a number of conclusions may be drawn from the above survey.

First, broad stages in the development of labour management can be discerned and are noted in Table 1.1. Thus, from the early nineteenth century, there coexisted artisanal and factory models in sectors such as textiles. The railways, heavy industry, and assembly-type industries brought the development of newer, more bureaucratic systems of personnel management, especially from the late nineteenth century onwards. Subsequently, in the mid-twentieth century, in the golden age of manufacturing, union-based systems of industrial relations management were strong, especially in the big-firm sector. More recently there has been a growth of more differentiated and flexible systems of human resource management within firms, in both manufacturing and services. However, it was also stressed that much work in the modern service sector and in retailing still has elements of mass-production-type systems. Thus, different stages have coexisted side by side and older industries have adapted to new developments. Overall, the tendency may be towards growing diversity within firms and within countries (Katz and Darbishire, 2000).

Second, some movement may be discerned over time from direct systems of management (based on personal supervision, simple piecework systems, and traditional paternalism), to technical or mechanical systems of management (based on scientific management principles with an attempt to build control into production processes), to bureaucratic forms of working and employment, with internal labour markets and complicated administrative hierarchies (Edwards, 1979). However, in recent

Table 1.1 Summary of stages

	Work organization	*Employment relations*	*Decision/voice rules*
First Industrial Revolution	Craft/semi-mass production	External labour market, but also paternalism	Paternalistic; limited voice
Second Industrial Revolution	Mass production	Bureaucratic; internal labour market	Trade union voice; often multi-employer
Third Industrial Revolution	Flexible production/ services/outsourcing	Flexible HRM More use of external labour market	Decline in union voice; rise of consultation and direct voice

years, there has been a major reconfiguration of bureaucratic employment systems and of internal labour markets and there have been complex backward and forward movements between direct control and more autonomy and responsibility on the job. The examples of modern retailing and work in call centres show how direct systems of supervision and computer control continue. Thus, motivation and control based on mixes of coercive, remunerative, and normative policies have always existed. There is no linear movement in the management of human resources.

Third, in terms of industrial relations, there have been significant shifts over time. In the nineteenth and early twentieth centuries, most employers were what might be termed 'unitarist' and believed that they had a right unilaterally and directly to dictate aspects of work and employment. The period after the Second World War saw a shift in a more 'pluralist' direction and a greater preparedness to admit employee representation in the form of trade unions and collective bargaining. Such systems grew and predominated through the early postwar years in many industries, especially in manufacturing. However, beginning in the 1970s, there has been a shift away from such managerial ideologies and their replacement by new forms of joint consultation, direct voice, and employee involvement of various kinds, such as participation in small groups and team working. To date, these shifts from indirect or representative to direct voice systems have been greater in countries such as the USA, France, and the UK, where union membership in the private sector is weakest, and least in countries such as Germany and the Scandinavian countries, where union membership remains stronger.

Finally, some of the changes analysed above can be captured by the notion of externalizing and internalizing decisions (Coase, 1937; Williamson, 1983). Firms can externalize decisions in the following ways: they can make use of external subcontracting forms of production; recruit as much as possible from the external labour market and lay off workers into the market; fix wages and benefits according to market signals; and, where they have to recognize trade unions, deal with them through outside employers' organizations. By contrast, firms can internalize decisions in various ways: they can bring production in-house and develop more elaborate internal divisions of labour; rely less on the external labour market and institute stronger internal labour markets, with more in-house training and greater job security; fix wages and benefits by internal administrative rules such as seniority or job rank; and provide employee voice via company-based consultation and bargaining (Gospel, 1992). In practice, different firms in different countries have pursued mixed strategies. However, in a long-term perspective, the following might be argued. In the nineteenth century much use was made of externalizing strategies and practices, subject to paternalistic constraints and with exceptions such as the railways where companies internalized. Over the course of the twentieth century, there was some tendency towards greater internalization of work and employment relations, with Fordist mass production and internal labour markets, but not necessarily internalization of industrial relations, since in Europe considerable reliance was placed on outside employers' organizations. The tendency to internalize employment relations was particularly strong in continental European countries and in Japan. Over the last quarter century, there has been some movement towards an externalization of work and employment relations, but with a greater internalization of industrial relations within the firm. However, strategies depend not only on their relative cost, but also on the capacity of the firm to pursue them and the micro- and macro-political context within which they are implemented.

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Models of Strategic Human Resource Management

Kaifeng Jiang and Pingshu Li

INTRODUCTION

Strategic human resource management (HRM) is a research area investigating the relationships of bundles or systems of HRM practices with firm performance and other related variables (Jackson, Schuler, & Jiang, 2014). Early research of strategic HRM has distinguished itself from traditional HRM research with its focus on the systems perspective and the organizational level of analysis (Wright, Dunford, & Snell, 2001). For example, Wright and McMahan (1992) defined the field of strategic HRM as 'the pattern of planned human resource deployments and activities intended to enable an organization achieve its goals' (p. 298). Similarly, Snell, Youndt, and Wright (1996) defined it as 'organizational systems designed to achieve competitive advantage through people' (p. 62). Guided by these definitions, researchers have exerted considerable effort in studying the relationships between HRM systems and their antecedents and consequences in the past three decades (e.g., Delery & Doty, 1996; Huselid, 1995; MacDuffie, 1995). As a result, the stream of strategic HRM research has accumulated thousands of publications conducted by researchers from over 120 countries (Jiang & Messersmith, 2017).

In the first edition of *The SAGE Handbook of Human Resource Management*, Colakoglu, Hong, and Lepak (2009) reviewed the primary theoretical perspectives and theoretical frameworks guiding the thinking and research in strategic HRM. The field has greatly expanded since then and has witnessed notable growth in several aspects (e.g., mediating mechanisms, multilevel research, and longitudinal research) in the past 10 years. Therefore, an updated review of strategic HRM models is warranted to summarize the recent progress in this field. In this chapter, we aim to review the primary theories and models that have been used to explain the use and effects of HRM systems in organizations. First, we briefly review the traditional perspectives and frameworks of strategic HRM, including those reviewed by Colakoglu et al. (2009). Second, we identify the issues of the traditional models and discuss how recent studies on mediating mechanisms, multilevel research, and longitudinal research advance our knowledge of strategic HRM models. Third, we propose an integrated model based on previous research and provide suggestions for future research.

TRADITIONAL PERSPECTIVES AND FRAMEWORKS OF STRATEGIC HRM

Several scholars (Jackson et al., 2014; Wright & Ulrich, 2017) have argued that strategic HRM started to capture academic attention in the early 1980s. Researchers began with conceptual models (e.g., Fombrun, Devanna, & Tichy, 1984; Miles & Snow, 1984; Schuler & Jackson, 1987; Wright & McMahan, 1992) and then empirically examined the relationships between HRM systems and organizational performance (e.g., Arthur, 1994; Delery & Doty, 1996; Huselid, 1995; MacDuffie, 1995; Youndt, Snell, Dean, & Lepak, 1996). Three general theoretical perspectives emerged from the early studies and provided important guidance for following research. As proposed by Delery and Doty (1996), the three perspectives are *universalistic*, *contingency*, and *configurational* perspectives.

The universalistic perspective holds that certain HRM practices tend to be implemented by companies that effectively manage their people to achieve competitive advantages; these HR practices are considered the 'best practices' that have positive impacts on firm effectiveness in almost all organizations (Delery & Doty, 1996, p. 803). In other words, certain HRM practices are expected to positively impact firm outcomes regardless of the context in which they are utilized (Lepak, Takeuchi, Erhardt, & Colakoglu, 2006). For example, Pfeffer (1995) identified 13 practices for managing employees that were shared in some successful companies, such as employment security, selective recruiting, high wages, and incentive pay. Many of the earlier studies examined the universalistic perspective (e.g., Arthur, 1994; Betcherman, McMullen, & Caron, 1994; Cappelli & Neumark, 2001; Guest, Michie, Conway, & Sheehan, 2003; Ichniowski & Shaw, 1999; Wood & de Menezes, 1998) and provided general support for the positive relationship between HRM systems and performance outcomes according to recent meta-analytic reviews (e.g., Combs, Liu, Hall, & Ketchen, 2006; Subramony, 2009).

Contrary to the universalistic model, the contingency perspective suggests that there is not a one-size-fits-all solution. Instead, the need to implement certain HRM practices and the effects of the HRM practices always depend on other conditions of organizations (e.g., strategy, technology, structure, and culture). For example, researchers have found that business strategy can not only influence the use of HRM practices in organizations (e.g., Arthur, 1992; Jackson, Schuler, & Rivero, 1989), but also moderate the effects of HRM practices on firm performance (e.g., Delery & Doty, 1996; Youndt et al., 1996). Strategic HRM scholars have increasingly adopted the contingency perspective to examine how the effects of HRM systems on performance outcomes are contingent on different internal and external contextual factors (e.g., Batt, 2002; Chadwick, Way, Kerr, & Thacker, 2013; Datta, Guthrie, & Wright, 2005; Guthrie, 2001; Hoque, 1999).

Different from the universalistic perspective and the contingency perspective, the configurational perspective argues that it is not sufficient to treat best HRM practices in isolation, or to address the vertical fit of HRM practices with the contextual factors. Instead, the configurational perspective emphasizes the horizontal coordination or congruence of a pattern of HRM practices, rather than any single practices, in improving organizational outcomes. For example, the configurational perspective has guided researchers to examine the internal fit among different components of HRM systems (e.g., Huselid, 1995; MacDuffie, 1995; Wood & de Menezes, 2008). Researchers have also adopted this perspective to identify different configurations of HRM systems (e.g., Lepak & Snell, 2002; Toh, Morgeson, & Campion, 2008) and to develop measures of HRM systems toward specific objectives, such as network-building HRM systems (e.g., Collins & Clark, 2003), service-oriented HRM systems (e.g., Liao, Toya, Lepak, & Hong, 2009), high-involvement HRM systems (e.g., Wall, Wood, & Leach, 2004), and HRM systems for knowledge teamwork (e.g., Chuang, Jackson, & Jiang, 2016).

While the three perspectives provide the foundation for strategic HRM research, they pose drawbacks. For example, they do not directly explain why and how certain types of HRM systems are adopted by organizations and influence organizational performance. To answer these questions, several scholars have turned their attention to proposing theoretical models of the relationships between HRM systems and performance outcomes with a general assumption that HRM systems determined by internal and external contexts contribute to organizational performance by influencing employee outcomes such as human capital and motivation (e.g., Becker & Huselid, 1998; Delery & Shaw, 2001; Guest, 1997; Schuler, 1992). Moreover, scholars have incorporated theories from other research areas (e.g., economics, psychology, sociology, and strategic management) to explain different parts of the theoretical models (e.g., Jackson & Schuler, 1995; McMahan, Virick, & Wright, 1999; Wright & McMahan, 1992). As a representation of those efforts, Wright and McMahan (1992) summarized six major theories that can be applied to understanding the adoption and the effects of HRM systems in organizations. Among those theories, the resource-based view and the behavioral perspective have received more attention than others in the subsequent studies.

According to the resource-based view, a firm's resources can generate sustained competitive advantages if they are valuable, rare, inimitable, and non-substitutable (Barney, 1991). Scholars have argued that human resources, which is one of three types of resources (the other two resources are physical and organizational resources), can serve as a sustained competitive advantage by meeting the four criteria (Snell, Youndt, & Wright, 1996; Wright, McMahan, & McWilliams, 1994). HRM systems can be used to gain sustained competitive advantage by influencing a firm's human resources (Jackson & Schuler, 1995). In order to optimize the influence of HRM systems on human resources, the resource-based view suggests that organizations need to align HRM systems with their strategies (Wright et al., 1994). Moreover, HRM systems per se can be a potential sustained competitive advantage. Unlike individual HRM practices that can be imitated easily, HRM systems' formation and effectiveness can be causally ambiguous and socially complex largely due to the complementarities and interdependencies among HRM practices (Lado & Wilson, 1994). As noted by Wright and Ulrich (2017), almost all empirical research has drawn upon the resource-based view to explain the effects of HRM systems. However, researchers have argued that this theory has not been directly tested in empirical research (e.g., Boselie, Dietz, & Boon, 2005; Colakoglu et al., 2009) and has not been accurately incorporated into strategic HRM research (e.g., Kaufman, 2015a; 2015b; 2015c). Those scholars suggest that the strategic HRM field gives the resource-based view 'a deeper and more critical examination' (Kaufman, 2015c, p. 533) in order to draw more appropriate conclusions about the relationship between HRM systems and performance outcomes.

Rooted in contingency theories, the behavioral perspective views employees' role behavior as the mediator between strategy and performance. Schuler and Jackson (1987) identified employee role behavior as instrumental in the implementation of competitive strategies. Different strategies require different role behaviors, which in turn can result in organizational effectiveness. In order to realize organizational effectiveness, HRM systems can be used to elicit and reinforce those role behaviors in organizations. For example, certain organizations may expect long-term reciprocal relationships among employees. HRM systems can motivate employees to help each other and care about the welfare of coworkers by emphasizing communal sharing among employees (Mossholder, Richardson, & Settoon, 2011). The helping behavior may further mediate the relationship between HRM systems and performance outcomes (e.g., Messersmith, Patel, Lepak, & Gould-Williams, 2011; Sun, Aryee, & Law, 2007). By focusing on those mechanisms, the behavioral perspective can complement the resource-based view to explain how HRM systems link business strategy to performance outcomes.

Compared with the popularity of the resource-based view and the behavioral perspective, other theories (i.e., cybernetic models, transaction cost theory, resource dependence theory, and institutional theory) in Wright and McMahan's (1992) framework have not received equal attention. Scholars have used some of those theories in theoretical research. For example, Lepak and Snell (1999) integrated the transaction cost theory with the resource-based view and the human capital theory to develop a human resource architecture. Farndale and Paauwe (2007) drew upon the institutional theory to explain the adoption of global and national HRM practices in multinational corporations. However, researchers have not fully adopted those theories to examine the relationships between HRM systems and other related variables in empirical studies. Instead, several new perspectives have emerged in recent research and contributed to the understanding of strategic HRM models. In the following, we will summarize the emerging theoretical perspectives and discuss how they are integrated into strategic HRM research.

EMERGING PERSPECTIVES OF STRATEGIC HRM

Recent reviews have suggested that the field of strategic HRM has benefited from three developing streams of research: research uncovering mediating mechanisms, research examining multilevel relationships of HRM systems, and research investigating longitudinal effects of HRM systems (e.g., Delery & Roumpi, 2017; Jackson et al., 2014; Lepak, Jiang, Kehoe, & Bentley, 2018; Paauwe, 2009; Peccei & Van De Voorde, 2016; Wright & Ulrich, 2017). We concur with these recent reviews and believe that the three streams of research have advanced the theoretical models of strategic HRM.

Theoretical Perspectives for Mediating Mechanisms

Strategic HRM scholars have become increasingly interested in understanding the mediating mechanisms through which HRM systems can be related to firm performance. By focusing on the mediating role of employee outcomes, researchers have drawn upon human capital theory (Becker, 1964), social exchange theory (Blau, 1964), social capital theory (Leana & Van Buren, 1999), and the ability–motivation–opportunity framework (Appelbaum, Bailey, Berg, & Kalleberg, 2000) to explain the relationship between HRM systems and firm performance.

Human capital theory was initially proposed to explain individuals' and organizations' decision about investing in human capital (Becker, 1964). Strategic HRM scholars have applied human capital theory to argue that certain types of HRM systems can enhance firms' collective human capital, which may generate economic returns to the firms. For example, Takeuchi, Lepak, Wang, and Takeuchi (2007) found that high-performance work systems consisting of selective staffing, flexible job assignments, extensive training, developmental appraisal, competitive compensation, and extensive benefits are positively related to establishment performance by enhancing general human capital of employees. Studies have found that high-performance work systems can also enhance firm-specific human capital to help firms achieve performance goals (e.g., Jiang, Chuang, & Chiao, 2015; Kehoe & Collins, 2017). Recently, scholars have begun to call for integrating strategic HRM and strategic human capital research (Boon, Eckardt, Lepak, & Boselie, 2017; Wright & McMahan, 2011) and encouraged strategic HRM research to explore how HRM systems can facilitate the emergence of human capital resources (e.g., Ployhart & Moliterno, 2011; Ployhart, Nyberg, Reilly, & Maltarich, 2014) and develop firm specificity (e.g., Chadwick, 2017; Coff, 1997).

While human capital theory focuses on the amount or type of human capital HRM systems can generate to enhance firm performance, social exchange theory is helpful for explaining how HRM systems can motivate employees to exert effort toward organizational goal accomplishment. Social exchange theory suggests that social relationships shape the exchange of resources and benefits (Blau, 1964; Coyle-Shapiro & Conway, 2004). Some HRM practices (e.g., extensive training and competitive compensation) may make employees feel that they are valued and recognized by organizations. As a return to the resources organizations offer, employees are likely to engage in positive work behaviors. Consistent with this argument, researchers have found that high-performance work systems can encourage employees to develop strong emotional relationships with organizations (e.g., Gong, Law, Chang, & Xin, 2009; Takeuchi et al., 2007) and engage in extra-role behaviors to help their coworkers and organizations (e.g., Messersmith et al., 2011; Sun et al., 2007).

Social capital theory focuses on outcomes associated with social connections and relationships that are possessed by employees with internal and external organizational members (Nahapiet & Ghoshal, 1998). Rather than focusing on employees themselves, this theory emphasizes the social relations among employees (Adler & Kwon, 2002; Brass, 1995) and argues that organizations can benefit from both strong and weak social relations in different ways (Hansen, 1999). Strategic HRM scholars have used the concept of social capital to investigate how organizations can benefit from social capital that is cultivated from HRM systems (Evans & Davis, 2005; Leana & Van Buren, 1999). For example, Collins and Clark (2003) developed a measure of network-building HRM practices for top management teams and found that those HRM practices were positively related to top management teams' internal and external networks, which benefited firm performance. By focusing on non-manager employees, Gittell, Seidner, and Wimbush (2010) argued that HRM systems could provide opportunities for employees to coordinate with each other and found that the relational coordination among employees mediated the relationship between high-performance work systems and workflow efficiency. Researchers have also incorporated both human capital and social capital theories together and found that HRM systems were related to firm performance through both types of capital (e.g., Cabello-Medina, Lopez-Cabrales, & Valle-Cabrera, 2011; Youndt & Snell, 2004).

Another perspective that has emerged in the recent research on strategic HRM is the ability–motivation–opportunity (AMO) framework (Boxall & Purcell, 2011; Gerhart, 2007). This framework considers employee performance as a function of employees' abilities, motivation, and opportunities to performance and argues that HRM practices can contribute to employee and organizational performance by enhancing the three components of employee performance. This framework has been used to conceptualize the components of HRM systems (e.g., Jiang, Lepak, Hu, & Baer, 2012; Lepak, Liao, Chung, & Harden, 2006a) and guide the examination of the mediating role of employee outcomes. Jiang et al. (2012) have drawn upon the AMO framework to meta-analyze the mediating mechanisms of the relationships between HRM systems and performance outcomes. They found that both employees' human capital and motivation and efforts mediated the relationships between the three components of HRM systems based on the AMO framework and more distal outcomes such as operational performance and financial performance. They also found that skill-enhancing HRM practices had a stronger relationship with human capital and a weaker relationship with motivation and efforts than motivation-enhancing and opportunity-enhancing HRM practices.

In addition to examining the mediating role of employee outcomes, researchers have begun to explore how HRM systems influence organizational performance through organizational capabilities. Organizational capability refers to 'the ability of an organization to perform a coordinated set of tasks, utilizing organizational resources, for the purpose of achieving a particular end result' (Helfat & Peteraf, 2003, p. 999). Consistent with the resource-based view, organizational capability can also become a firm's potential competitive advantage (Henderson & Cockburn, 1994). In the literature of strategic HRM, researchers have investigated how HRM systems can help develop organizational capabilities to adapt to changing environments. For example, Wright and Snell (1998) considered flexibility as an important organizational capability and theorized how to design HRM systems to achieve organizational flexibility. Following Wright and Snell's model, Way, Wright, and Tracey (2013) developed a measure of human resource flexibility and found a positive relationship between human resource flexibility and firm performance. Similarly, Lengnick-Hall, Beck, and Lengnick-Hall (2011) proposed that HRM systems could develop a capacity for organizational resilience and identified HRM principles and policies for developing this capacity. Researchers have also examined how HRM systems can help organizations to absorb new knowledge from external environments (e.g., Chang, Gong, Way, & Jia, 2013) and balance the exploitation of existing market opportunities and the exploration of new opportunities (e.g., Patel, Messersmith, & Lepak, 2013).

Taken together, the emerging theoretical perspectives from recent research complement the resource-based view and the behavioral perspective to offer richer understanding of the mediating mechanisms in linking HRM systems to organizational performance. More specifically, research based on these perspectives suggests that HRM systems enhance organizational performance not only by affecting employees' human capital, motivation, and their interaction, but also by affecting organizational capabilities to respond to the competitive environments. However, these perspectives were primarily positioned at the firm-level analysis and largely examined in cross-sectional designs. Yet, there has been increasing attention to multilevel research and longitudinal research of strategic HRM. In the next section, we will discuss how these new developments expand our understanding of strategic HRM models.

Theoretical Perspectives for Multilevel Relationships of HRM Systems

Although strategic HRM research has been traditionally focused on the relationships between HRM systems and performance outcomes at the organizational level of analysis, researchers have acknowledged the multilevel nature of strategic HRM research for a long time. For example, Becker and Huselid (1998) noted that 'the paths through which any effect actually develops, and subsequently the implications for management, necessarily operate at lower levels of analysis, including the individual' (p. 93). Therefore, in order to fully understand how HRM systems affect organizational performance through employees, it is important to examine how employees perceive and react to HRM systems.

Ostroff and Bowen (2000) proposed one of the first multilevel models of strategic HRM based on organizational climate research. Their model suggests that HRM systems can shape employees' perceptions of what the organizations are and what they are expected to do in the organizations. When the perceptions are shared across employees, organizational climate will emerge and help translate the effects of HRM systems on employee outcomes and subsequent organizational performance. Their model has set the foundation for multilevel research of strategic HRM and many following studies have examined organizational climate as an important mediator of the relationship between HRM systems at the organizational level and employee outcomes at both the individual level and the organizational level (Jiang, Takeuchi, & Lepak, 2013; Lepak et al., 2006a). For example, Takeuchi, Chen, and Lepak (2009) found that high-performance work systems were related to a concern for employees' climate (supporting and caring about employees), which was in turn associated with job satisfaction and affective commitment at the individual level. Veld, Paauwe, and Boselie (2010) found that HRM systems were associated with collective employee commitment through a climate for service quality.

Researchers have also suggested that it is important to examine HRM systems from both management and employee perspectives. Nishii and Wright (2008) discussed the variability within strategic HRM research and pointed out that the intended HRM practices may not be those that are actually implemented, which, again, may not be those that are perceived by employees. Nishii, Lepak, and Schneider (2008) confirmed this argument by showing that employees within the same organizations have different attributions for the use of HRM systems and that employees' interpretations of HRM systems rather than HRM systems themselves have a more direct influence on employee outcomes. These findings encourage more studies to consider employees' perceptions or experiences of HRM systems as a mediator of the relationships between HRM systems at the higher level (e.g., business units or organizations) and employee outcomes at the individual level (e.g., Aryee, Walumbwa, Seidu, & Otaye, 2012; Liao et al., 2009). For instance, Liao and colleagues (2009) found that employee-experienced high-performance work systems partially mediated the relationship of manager-rated high-performance work systems with individual human capital and fully mediated its relationship with psychological empowerment and perceived organizational support. Aryee and colleagues (2012) found a similar mediating role of employee-experienced HRM systems on the relationship between branch-level HRM systems and employee psychological empowerment.

An important finding derived from those studies is that HRM systems perceived by employees are not strongly related to HRM systems reported by managers. For example, the correlation between manager-rated and employee-experienced high-performance work systems was only 0.29 at the branch level in Liao et al. (2009) and 0.19 at the individual level in Aryee et al. (2012). This finding prompted researchers to explore why employees and managers have different perceptions of HRM systems and how to align their perceptions to ensure managers can use the intended HRM systems to achieve desired employee outcomes. Based on social cognition theory, Bowen and Ostroff (2004) proposed a set of meta-features that may influence how employees develop their perceptions of HRM systems and suggested examining how the implementation process affects the way

HRM information is conveyed to employees. Den Hartog, Boon, Verburg, and Croon (2013) drew upon this social cognition perspective to further examine how communication between managers and employees moderated the relationship between HRM systems perceived by managers and employees. They found that the relationship was more positive when communication quality was high than when it was low. Following the line of social cognition reasoning, Lepak and Boswell (2012) proposed the concept of the saliency of HRM practices, referring to the extent to which HRM practices have an impact on individuals. They suggested that the more salient an HRM practice, the more likely employees are engaged in collecting information of this practice and are affected by this practice. They also encouraged future research to advance the understanding of what creates the different views of saliency and how to incorporate individual differences in saliency to fit with the thinking of systems in the strategic HRM literature.

Because the HRM systems–organizational performance relationship is the main focus of strategic HRM research, it is critical to link the individual outcomes affected by HRM systems to outcomes at the organizational level. The arguments about the emergence process in the multilevel research are useful for understanding the bottom-up effect of individual outcomes on organizational outcomes (e.g., Kozlowski & Klein, 2000). For example, Ployhart and Moliterno (2011) develop an emergence-enabling process mechanism by which individual-level knowledge, skills, abilities, and other characteristics can be transformed and amplified to become a valuable unit-level resource. This emergence process may involve both composition and compilation processes discussed by Kozlowski and Klein (2000). In the empirical research of strategic HRM, Nishii and colleagues (2008) found that the aggregated employee attitudes were positively related to unit-level work behaviors and customer satisfaction. Wood, Van Veldhoven, Croon, and de Menezes (2012) also examined this bottom-up effect and found that job satisfaction at the individual level was positively related to firm performance. However, there is still little empirical evidence for the bottom-up effects of individual outcomes on organizational-level outcomes. Especially, researchers need to investigate not only the aggregated mean influence, but also the variance influence of individual outcomes on organizational outcomes and extend the implications for strategic HRM research.

Moreover, as more attention is increasingly paid to employees' well-being in the multilevel research of strategic HRM (e.g., Van De Voorde, Paauwe, & Van Veldhoven, 2012), researchers have started to recognize that the use of HRM systems intended to enhance organizational performance (e.g., high-performance work systems) may not always have positive effects on employees' well-being. For example, Jensen, Patel, and Messersmith (2013) found that utilization of high-performance work systems at the department level enhanced individual employees' anxiety and role overload through their perceptions of high-performance work systems. One implication for future strategic HRM is that researchers need to consider how to design HRM systems to balance organizations' performance goals and employees' well-being. Considering the potential negative effects of HRM systems on employees and the high cost of utilizing those systems (e.g., Kaufman, 2015a), researchers may be interested in examining the curvilinear relationship between HRM systems and organizational performance.

Theoretical Perspectives for Longitudinal Effects of HRM Systems

Like many other research areas of management, time plays a significant role in understanding the effects of HRM systems but has not been paid enough attention since the beginning of the literature (Ployhart & Hale, 2014). Many scholars have discussed the problems of ignoring the issue of time in strategic HRM research, such as the causality of the relationship between HRM systems and organizational performance and the change in the performance effects of HRM systems (e.g., Jackson et al., 2014; Jiang & Messersmith, 2017; Lepak et al., 2018; Ployhart & Hale, 2014; Wright & Haggerty, 2005). Researchers have recently started to address those concerns by using longitudinal techniques and made some important contributions to understanding the HRM systems–performance outcomes relationship.

First of all, the recent longitudinal research has provided empirical evidence for the mutual relationships between HRM systems and performance outcomes. HRM systems have been commonly considered an antecedent of performance outcomes in the traditional models of strategic HRM (e.g., Becker & Huselid, 1998; Delery & Shaw, 2001; Guest, 1997). However, researchers have found that although there were positive relationships between HRM systems and performance outcomes, the effects of HRM systems became non-significant after controlling for the previous performance (e.g., Guest et al., 2003; Wright, Gardner, Moynihan, & Allen, 2005). As noted by Wright and colleagues (2005, p. 433), 'By no means do these results suggest that HR practices do not have a positive impact on performance.' Instead, they suggested exploring the true causal relationship between HRM systems and performance outcomes. Two recent studies have answered this call by examining the mutual influence of HRM systems and performance outcomes. Piening, Baluch, and Salge (2013) examined the relationships between changes in employees' perceptions of HRM systems, job satisfaction, and performance outcomes by using longitudinal data from public hospital services. In addition to finding the mediating effect of job satisfaction on the relationship between HRM systems and customer satisfaction, they also found that financial performance affected the use of HRM systems, thereby influencing job satisfaction. Their findings suggested that the relationships between HRM systems, job satisfaction, and performance outcomes tend to be cyclical over time. Similarly, Shin and Konrad (2017) drew upon general systems theory to propose the reciprocal relationship between high-performance work systems and labor productivity and found supports for their hypotheses. Those studies complement the traditional strategic HRM models by demonstrating the feedback loop between HRM systems and performance outcomes.

Moreover, researchers have begun to investigate how the effects of HRM systems change over time. Pil and MacDuffie (1996) have suggested that the longitudinal effects of HRM systems may follow a nonlinear curve for two decades. They argued that the use of a new HRM system may increase or decrease or not have an immediate impact on organizational performance depending on other practices that have already been utilized in the organizations. Similarly, Ployhart and Hale (2014) proposed a temporal framework in which the effects of HRM systems may first increase and then decrease after reaching a peak. Moreover, Lepak and colleagues (2018) argued that employees' reactions to different HRM practices may be bounded in certain periods of time such that some practices have greater impact on employees early in their tenure (e.g., socialization) and others have greater impact later in their tenure (e.g., benefit programs). These theoretical models generally suggest that the effects of HRM systems may vary over time, and it is important to consider how these effects change over time to have a more complete understanding of the relationships between HRM systems and performance outcomes. Empirical research has only started to examine the longitudinal effects of HRM systems as proposed in the theoretical models. For example, Piening et al. (2013) found that the positive relationship between HRM systems and job satisfaction became weaker over time. Kim and Ployhart (2014) found that entrepreneurial firms tended to benefit more from their investment in formal HRM systems in the growth stage than in the viability stage. However, to explain the longitudinal relationships in strategic HRM research, more efforts are needed not only to accumulate empirical evidence, but also to integrate theoretical perspectives from related research areas (e.g., adaptation and change research, organizational learning theory).

AN INTEGRATED MODEL OF STRATEGIC HRM

We propose a holistic model in summarizing the traditional and emerging perspectives of strategic HRM research in Figure 2.1. This model is based on Wright and McMahan's (1992) model but extends it significantly in three ways. First, we incorporate the frameworks from other scholarships (e.g., Jiang et al., 2013; Lepak et al., 2006a; Ostroff & Bowen, 2000) in this figure to reflect the multilevel nature of the HRM systems–performance outcomes relationship. Second, we highlight the temporal process of the model and consider the feedback loop between HRM systems and organizational performance. Third, we integrate the potential effects of the internal and external factors on the mediation model of the relationships between HRM systems and organizational performance. In addition, we follow Wright and McMahan's (1992) approach to label the primary theories mentioned in this chapter to explain particular relationships in this model. We hope that this figure can help elevate understanding of the basic models and theories of strategic HRM research and provide some guidance for future research on this important topic. In what follows, we add some clarifications to this integrated model.

First, we acknowledge that strategic HRM is a more comprehensive research area than what is summarized in Figure 2.1. As defined

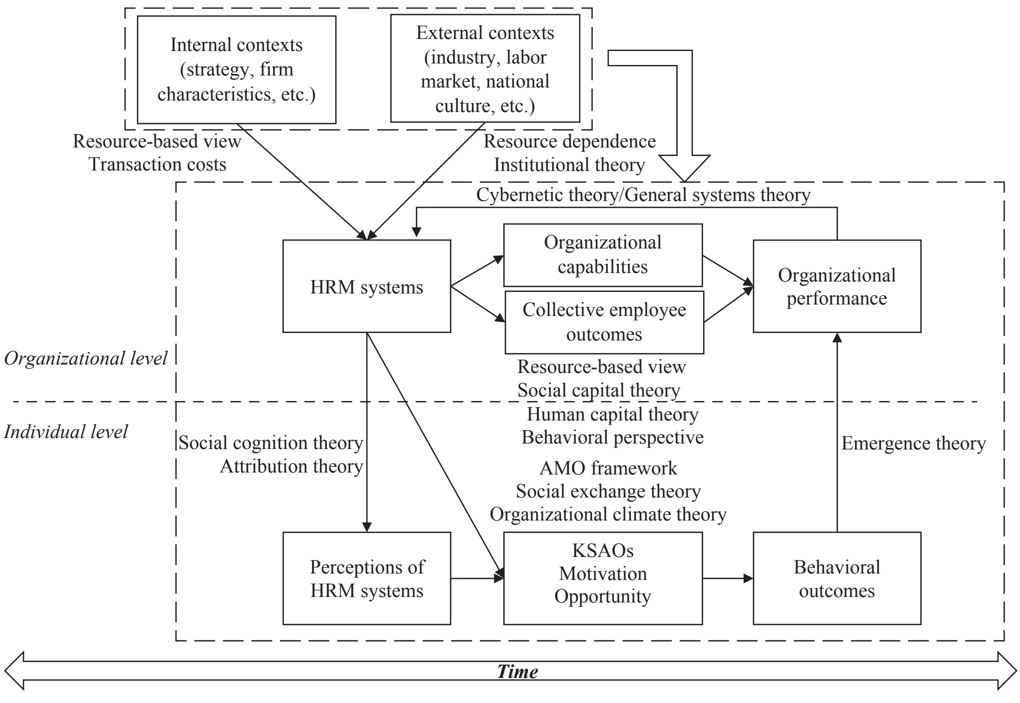

Figure 2.1 An integrated model of strategic human resource management

by Jackson and colleagues (2014), strategic HRM scholarship is

> the study of HRM systems (and/or subsystems) and their interrelationships with other elements comprising an organizational system, including the organization's external and internal environments, the multiple players who enact HRM systems, and the multiple stakeholders who evaluate the organization's effectiveness and determine its long-term survival. (p. 4)

In our review, we only discuss the effects of HRM systems on organizational performance, which has been the primary focus of strategic HRM research in the past three decades. However, it is also important to examine how HRM systems affect other stakeholders such as customers and society. Research on environmental sustainability or green HRM (e.g., Jackson, Renwick, Jabbour, & Muller-Camen, 2011; Jackson & Seo, 2010) provides a direction that may stimulate the field of strategic HRM to address the concerns of multiple stakeholders. Moreover, although this chapter presents a model of strategic HRM based on research findings from different countries, this model may not be applied to organizations intended to be successful globally. We refer researchers to comprehensive reviews of international HRM (e.g., Schuler, Budhwar, & Florkowski, 2002; Schuler & Tarique, 2007) to see the international HRM framework.

Second, our model demonstrates the theoretical perspectives that are often drawn upon by empirical research of strategic HRM. However, other theoretical perspectives discussed in prior research may also be relevant for examining the antecedents and consequences of HRM systems. For example, Lepak et al. (2006b) discussed the symbolic view of HRM and argued that the use of HRM systems might send symbolic cues to shape employees' opinions about organizations as well as the attitudes and behaviors they tend to display. The symbolic view also suggests that HRM systems can send signals to outside members (e.g., customers and society) about values organizations intend to place on employees. Therefore, the symbolic perspective may provide additional explanation for the mediating mechanism through which HRM systems can influence organizational performance. In a recent review paper, Jiang and Messersmith (2017) listed the theoretical perspectives that had been highlighted in review articles. We encourage scholars from the strategic HRM research area and other research areas to incorporate more perspectives into the model we provide in this chapter.

Third, similar to Wright and McMahan (1992), while we overlay the theoretical perspectives to specific relationships on which each tends to focus, some perspectives can also be used to explain other parts of the model. For example, the AMO framework can not only explain the mediating mechanisms through which HRM systems are related to organizational performance, but also help conceptualize the components of HRM systems (e.g., Lepak et al., 2006a). Similarly, even though the behavioral perspective is commonly used to explain how HRM systems are related to organizational performance by influencing employees' attitudes and behaviors, it can also be used to explain how the internal contexts (e.g., business strategy) determine the role behaviors that should be considered in the design of HRM systems. Relatedly, more thought should be given to the level at which a theoretical perspective is most appropriate to explain the relationships in this model. For example, social exchange theory and human capital theory have been used to explain the mediating mechanisms of the HRM–performance relationship at both the individual level (e.g., Liao et al., 2009) and the organizational level (e.g., Takeuchi et al., 2007). Therefore, the theoretical perspectives may not be limited to the level where they are noted in Figure 2.1.

Fourth, the configurational perspective of strategic HRM has suggested that organizations may adopt different types of HRM systems depending on the demands of internal and external environments (e.g., Arthur, 1992; Toh et al., 2008). Moreover, within the same organization, employers may use different types of HRM systems to manage different types of employees. For example, Lepak and Snell (1992) proposed four employment modes used by firms to manage employees who can be differentiated by the dimensions of value and uniqueness. Kang, Morris, and Snell (2007) proposed that entrepreneurial and cooperative HRM configurations can be used to enhance exploratory learning and exploitative learning for value creation. The integrated strategic HRM model here does not consider how multiple HRM systems interact with each other to affect overall performance of organizations. This can be a future direction that warrants more empirical investigations to provide greater insights into strategic HRM models.

CONCLUSION

In this chapter we have reviewed the main theories and perspectives adopted in strategic HRM research. We combine traditional perspectives with emerging ones to develop an integrated strategic HRM model. In this updated model, we suggest that future studies pay more attention to the multilevel nature and the temporal dynamics of strategic HRM research. We hope that this chapter can help general readers to understand the main progress of this field over the past three decades and also help strategic HRM scholars to generate more ideas for continuing to advance this field in the future.

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3

The Employment Relationship: Key Elements, Alternative Frames of Reference, and Implications for HRM

John W. Budd and Devasheesh P. Bhave

INTRODUCTION

The employment relationship is the connection between employees and employers through which people sell their labor. This might consist of an immigrant day laborer paid by the bushel to pick fruit in the hot sun, a tech industry freelancer completing episodic gigs without ever meeting a boss, a salaried manager who has been working in an air-conditioned office for the same company for 40 years, or innumerable other situations. Irrespective of situation, all employees and employers have fundamental interests they pursue through the employment relationship, all forms of this relationship are mediated by labor markets and states, and each instance of this relationship is governed by some form of a contract ranging from explicit union contracts and civil service rules to implicit expectations and understandings. These common building blocks of the employment relationship – employees, employers, states, markets, and contracts – are the first topic of this chapter.

These common denominators make it possible to craft a singular conceptual basis for analyzing the employment relationship that applies to the otherwise diverse forms of this relationship across occupations, industries, countries, and time. This is not to say that there is universal agreement on the nature of this common model of the employment relationship. In fact, scholars and practitioners from different schools of thought see the employment relationship quite differently – as a mutually advantageous trade among self-interested agents in a free market, a long-term partnership between employees and employers with common interests, a bargain between stakeholders with some competing economic interests, or an unequal power relation embedded in complex social hierarchies. The second part of this chapter therefore develops four models of the employment relationship based on different conceptualizations of the common building blocks.

The third and final major section of this chapter demonstrates that these four models of the employment relationship, in turn, provide very different perspectives on key issues in human resource management. Depending on one's frame of reference, human resource management practices, for example, can be seen as administrative mechanisms for implementing the dictates of the free market, essential strategies for creating productive employment relationships by aligning the interests of employees and employers, employer-driven initiatives that inadequately represent workers' interests when they clash with employers' interests, or manipulative managerial tools for shaping the ideology and structure of the workplace to favor employers over employees. Similarly powerful contrasts can be developed for other issues in human resource management, such as equality and diversity, labor unions, and the globalizing employment relationship. In sum, a deep understanding of the field and practice of human resource management is impossible without fully appreciating the elements of the employment relationship, their conceptualizations, and the resulting four frames of reference for human resource management.

ELEMENTS OF THE EMPLOYMENT RELATIONSHIP

In this section we sketch the major conceptualizations of the elements of the employment relationship. Each subsection starts with a description of the relevant dimension, but of central importance are the alternative conceptualizations of each dimension embraced by individuals with differing perspectives. The objective is to provide a foundation for understanding the employment relationship generally; readers interested in specific forms of this relationship in practice are encouraged to also consult other chapters in this *Handbook*. A more extensive discussion of the interests of employees, employers, and states can be found in Budd and Bhave (2008) and Heery (2016). The interests of these groups are often represented by various institutional actors such as labor unions and employers' associations (Cooke and Wood, 2014).

Employees

The legal landscape is littered with cases that seek to define who exactly is an 'employee' as employment relationships change and as the definition of employee can vary from law to law. For the purposes of this chapter, however, it is sufficient to define an employee as anyone who sells their labor. Executive, managerial, and supervisory employees might also have roles as agents of their employers, but when they sell their labor, conceptually they are employees.

Employees are frequently conceptualized as an economic or a behavioral being (Kaufman, 1999). An economic or purely rational person ('homo economicus') is seen as making self-interested, utility-maximizing decisions in well-defined situations by optimally choosing actions from the entire set of possible alternatives. In this perspective, the central objective of 'homo economicus' employees is defined as maximizing utility which increases with both income and leisure. As such, there is a labor–leisure trade-off in which work is desirable only to the extent that it produces income, at least on the margin when deciding whether or not to work a little bit harder (Lazear and Oyer, 2013). This approach further sees employees as factors of production, or 'instruments' (March and Simon, 1958: 29), to be optimally allocated by employers to maximize profits.

However, the 'homo economicus' assumptions pertaining to rationality, self-interest, and information are extremely strict (Douglas and Wykowski, 2017; Kaufman, 1999; March and Simon, 1958). As such, the socio-behavioral alternative to 'homo economicus' sees people as making satisfactory rather than optimal decisions that reflect a variety of intrinsic and social goals and interests beyond selfish desires for income and leisure – such as equity and voice (Budd, 2004), dignity (Hodson, 2001), justice (Greenberg, 2011), purposeful activity (Barrick, Mount, and Li, 2013; Marx, 1844/1988; 1867/1936), power (Kelly, 1998), competence, autonomy, and relatedness (Deci, Olafsen, and Ryan, 2017; Lambert et al., 2013), self-esteem (Orth and Robins, 2014), self-compassion (Neff, 2011), status (Anderson, Hildreth, and Howland, 2015), identity (Leidner, 2006; Shepherd and Williams, 2018), full citizenship rights and political self-determination (MacLean, 2006), pursuit of a 'calling' (Weber, 1904/1976; Wrzesniewski, 2015), reciprocity (Kirchler, Fehr, and Evans, 1996), and altruism (Douglas and Wykowski, 2017; Kurzban, Burton-Chellew, and West, 2015). Seeing employees as behavioral rather than economic entities also means seeing labor as more than just a commodity or a factor of production (Kaufman, 2005); rather, employees are seen as complex human beings motivated by intrinsic rewards and social concerns, and, by some accounts, entitled to fairness and justice.

Lastly, it is also important to question the extent to which workers' interests are fixed and derived independently of the societies, organizations, and workgroups in which they work. Post-structural scholarship emphasizes the complex ways in which individuals construct meaning through their experiences, which means that workers' goals are complex, fluid, and influenced by many things, including organizational culture and policies (Alvesson, Ashcraft, and Thomas, 2008; Leidner, 2006).

Employers

An employer is a buyer of labor. At its core, an employer comprises the owners of a private, for-profit organization, or those who control a non-profit or public sector organization. From a conceptual perspective, employers also include those with shared or blurred lines of responsibility resulting from complex arrangements involving joint employers, subcontractors, vendors, and others, even if a country's legal system defines an employer in narrower terms. Executive, managerial, and supervisory employees are also often considered part of an 'employer' as they frequently act as an agent of their employer in managing other employees. Employers are typically modeled as maximizing profits (Manning, 2003; Wachter, 2004), or optimizing an analogous objective function for non-profit and governmental employers. The Anglo-American shareholder model of corporate governance reflects this importance of profit maximization. In this system, shareholders are residual claimants; all other stakeholders are seen as receiving fixed payments such as wages and salaries for their services. As such, shareholders are viewed as single-handedly bearing the risk of making a profit or loss and economic performance will consequently be optimized when corporate decisions maximize shareholder value (Blair, 1995). Maximizing profits and maximizing shareholder value are therefore equivalent.

Alternatively, stakeholder theory asserts that all stakeholders – not only shareholders and owners, but also employees, customers, suppliers, local communities, and others – are sufficiently affected by corporate actions to deserve the right to be considered in corporate decision-making (Harrison and Wicks, 2013). Within the context of the employment relationship, then, an employer as a collection of stakeholders rather than shareholders seeks to balance employee interests with the interests of shareholders and other stakeholders. A third conceptualization of employers sees them as complex social institutions with their own norms, cultures, bureaucracies, and hierarchies (Perrow, 1986; Weber, 1919/1946). Marxist and other critical perspectives further conceptualize employers as controllers of the means of production. In this perspective, employers are not simply black boxes of production technologies seeking to maximize profits; rather, corporations are seen as bundles of power relations in which employers use their power in the workplace to control the labor process (Thompson and Newsome, 2004), and in the broader socio-political arena to maintain their dominance over the working class (Lafer, 2017).

States

The state is the third important actor in the employment relationship, and has four roles beyond that of an employer in its own right (Godard, 2017). The role that receives the most attention is the regulative role – that is, in regulating the employment relationship through employment law (in North American terms) or individual labor law (in European terms) that specifies individual employment rights and standards such as minimum wages and non-discrimination, and through labor law (in North American terms) or collective labor law (in European terms) that regulates employees, works councils, unions, employers, and employers' associations as they interact with each other collectively. The state is a major actor in the employment relationship as the creator and enforcer of these laws. Not to be overlooked, however, are a facilitative role in which the state establishes social norms, a structural role consisting of economic policies that influence the economic environment, and a constitutive role which determines the fundamental nature of the employment relationship by the type of socio-politico-economic system embraced by the state, such as a market-based capitalist economy or a state socialist economy.

Within these roles, the state has fundamental interests in the employment relationship. The state assures freedom and the rule of law by protecting property rights and instituting legal systems for establishing and enforcing contracts (Posner, 1986). Pluralist political theory sees the state as also balancing competing power groups such as employers and employees to promote equitable outcomes, whereas a critical perspective views the state as a mechanism for maintaining the power of the ruling class or other elite segment of society (Faulks, 1999; Gilens and Page, 2014). Based on how state interests are conceptualized, therefore, the state's role in the employment relationship and labor markets can be considered to be those of laissez-faire promoter, an interventionist regulator, or even as an instrument that engenders domination by one group.

Markets

Buyers and sellers of labor are brought together by the labor market in capitalist societies. For some jobs, this might be a spot market in which employees bid for work and employers look for workers on a daily basis. For a long-term employee, the employee–employer labor market match might have been made many years ago, but the contemporary labor market nevertheless likely continues to influence the terms of this match by establishing the parameters for compensation and working conditions that will sustain the relationship.

In theory and practice, a key issue is whether labor markets are perfectly competitive in which both employees and employers are price takers such that labor demand and supply completely determine wages and working conditions. In mainstream neoclassical economic thought, the invisible hand of perfectly competitive markets guides self-interested employees and employers to optimal outcomes that maximize aggregate welfare and allocate scarce resources to their most productive uses. In layperson's terms, nearly all markets appear 'competitive', but *perfect* competition requires solely private transactions, perfect information, and no transactions costs. Some therefore argue that externalities, information asymmetries, mobility costs, liquidity constraints, and transactions costs render labor markets imperfectly competitive (Kaufman, 1997; Manning, 2003). If employers have monopsony power in imperfect labor markets, employees and employers are bargainers rather than price takers, and labor market outcomes are not necessarily socially optimal. Debates between neoclassical economists and others over whether labor markets are perfectly competitive are longstanding (Kaufman, 1988) and continue to attract supporters to each side of the debate.

Contracts

The terms, conditions, and expectations under which an employee sells his or her labor to an employer are captured in a contract. This contract might be an explicit written document. CEOs, professional athletes, and unionized workers are examples of employees that are frequently covered by written contracts. An employee handbook can be another form of a contract. Employment contracts may or may not be legally enforceable depending on a country's legal doctrine, but whether legally enforceable or not, written contracts are incomplete as all of the tasks and performance expectations of employees are not specified in advance. As such, it is common to think of the employment relationship as also governed by implicit contracts of informal, legally unenforceable promises that are economic, psychological, or social in nature.

In economic theorizing, implicit contracts are rooted in uncertainty such as unknown future labor market conditions (Rosen, 1985). Rather than receiving wages that vary over time with changes in labor market conditions as in a spot market for labor, risk-averse employees prefer an implicit arrangement in which the employer and employee agree to a predictable, fixed wage over time (Beaudry and DiNardo, 1991). The use of corporate pay policies rather than pure market forces to set wages is seen as consistent with this type of implicit arrangement which is not explicitly written down and is not legally enforceable (Bertrand, 2004). The agreements are seen as self-enforcing because of transactions costs (it is costly to find a new employee or job) and the importance of maintaining one's reputation (Bull, 1987).

In psychological theorizing, the key implicit contract in the employment relationship is seen largely from the perspective of the employee and is labeled a 'psychological contract' – the employee's perception of the employer's and employee's mutual obligations in the employment relationship (Rousseau, 1995). When employees agree that the contract is fulfilled, positive work outcomes such as job satisfaction and trust are expected to result (Coyle-Shapiro and Parzefall, 2008). Breaches of the psychological contract, however, are expected to result in adverse outcomes such as lower job satisfaction, organizational commitment, citizenship behaviors, and in-role performance as well as higher turnover intentions (Zhao et al., 2007).

Economic and psychological perspectives on the employment relationship therefore both view implicit contracts as a tacit agreement between the employer and the employee about the terms and conditions of employment. The economic perspective focuses on the role of implicit contracts in establishing expectations for the economic exchange of work effort and pay. In contrast, the literature on psychological contracts focuses on perceived mutual obligations regarding the broad manner in which employees are treated and encompass dimensions such as fairness and respect (Tekleab, Takeuchi, and Taylor, 2005). Another difference is that psychological contracts are continually adapted during the tenure of the employee with a particular organization (Ng, Feldman, and Lam, 2010), but economic contracts are mainly revised at discrete time points, particularly in responses to changes in the economic environment.

While implicit economic and psychological contracts focus on individual employee–employer interactions, a social contract is more of a macro-level perspective in which social values shape the expectations of the employment relationship. A widely held view is that the post-WWII social contract rewarded hard work and loyalty with security and fairness, but globalization, financialization, and shareholder value maximization have created a new social contract of personal responsibility and short-term economic opportunism in which layoffs, job-hopping, contingent employment, gigs, and variable compensation are the norm (Kochan and Dyer, 2017).

FOUR MODELS OF THE EMPLOYMENT RELATIONSHIP

The discussion to this point shows that the key elements of the employment relationship can be conceptualized in very different ways. Employees can be seen as commodities, or as human beings. Employers might be black boxes of profit-maximizing technologies, or complex webs of power relations set within a broad socio-politico-economic system of class conflict. States play at least five different roles in the employment relationship. Markets are seen by some as perfectly competitive, and as imperfectly competitive by others. Contracts can be explicit or implicit, economic, psychological, or social. Moreover, these different conceptualizations of individuals, employers, states, markets, and contracts can be bundled together into four key models of the employment relationship – the neoliberal egoist, unitarist, pluralist, and critical employment relationships (see Table 3.1). Appreciating the roots and implications of these four models is essential for understanding all aspects of work, including human resource management.

The Neoliberal Egoist Employment Relationship

The neoliberal egoist employment relationship focuses on rational agents pursuing individual self-interest in economic markets, and is academically rooted in mainstream neoclassical economic thought (Cahuc, Carcillo, and Zylberberg, 2014). Employees' objectives are assumed to be income and leisure; the objective of employers is profit maximization. Labor is seen as a commodity no different from other productive resources, except in its tendency to shirk and therefore in its need to be monitored or motivated with economic incentives. The state's role is to protect property rights and enforce contracts in order to foster free economic transactions. Labor markets are generally seen as perfectly competitive and therefore as the primary driver of the employment relationship – wages and salaries, benefits, and other terms and conditions of employment are not set by individual employees, employers, or states, but by the invisible hand of the labor market. Under these assumptions, the neoliberal egoist employment relationship is one in which employees and employers engage in voluntary, mutually beneficial transactions to buy and sell units of productive labor based on what the market will bear.

It should be noted that the egoist label used here is not intended as a pejorative term with negative connotations; rather, it is intended to highlight the centrality of self-interest rather than conflict and power. In fact, power and conflict in the neoliberal egoist model are generally sterile constructs that are treated in market-based terms (Budd and Colvin, 2014). Conflicts are resolved by the marketplace such that employees and employers agree to terms that are mutually beneficial, or look for other employers or employees when the terms are not mutually beneficial. Similarly, power is market-driven and is seen as what someone can command in the marketplace. But this is largely determined through supply and demand. Self-interested trades, not power and conflict, are central to the neoliberal egoist employment relationship.

Employment-at-will – the right to hire and fire, or take a job and quit, at any time for any reason – is a key element of the neoliberal egoist model of the employment relationship.

Table 3.1 Four models of the employment relationship

View of employees	*View of employers*	*View of markets*	*The employment relationship*
		The neoliberal egoist employment relationship	
Rational, utility-maximizing agents optimizing the labor-leisure trade-off; factors of production	Black boxes of profit-maximizing technologies that optimize the use of factors of production	Key driver of the employment relationship to match self-interested employees and employers; ideally, perfectly competitive	A mutually advantageous trade in a free market by self-interested economic agents
		The unitarist employment relationship	
Psychological beings motivated by intrinsic rewards	Profit-maximizing organizations with a self-interest to align their interests with those of their employees	Important for establishing broad parameters for terms and conditions of employment, but not completely deterministic	A long-term partnership between employees and employers who share a unity of interests
		The pluralist employment relationship	
More than a commodity; economic and psychological beings with moral worth and democratic rights	Profit-maximizing organizations that have some economic conflicts of interest with employees	Imperfectly competitive so that there are imbalances in bargaining power between employees and employers	A bargain between stakeholders with pluralistic economic interests and unequal bargaining power
		The critical employment relationship	
More than a commodity; economic and psychological beings with moral worth, democratic rights, and class interests	Owners of the means of production with systemic inherent conflicts of interest with employees	One part of a broader socio-political system that perpetuates structural inequalities between employees and employers	An unequal power relation embedded in complex socio-politico-economic inequalities

Employers and employees should be able to enter into any explicit or implicit contract involving any mutually agreeable terms and conditions of employment, including compensation, hours, duration of employment, job duties, and the like. In the interests of both economic optimization and individual freedom, employers and employees should likewise be able to end these arrangements when conditions or preferences change, or if a better deal comes along (Epstein, 1984). Note carefully that the neoliberal egoist employment relationship critically depends on embracing a value system in which efficiency is the primary objective of the employment relationship and whatever the market bears is best. Moreover, if employees and employers are equal in terms of economic power, legal expertise and protections, and political influence, then neoclassical economic theory shows that abuses and exploitation are prevented by perfect competition in the labor market. Wages are never too low or too high, they simply reflect each employee's economic value and the impersonal forces of supply and demand.

The Unitarist Employment Relationship

The second model of the employment relationship tends to see employees as psychological rather than economic beings, and is most closely associated with scholars in industrial/organizational psychology, human resource management, and organizational behavior (Coyle-Shapiro et al., 2004; Godard, 2014). Coldly rational decision-making is de-emphasized in favor of behavioral elements such as fairness, social pressure, and cognitive limitations. Narrow economic interests are de-emphasized in favor of psychological interests. Perhaps most famously, Maslow (1943) hypothesized that employees seek love, esteem, and self-actualization after their physiological and security needs are met. The literature in psychology on work motivation therefore stresses intrinsic work rewards over pay and other extrinsic rewards (Deci, Olafsen, and Ryan, 2017; Diefendorff and Chandler, 2011). Markets are seen as imperfectly competitive, and are therefore not completely deterministic. As such, profit-maximizing employers have a range of strategies for pursuing their organizational goals. Moreover, a key assumption is that employees and employers share a unity of all of their interests – hence, the 'unitarist' employment relationship (Fox, 1974; Kaufman, 2003) – which means that the optimal employer strategies are those that align the interests of employers and employees and achieve mutuality (Boxall, 2013).

The unitarist employment relationship, therefore, is seen as a long-term partnership between employees and employers with common interests. Profitability and other organizational goals go hand-in-hand with fulfilling work, fair treatment, and the satisfaction of employees' other intrinsic desires. This model of the employment relationship is therefore the foundation for contemporary human resource management and its focus on creating policies that simultaneously benefit employees and employers.

It is important to note that the unitarist employment relationship assumes away issues of structural power and conflict. Because employees and employers are assumed to share unified interests, power is unimportant and conflict is seen as a suboptimal state of affairs. Scholars in this tradition certainly recognize that interpersonal power differences (Tepper, Simon, and Park, 2017) and diverse forms of conflict (De Dreu and Gelfand, 2008) are organizational realities. But this literature frequently focuses on conflict between employees, and the presence of such conflict in a particular organization is largely perceived as problems of individuals, not the employment relationship, and as indicating the need for improved human resource management practices and leadership skills to prevent these interpersonal issues. Sustained conflict is anathema in the unitarist model, and contemporary human resource management therefore tries to manage conflict away rather than embrace it as an inherent part of the employment relationship.

The Pluralist Employment Relationship

The pluralist model of the employment relationship rejects the neoliberal egoist perspective that employees are simply commodities (Kaufman, 2005); rather, employees are seen as complex economic and psychological agents that, as human beings, are entitled to key rights such as equity and voice (Budd, 2004). This perspective also rejects the unitarist view and instead believes that there are a plurality of interests in the employment relationship (Ackers, 2014; Fox, 1974). In other words, employees and employers are seen as having a mixture of common and conflicting interests. Both parties to the employment relationship want profitable organizations and productive workers, but conflicts are also seen as inherent, such as those between wages and profits, flexibility and security, or speed and safety. Imperfect labor markets are also a key element of the pluralist model dating back to Sidney and Beatrice Webb, John R. Commons, and other founders of industrial relations (Kaufman, 1997). Today, pluralist academic views of the employment relationship are most likely found in industrial relations (Budd, Gomez, and Meltz, 2004; Heery, 2016; Kaufman, 2004) and institutionalist labor economics (Champlin and Knoedler, 2004).

Putting the above assumptions together means that the pluralist employment relationship is a bargained exchange between stakeholders with some competing interests in which the terms of this exchange are influenced by the varied elements of the environment – including states and markets – that shape each stakeholder's bargaining power (Budd et al., 2004). The neoliberal egoist model's complete determinacy of competitive markets is replaced by the indeterminacy of monopsonistic labor markets; the unitarist reliance on employer policies to simultaneously satisfy employers' and employees' interests is replaced by a concern for ways to balance interests such as efficiency, equity, and voice, such as through government regulations or labor unions (Budd, 2004). Economic incentives and markets are seen as important mechanisms for allocating and effectively using scarce resources as in the neoliberal egoist model, but pluralist thought also includes more of a role for institutions to help overcome market imperfections and serve non-economic goals.

In contrast to the unitarist model, the pluralist model sees some conflict as a natural, healthy feature of the employment relationship (Budd and Colvin, 2014). As such, conflict is to be managed, not eradicated and avoided. Conflict is often managed through bargaining, and power is therefore seen as bargaining power – the leverage one has to win economic gains in the employment relationship within some range of market indeterminacy.

The Critical Employment Relationship

The fourth and final model of the employment relationship is labeled the critical employment relationship, and is most closely associated with radical, heterodox, and feminist scholarship in sociology, economics, and industrial relations (Bowles and Gintis, 1990; Edwards, 1986; Heery, 2016; Kelly, 1998; Thompson and Newsome, 2004). This model shares the labor-as-more-than-a-commodity and labor-markets-as-imperfectly-competitive assumptions of the unitarist and pluralist models. But this perspective emphasizes sharp conflicts of interest and unequal power dynamics. In Marxist and related perspectives, employers are seen as the owners and controllers of the means of production, which provides both the incentive and the means to continually push for greater profits at the expense of workers. This is not seen as simply an economic issue because laws and other social constructions bestow ownership and control rights on certain groups. A Marxist perspective further assumes that employer–employee conflict is one element of unequal power relations between the capitalist and working classes throughout society (Hyman, 1975), but a class element is not necessary for critical scholarship and much research focuses on conflict (and consent) in the workplace (Edwards, 1986; Thompson and Newsome, 2004). This appreciation for the broader socio-political environment leads to also labeling this a 'political economy' approach to understanding work and the employment relationship (Spencer, 2009; 2013).

Furthermore, feminist perspectives focus on unequal power relations between men and women (Gottfried, 2006), critical race perspectives focus on segregation and control along racial lines (Delgado and Stefancic, 2017; Roediger and Esch, 2012), research on 'intersectionality' reveals the importance of interactions among different dimensions of difference (McBride, Hebson, and Holgate, 2015), and critical post-structural scholarship emphasizes the need to understand the roles that language, discourse, and identity-construction play in power dynamics between various groups including employer–employee relationships (Alvesson et al., 2008; Leidner, 2006). In all of these perspectives, the labor market, the employment relationship, and the state can be seen as elements of an integrated socio-politico-economic system throughout which elites are able to perpetuate or reproduce their dominance, albeit imperfectly and incompletely.

Compared to the other models of the employment relationship, power and conflict are given the greatest importance in critical scholarship. For example, Marx's (1844/1988) view that workers are alienated under capitalism is rooted in powerlessness – the product of their labor does not belong to them, they have no control over what is produced, and no power over how it is produced. Marx (1867/1936: 363) further believed that 'the directing motive, the end and aim of capitalist production, is to extract the greatest possible amount of surplus-value, and consequently to exploit labor-power to the greatest possible extent.' More generally, then, the critical employment relationship is conceptualized as a struggle for power and control between competing groups, albeit with necessary amounts of accommodation and consent (Edwards, 1986; Gall, 2003; Hyman, 1975; 2006). The employment relationship is not seen as a voluntary or bargained exchange, but as a contested exchange (Bowles and Gintis, 1990). Unlike the pluralist model in which employer–employee conflict is largely economic in nature and confined to the employment relationship, the critical perspective emphasizes the social-embeddedness of power differentials and conflict in the employment relationship. Kelly's (1998) application of mobilization theory to industrial relations is another example of critical scholarship in which power and conflict are key, and contrasts sharply with Budd's (2004) emphasis on balancing employer and employee interests.

IMPLICATIONS FOR UNDERSTANDING HUMAN RESOURCE MANAGEMENT

As we can now see, the employment relationship can be modeled as a mutually advantageous transaction in a free market, a long-term partnership of employees and employers with common interests, a bargain between stakeholders with some competing economic interests in imperfect markets, or an unequal power relation embedded in complex socio-politico-economic inequalities. Each of these four models provides very different perspectives on the fundamental aspects of human resource management, such as human resource management practices, equality and diversity, labor unions and work-related public policies, and globalization. As such, these four models, which we illustrate through the examples below, are essential for understanding the scholarship and practice of human resource management.

Human Resource Management Practices

Human resource management practices are the policies and procedures used by employers to manage their employees – including key functions such as recruiting, selecting, evaluating, rewarding, training, promoting, and terminating employees. Such practices, however, are seen very differently through the lenses of the four models of the employment relationship (see Table 3.2). In the neoliberal egoist employment relationship, such practices are seen as essentially dictated by the labor market – fall behind the market, and employees will quit; get too generous relative to the market, and the employer will be unable to sell products and services at a competitive price. And by assuming a 'homo economicus' approach, the economic aspects of such policies are emphasized, such as pay-for-performance plans to provide workers with the self-interest to act in the interests of the employer, while intrinsic rewards are overlooked or assigned monetary values (Lazear, 1995). So-called low-road human resources strategies that include low wages and managerial control are perhaps also most consistent with the neoliberal egoist theory because such strategies are rooted in a narrow conception of employee interests and in an emphasis on what the labor market will bear. In the neoliberal egoist model, then, human

Table 3.2 Views of human resource management practices

Model of the employment relationship	*Human resource management practices are …*
Neoliberal egoist	of **secondary importance** because they are administrative or institutional mechanisms for implementing implicit contracts, incentives, and other manifestations of self-interested economic actors interacting in competitive labor markets
Unitarist	**essential** because they are the key method for creating productive employment relationships by aligning the interests of employees and employers
Pluralist	**useful** for aligning those employee–employer interests that are shared, **but insufficient** for balancing competing interests because of problems of unilateral employer authority and power
Critical	**manipulative** managerial tools for shaping the ideology and structure of the workplace to strengthen capital's control and power over labor

resource management practices are largely administrative mechanisms for implementing the dictates of the labor market.

The other perspectives see human resource management practices as rules and procedures that govern the employment relationship within a particular firm through an internal labor market. But the origins and consequences of these practices are interpreted quite differently in each of these perspectives. In the unitarist model, well-designed human resource management practices are seen as the key managerial mechanism for creating profitable organizations because these practices are the way to align the extrinsic and intrinsic interests of employees and employers. Human resource management practices such as valid and reliable selection measures to hire and promote employees; training and development opportunities; respectful methods of supervision; compensation that provides more than a living wage while also rewarding performance; benefits that foster personal growth, security, well-being, and work–life balance; and open channels of communication to prevent conflict all therefore directly embody the central unitarist belief in the commonality of employee and employer interests. As a result, a plethora of management consulting programs now focus on employee engagement and well-being.

In the pluralist employment relationship, in contrast, job ladders and other elements of the internal labor market result from a mixture of pressures, such as economic efficiency, relative bargaining power, and customs (Doeringer and Piore, 1971; Osterman and Burton, 2005). But compared to neoliberal egoist theorizing, limited ports of entry from the external labor market into the internal labor market are seen as shielding some human resource practices from competitive pressures (Kerr, 1954). From this pluralist perspective, then, the determination of human resource management practices occupies a conceptual middle ground between the complete determinism of competitive (external) labor markets in the neoliberal egoist model and the unilateral managerial control of the unitarist model. Moreover, whereas the unitarist perspective is generally comfortable relying on employer self-interest to promote both employee and employer objectives (since by assumption these can be aligned), the pluralist perspective rejects a sole reliance on employer goodwill (since by assumption there are some interests that clash). From this perspective, the professional and academic fields of human resource management threaten their own legitimacy by focusing too narrowly on corporate and shareholder needs (Marchington, 2015). As will be described below, the pluralist school of thought therefore sees a productive role for institution-building (especially government regulation and labor unions) to complement human resource management practices.

In the critical employment relationship, human resource management practices are also seen as rules for governing the workplace, but through a different interpretive lens. Because of the socially rooted, ongoing conflict between employers and employees assumed in this model, human resource management practices are not seen as methods for aligning the interests of employee and employer, but rather as disguised rhetoric that quietly undermines labor power and perpetuates capital's control (Legge, 1995; Thompson, 2011). For example, the skill content of jobs can be used to foster managerial control: creating routine, low-skilled jobs ('deskilling') make employees easier to replace, expanding the definition of skill to include soft skills expands the dimensions of job performance subject to managerial control, and rhetoric around upskilling can deflect away from the deterioration of the material conditions of employment (Grugulis and Lloyd, 2010). Above-market compensation policies and informal dispute resolution procedures are viewed as union substitution strategies to prevent employees from gaining more power by unionizing. Organizational behavior becomes organizational misbehavior – the study of worker resistance rather than obedience (Barnes and Taksa, 2012). In a discursive vein, some critical scholars further contend that human resource management practices and the manipulation of organizational or corporate culture seek to redefine how employees relate to employers and to employment itself, and aim to gain employees' adherence to a value system in which the values of business trump all other social values (Keenoy and Anthony, 1992).

As a specific example, consider employee monitoring. Psychological research sees monitoring as an activity to collect performance data on individuals, teams, and other organizational units (Bhave, 2014). Consistent with the unitarist view, monitoring is hypothesized to influence productivity only when it is used in conjunction with mechanisms such as providing feedback and removing barriers to effective work performance. In contrast, agency theory in economics sees monitoring as a mechanism to curb the opportunistic behavior of self-interested workers ('agents'), especially when worker effort is reasonably easy to observe (otherwise, economic incentives are needed to solve these principal–agent problems) (Larkin, Pierce, and Gino, 2012). This theory is squarely within the neoliberal egoist approach to theorizing about the employment relationship. In the critical model of the employment relationship, in contrast, monitoring is seen as one of a variety of strategies to enhance managerial control over labor, and further augment the power of capital (Sturdy, Fleming, and Delbridge, 2010).

These differences are further reflected in the fact that scholars from the various perspectives differ considerably about how they think about jobs and promotions. In the neoliberal egoist model, work is pursued to earn income so self-interested workers will only exert the minimum level of effort required. Jobs, then, are seen as bundles of tasks designed to allow monitoring of effort, or when effort is difficult to observe, as bundles of tasks designed to reveal information about effort. Similarly, promotions are seen as incentive mechanisms for eliciting effort. Economics research therefore devotes a lot of attention to the incentive effects of jobs and promotions (DeVaro and Kauhanen, 2016; Lazear and Oyer, 2013). In the unitarist perspective, employers and employees are seen as having common interests so jobs are instead seen as bundles of tasks designed to promote the most efficient and effective completion of these tasks, and promotions allocate workers to these tasks based on skills. Psychology research therefore analyzes task complexity, autonomy, the worker's immediate social context, and other factors that may promote or inhibit task completion (Dalal, Bhave, and Fiset, 2014; Parker, Morgeson, and Johns, 2017). In the critical perspective, jobs are seen as bundles of tasks designed to reinforce managerial control. Task specialization is therefore seen as a way of deskilling work to reduce the knowledge and therefore power of workers (Grugulis and Lloyd, 2010). From a critical perspective emphasizing the importance of discourse and identity, an organization's creation of ideals of successful careers causes workers to become self-disciplining as they push themselves to work hard for the organization in order to fulfill these socially constructed norms of what it means to be successful (Collinson, 2003).

Lastly, one of the hottest areas of contemporary human resources – specifically, high-performance work practices such as flexible work arrangements, performance-based pay, and employee empowerment (Posthuma et al., 2013) – further reveals the importance of using the models of the employment relationship as a foundation for a deeper understanding of human resource management practices. Within the neoliberal egoist and unitarist visions, questions about the effects of these practices largely reduce to questions about efficiency and organizational performance. The effects on employees beyond efficiency-related issues are frequently ignored because in the neoliberal egoist employment relationship, dissatisfied employees are free to quit, and in the unitarist employment relationship, common interests mean that what's good for employers is good for employees. But by seeing the employment relationship as including competing interests, the effects of high-performance work practices on workers' stress, injury rates, pay, and job security are of equal importance to the effects on organizational performance in the pluralist employment relationship (Budd et al., 2004). In the critical employment relationship, such high-performance work practices are further seen as 'management by stress' – new employer tools for increasing the pace and effort of work while increasing the uncertainty of rewards and security (Parker and Slaughter, 1995; Heery, 2016).

Other topics related to human resource management practices that can be usefully analyzed through the lenses of alternative frames of reference include non-union employee representation plans (Kaufman, 2016), dispute resolution (Budd and Colvin, 2014), labor–management cooperation and workplace partnerships (Bray, Macneil, and Stewart 2017; Heery, 2016; Johnstone and Wilkinson, 2018), and trust (Siebert et al., 2015).

Equality and Diversity

Beyond human resource management practices, the four models of the employment relationship generate contrasting perspectives on policy issues related to human resources (see Table 3.3). First consider equality and diversity (also see Heery, 2016). In the neoliberal egoist employment relationship with perfectly competitive markets and self-interested agents, discrimination on any basis except economic value should not exist. Suppose an employer discriminates by paying white men a higher wage than women and minorities in similar jobs. In a perfectly competitive market, profit-maximizing behavior will drive down the wages of white men and bid up the wages of the other groups until they all equal the value to the organization (Becker, 1957). If there is imperfect information about worker quality, then it might be profit-maximizing to generalize on the basis of demographic characteristics (for example, by assuming that parents of young children will be absent more frequently); this is called statistical discrimination (Aigner and Cain, 1977). The unitarist perspective is similar in that discrimination is rooted in ignorance (Guion, 1998).

Table 3.3 Perspectives on public policy issues in human resource management

Model of the employment relationship	*Public policy issue*		
	Equality and diversity	*Labor unions*	*Globalization*
Neoliberal egoist	Competitive markets prevent discrimination; formal equality of opportunity is key	Unions are labor market monopolies that reduce economic welfare by impeding the operation of competitive markets	Free trade is optimal; international labor standards are harmful trade barriers
Unitarist	Discrimination stems from short-sighted managerial practices; diversity is justified as a source of competitive advantage	Unions are unnecessary third parties; their presence signals failing human resource management practices	Voluntary, self-monitored codes of conduct can effectively promote international labor standards by aligning employer–employee interests
Pluralist	Discrimination is rooted in unequal bargaining power; equality is a human right that requires institutional intervention	Unions are essential institutions for balancing bargaining power between employers and employees	Fair trade (via enforceable international labor standards) and transnational unions are necessary for redressing global imbalances in bargaining power
Critical	Discrimination and inequalities across race, gender, and class are pervasive; equality is a human right that requires structural changes	Unions are important working-class advocates that counter exploitation, but are disadvantaged by structural inequalities embedded in the socio-politico-economic system	International working-class solidarity and deep structural reforms are needed to prevent labor exploitation by globally mobile capital

In any case, the existence of employment-related discrimination in the neoliberal egoist and unitarist employment relationship is then seen as a type of market failure (Figart and Mutari, 2004) or managerial failure stemming from imperfect competition or information. The favored public policies are therefore skill enhancement – so that disadvantaged workers can compete better and add more value to their organizations – and non-discrimination laws that promote formal equality – that is, laws that promote color-blind or gender-blind equal opportunity for everyone, not just the traditionally disadvantaged (Heneman, Judge, and Kammeyer-Mueller, 2014). In the corporate sphere, the drive for equality has turned into a corporate-led diversity movement in which diversity is embraced not as a route toward social justice, but as a potential source of competitive advantage in which diverse employees will better serve a diverse customer base (MacLean, 2006). Managing diversity is therefore an important component of contemporary human resource management (Brown, 2016), and starkly reveals the unitarist assumption that the right human resource management policies can align employee and employer interests – in this case, diversity and profitability.

In the pluralist employment relationship, segmented labor markets and occupational segregation are rooted in the core tenet of this model – unequal bargaining power. Women and minorities, for example, might be crowded into certain occupations because they lack the bargaining power to break into other better-paying occupations. Integration, not just diversity or non-discrimination, is important (Estlund, 2003). This perspective rejects the adequacy of the business-case approach to diversity and advocates for multi-pronged institutional changes including legislative action and labor union representation to enhance workers' power (Dickens, 1999; Kirton, 2008). One could further argue that the need to study gender and race in the neoliberal egoist, unitarist, and pluralist schools of thought results from a failure of these models to eradicate discrimination in practice; ideally, gender and race should be a non-issue. The concept of class is similarly assumed away in the neoliberal egoist, unitarist, and pluralist models as the employment relationship is seen as largely an individual or an economic affair.

In the critical employment relationship, however, gender, race, and class are key constructs inseparable from culture and markets. Whether in terms of gender, race, class, or intersections of different dimensions, the dominant elite is seen as controlling access to good-paying jobs and therefore as restricting economic prosperity to members of this elite group whether they be men, whites, or the upper class. Gender, race, and class are further seen as integral for defining the very definition of labor. Feminist thought, for example, emphasizes that a male-dominated society equates valued work to that which occurs for pay outside the home on a full-time basis – that is, work typically done by breadwinning men (Figart and Mutari, 2004; Williams, 2000). Redressing inequalities rooted in gender, race, and class therefore require deep structural reforms that move beyond formal equality or corporate diversity programs; from this perspective, genuine equality and inclusion requires redefining society's values and aggressively opening up good-paying jobs to traditionally disadvantaged workers (MacLean, 2006; Marable, Ness, and Wilson, 2006; Williams, 2000). These perspectives deepen the traditional pluralist thinking on labor market segmentation by revealing the complex roots of segmentation outside of the usual employment relations actors, such as gendered, racialized, and class-based patterns of education and welfare intersecting with norms around family responsibilities (Grimshaw et al., 2017). In critical scholarship, gender, race, and class are furthermore seen as sources not only of conflict and oppression, but also of identity and mobilization (Cobble, 2004; Crain, 2002; Frank, 2014; Heery, 2016; Marks and Thompson, 2010).

Labor Unions and Public Policies on Work

The four models of the employment relationship yield starkly different perspectives on labor unions (Budd, 2018; Budd et al., 2004) and work-related public policies (Befort and Budd, 2009). In the neoliberal egoist model, labor unions are seen as labor market monopolies that reduce economic welfare by impeding the operation of competitive markets and violating the liberties of people to freely enter into economic relationships (de Leon, 2015; Epstein, 2012). Work-related public policies such as those mandating a minimum wage or paid family leave are similarly seen as negative interferences within the operation of free markets.

Labor unions and government-mandated labor standards are viewed as unnecessary in the unitarist employment relationship. When employers successfully align their interests with their employees' interests through effective human resource management practices, employees will be satisfied and will not support a labor union or need mandated employment standards. The presence of a union or employment law is taken as a signal of failed human resource management practices. Unions are further seen as outside third parties that add conflict to what should be a conflict-free employment relationship. The unitarist emphasis on individual, not collective, fulfillment and intrinsic rewards further reduces the need for these labor market institutions. Ironically, however, human resource managers in practice have greater influence in their organizations when there is a threat of unionization or new work-related government legislation even though one of their important objectives is to prevent such developments (Jacoby, 2005).

Labor unions and mandated labor standards through work-related public policies are embraced to the greatest extent in the pluralist employment relationship (Budd et al., 2004). A core pluralist value is the rejection that labor is simply a commodity (Kaufman, 2005). Therefore, labor is entitled to equity and voice in the employment relationship (Budd, 2004). In fact, basic labor standards are increasingly argued to be human rights (Adams, 2006; Gross, 2010; Kahlenberg and Marvit, 2012). But in contrast to the neoliberal egoist and unitarist perspectives, the twin assumptions of imperfect labor markets and some inherent conflicts of interest render markets and human resources managers unreliable for guaranteeing employee rights. Rather, labor unions and government laws are seen as essential instruments for leveling the otherwise unequal playing field between employers and employees and thereby promoting rather than interfering with the optimal operation of markets (Kaufman, 1997). As argued by the Webbs (1897) over 100 years ago, 'by the Method of Collective Bargaining, the foreman is prevented from taking advantage of the competition [between workers] to beat down the earnings of the other workmen' (174). This view of unions is very different from the neoliberal egoist and unitarist views because of the different conceptualizations of the employment relationship embodied within these different perspectives.

In the critical employment relationship, strong, militant labor unions are seen as important advocates for employees' interests that can counter their exploitation under capitalism by mobilizing and raising the consciousness of the working class, and by fighting for improved compensation, better working conditions, and greater control over workplace decision-making. The anarcho-syndicalist perspective within the critical school of thought also sees radical unions as the key revolutionary vehicle for overthrowing capitalism and creating a society managed by workers. But ultimately, the pluralist reliance on collective bargaining to promote employees' interests is seen as inadequate in critical thought because structural employee–employer inequalities are modeled as embedded in the entire socio-politico-economic system. Critical scholars and activists therefore criticize conservative unions in particular for not doing enough to challenge employer power and raise working-class consciousness (Darlington, 2014; Ness, 2014). As the state is further seen as largely promoting elite interests, work-related public policies under capitalism are also viewed as insufficient. For example, Lafer (2002) argues that government-funded job training programs for disadvantaged workers have largely been reduced to training positive attitudes such as a strong work ethic and submission to authority. As such, in the absence of good-paying jobs, these government-funded programs reinforce the power of employers by teaching workers to accept lousy working conditions and to not question the authority of employers. Overall then, the pluralist approach is better seen as institution-building while the critical approach is more about mobilizing and building movements (Heery, 2016).

Globalization and International Labor Standards

Globalization places great pressures on the employment relationship. Some fear that globalization creates a race to the bottom as international trade, foreign direct investment, and offshoring undermine wages, benefits, and job security in locations where these terms and conditions of employment are more generous. The four key models of the employment relationship provide key insights into the major perspectives on debates over globalization and employment issues. Moreover, by now it should be apparent that the four models contain analytical as well as normative implications – analytical in that they provide alternative methods for understanding how the employment relationship works; normative in that they provide alternative perspectives on how the employment relationship should work. As applied to globalization, a key normative issue is how the global workplace should be governed (Budd, 2004).

In mainstream economic thought, globalization is seen as a good thing as it expands consumer choices, lowers costs, and spreads economic development (Irwin, 2015). The neoliberal egoist model therefore embraces free trade and the reduction of barriers to global trade and investment. Legislated international labor standards are seen as disguised protectionism, and the global workplace should be governed by free trade. In the unitarist model, international labor standards are best achieved through educating corporations as to how to align the interests of employees and employers, and to rely on self-monitoring – this is exactly what campaigns for corporate codes of conduct seek to create (Appelbaum, 2016). Corporate codes of conduct will be successful only if the global employment relationship is best characterized by the unitarist model.

The model of the pluralist employment relationship instead indicates a need for global institutions to help balance conflicting employer–employee interests in imperfect labor markets. Calls for fair trade, enforceable labor standards attached to global trading agreements, and transnational labor solidarity and collective bargaining (McCallum, 2013), are all rooted intellectually in a pluralist perspective. This parallels traditional pluralist calls for labor standards and protections for labor unions in the domestic workplace (Budd, 2004). Critical perspectives see globalization as another example of employer domination of markets and institutions such as the World Trade Organization as well as capital's control over the narratives on the nature and benefits of globalization. Consequently, critical perspectives advocate for deep institutional reforms that go beyond checks and balances in the labor market (Cox, 2002; Dillon, 2013), and also for changing the discourse around globalization (Banerjee, Carter, and Clegg, 2009).

CONCLUSION

The employment relationship is the exchange of labor for compensation via an (often implied) contract as conditioned by states and markets. The elements of this relationship – employees, employers, states, markets, and contracts – are conceptualized by scholars and practitioners in very different ways, which results in four key models. In the neoliberal egoist employment relationship, employment is seen as a mutually advantageous transaction in a free market between self-interested legal and economic equals. The unitarist employment relationship consists of a long-term partnership of employees and employers with common interests. The pluralist employment relationship emphasizes bargaining between stakeholders with some common and some competing economic interests and unequal bargaining power due to imperfect markets. The critical employment relationship is an unequal power relation between competing groups that is embedded in and inseparable from systemic inequalities throughout the socio-politico-economic system. Admittedly, contemporary scholarship within these four perspectives is more sophisticated than the models we have outlined here, but our portrayal reveals the core premises of the major approaches to thinking about the employment relationship; more nuanced portrayals of these models would not change the fundamental implications of this chapter.

A difficult issue, however, is whether these four perspectives are complements or substitutes. The models are complementary to the extent that they help us understand different aspects of the employment relationship, such as the importance of economic incentives (neoliberal egoist), human resource management practices (unitarist), institutional interventions (pluralist), and power, discourse, and identity (critical). As Heery (2016) notes, the perspectives prioritize different key agents: managers (unitarist), workers (critical), and the state (pluralist); to which we add markets (neoliberal egoist). These perspectives are then complementary to the extent that they help us more fully understand these different actors. Moreover, these different perspectives might reasonably characterize variation across the employment relationship in practice – terms and conditions of employment might be primarily determined by the labor market for mobile, uniquely skilled employees or low-skilled temporary workers, by sophisticated human resource management practices for core employees in large corporations, and by formal bargaining for unionized employees. On the other hand, these four perspectives can compete with each other. Intellectually, the four models force us to think about human resource management practices, equality and diversity, labor unions, and work-related public policies in very different and largely mutually exclusive ways. These conflicts are heightened when one's attention turns to normative questions such as the extent to which public policy should support labor unions. In such episodes, the neoliberal egoist and unitarist passions can be quite hostile to the pluralist and critical passions, and vice versa.

Whether as complements or substitutes, though, these four models provide the key frames of reference and ideologies for scholars and practitioners in human resource management and other areas related to the employment relationship (Befort and Budd, 2009; Budd and Bhave, 2008). When used to analyze employment relationship issues and to guide one's actions, the four models become the four key cognitive frames of reference; when used as a platform for advocacy, they become the central ideological alternatives. Unfortunately, these frames of reference and ideologies are frequently implicit rather than explicit in scholarship and practice. A greater shared understanding of all aspects of work can result if these models are more frequently made explicit. As illustrated in this chapter, these four models have very different implications for employment practices and policies. These implications similarly underlie the typical research focus of different scholars – economists frequently focus on utility-maximizing behavior and markets, human resource management scholars on organizational performance, pluralist industrial relations scholars on labor unions, and critical scholars on race, gender, and class.

As either a field of study or a business function, human resource management is fundamentally about the employment relationship. Understanding human resource management, therefore, starts with appreciating different conceptualizations of the elements of the employment relationship, and requires understanding how these conceptualizations form four distinct models of this relationship. All too often, this intellectual grounding is implicit at best, or absent at worst. Hopefully this chapter will foster the greater level of explicitness that is sorely needed.

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4

Regulation, Deregulation or Re-regulation? The Changing Regulative Framework for HRM

Michael Barry and Adrian Wilkinson

INTRODUCTION

This chapter draws on insights from different fields of study to explain how the regulatory context informs the development and application of employer HRM choices within organisations. In considering the contribution of fields such as organisational studies, industrial relations, comparative politics, economics and legal regulation, we note that, in most developed countries, in the last 10 to 20 years the regulation of employment has shifted from a predominantly national institutional to an organisational setting. Despite this change, which brings the role of HRM and 'the firm' into closer scrutiny, we nevertheless maintain that changes in regulatory structures and methods do not simply equate to a shift from regulation to deregulation, as is often asserted. While the management of the employment relationship now often involves organisational actors such as employees, supervisors and managers rather than institutional actors such as unions and employer associations, the regulatory context nevertheless underwrites and constrains the space in which these actors can shape HRM policies and practices. In developing this line of argument, the chapter draws on insights from 'new institutionalism' and contributions from regulatory studies that highlight how history, labour market institutions and a variety of regulatory techniques set a framework within which HRM shapes the management of the employment relationship. We also observe in the context of global supply chains much greater interest in supranational structures in the governance of employment relations.

The changing context of HRM has led to many writers asserting the emergence of a new employment relationship (Kaufman et al., 2018; Wilkinson et al., 2018). The old model featured long-tenure jobs with steadily rising pay, extensive workplace and retirement benefits, and a psychological contract based on a quid pro quo of employee loyalty for job security. Increasingly, this model has been displaced by a more fluid market-mediated relationship featuring shorter-term jobs and multiple employers, shift of employment risk and benefit provision to employees, and a new psychological contract that says the job lasts only as long as it is a beneficial proposition for both parties (Cappelli, 2008). The transition to a new employment relationship has been accompanied by unprecedented change, pressure and stress in the workplace (Brown et al., 2010). Organisations and employees have had to deal with the rise of highly competitive markets, financial crises, increasingly fast-paced technological change, the emergence of a finance-driven business model, an ageing workforce, and globalisation of markets.

Deregulation has been seen as the neo-liberal answer to the new context and has led to a questioning of old models of regulation (Kaufman et al., 2018). The marginalisation of traditional labour market institutions, such as unions, and the hegemony of neo-liberalism in many advanced societies have challenged the foundations of established approaches to HRM. Nevertheless we have also seen the revival of institutional approaches to political economy, and although generated through failures in market regulation, the economic crisis has led both to pressures for a further paring back of governmental capabilities for regulation and enforcement, and a renewed interest in the possibilities for meaningful institutional redesign (Wilkinson and Wood, 2012; Wood and Wilkinson, 2014).

The chapter begins by identifying the scope of the regulatory framework of HRM before discussing why the regulatory context is important for HRM. The chapter then explains how the purpose of labour market regulation, which informs the make-up of the regulatory framework, has been reinterpreted to provide a reassertion of the rights of employers to manage labour free from traditional regulatory constraints. The following section conceptualises this change as part of a re-regulation rather than deregulation of work and employment, with new actors, agencies and regulatory techniques attempting to influence HRM practices. The chapter then outlines contributions from different strands of institutionalist thought that demonstrate that institutional structures remain resilient to labour market reforms and continue to provide a framework for labour market regulation and HRM practice.

WHAT IS THE REGULATIVE FRAMEWORK FOR HRM?

Regulation may be defined in very different terms. In the broadest view, 'regulation means influencing the flow of events' (Parker and Braithwaite, 2003: 119). For some, regulation is defined more narrowly as being about rules. Rules have been an important focus for those in the field of legal regulation (Black, 1997) and for those interested in the world of work, particularly in the field of industrial relations. A key issue relates to the 'indeterminacy' of labour and the regulatory power of labour market institutions (Fox, 1974). Both employers and employees have an enduring dependency on each other, yet at the same time also have divergent interests and objectives. Indeterminacy is thus a constant dynamic heavily influenced against the institutional context in which it is set (see Wilkinson et al., 2018).

As it developed as an academic field, mainstream industrial relations (IR) saw work and employment regulation as the study of a 'web of rules', within a national 'system' that incorporated institutional actors such as unions, employer associations and government agencies (Dunlop, 1958; Flanders, 1975). High union density rates and wide coverage of industry and sectoral collective bargaining agreements in most industrialised nations in the era following the Second World War reinforced a tendency to make these formal institutions the central focus when studying the world of work. To mainstream IR, a critic could say it mattered little that this view understated the importance of the role of the direct parties to the employment relationship and informal regulatory techniques, including customs and practices, applied to make sense of the formal rules established through collective bargaining.

Equally, critics such as Hyman (2002: 52) argued that this focus on rules reflects a conservative orientation that downplays conflict. A further limitation is that much is said about the role of institutions as underpinning order, but little about the historical circumstances under which institutions are bedded down and, indeed, when they are remade (Wilkinson and Wood, 2012). Furthermore, the 'Dunlopian' system (the classic IR system elaborated by John Dunlop in 1958) which saw production being carried out by three main actors, namely unions, employers and government, within the confines of the nation state and generally within one employer, has collapsed under the pressure of globalisation and technological development (Frenkel, 2018). Thus, the limitations of the systems approach have been made apparent by the dramatic changes to the structure of the labour market and the traditional institutions of employment relations regulation over the last 10 to 20 years, including a dramatic decline in unionisation and collective bargaining in many OECD countries (Wilkinson et al., 2014). These changes highlight a need to broaden the narrow conception of employment relations regulation to include organisational as well as institutional actors, and informal as well as formal regulatory techniques (Heery and Frege, 2006). Here then, the regulative framework for HRM is defined as any action, institution or phenomenon that constrains or guides the management of the employment relationship within organisations. Included within this regulatory framework are third parties such as unions, employer associations, as well as government agencies and tribunals. Along with these macro-level actors, product and labour markets play an important role in the regulative context because they affect the capacity of firms to attract, maintain and develop their human resources.

At the micro or firm level, other regulatory actors include works councils, 'in-house' staff associations, workgroups and joint consultation or grievance-handling committees. These micro 'institutions', together with their macro counterparts, set limits on the degree to which the organisation may use HRM practices to enable 'flexibility' in the allocation of labour, to control the production process, and to set and adjust terms and conditions of employment. The regulatory influence of these actors varies considerably in different jurisdictions, with works councils for example playing a limited role with basic information and consultation rights in some European countries, while in others they have extensive co-determination rights including the ability to veto important HRM initiatives (Marchington, 2015; Barry et al., 2014).

HRM choices are necessarily constrained by these and other regulatory actors through such regulatory tools as relevant collective bargaining or arbitrated agreements and awards, minimum wage provisions, anti-discrimination, equal opportunity and health and safety legislation, as well as informal workplace customs and practices. As it is well understood that the employment relationship involves vague or implicit obligations as well as specific duties, features of the regulatory context such as custom are essential because they are the means by which 'loosely defined aspects of the labor contract are rendered into understood traditions and assumptions' (Edwards, 1990: 45). As Edwards further points out, custom can be invoked as a regulatory tool where it gives rise to rights that are enforced through practice. Finally, all of these regulatory mechanisms orbit around the employment relationship itself, which acts as a regulatory device in that it restricts forms of opportunistic behaviour that are more common under different contracting arrangements, and it also sets limits on managerial authority (Marsden, 1999).

Taken together then, these regulatory instruments may be considered the ‘rules of the game’ that impact the scope and authority of available HRM choices. As Rubery and Grimshaw (2003) point out, these rules and institutions are an essential means by which labour market actors respond to pressures and challenges within diverse national systems. Rather than being viewed, as they often are, as a source of rigidity, rules and institutions ‘are necessary for management and labour each to formulate decisions in a context of stable expectations about how the other acts’ (Rubery and Grimshaw, 2003: 148).

The definition of a regulative context proposed here also acknowledges that HRM is an organisational function, and that the firm is itself both an organisation and an institution of regulation (Adams, 1992; Scott, 1995). Firms are organisations in the sense that they are collective actors with an internal structure who are subject to institutional constraint. They are institutions in the sense that they are themselves a set of rules that structure interactions among actors (Knight, 1992: 3). Within organisational studies the conception of firms as institutions goes back to the work of Selznick (1996) who argued that organisations follow a process of ‘institutionalisation’ over time. Institutionalisation is a form of regulation in that it limits available actions and can produce a pattern of conformity to established rules or behaviours.

Organisations can be viewed as comprising various stakeholders, and, along with market imperatives, stakeholder interests may order and constrain HRM strategies and choices (Beer et al., 1984). From this viewpoint it follows that the culture and strategic direction of an organisation will be shaped to some degree by the prevailing balance of stakeholder interests. Stakeholders in some countries and industries may force employers to adopt mainly ‘soft’ HRM practices to develop employee commitment, whereas in other countries and industries employers may be able to adopt mainly ‘hard’ HRM practices to control employee behaviours. Moreover, organisations have their own institutional histories, and historical choices that have shaped past patterns of action may constrain future options and possible directions (Eisner et al., 2006: 2). Thus, decision-makers act within the boundaries set by an organisation’s own institutional context as much as their actions are shaped by their external regulatory environment.

If organisations are to be viewed as regulatory institutions, large firms in particular can be seen as centres of regulation and regulatory innovation (Black et al., 2005: 20). As Hancher and Moran (1989) caution, we should not view regulation simply through a public (regulating agency)/private (regulated interest) lens. For these authors, large firms acquire attributes of public status and ‘the corporate strategy of individual firms is a major determinant of the direction of the regulatory process’ (Hancher and Moran, 1989: 275). In economic regulation, the relationship between the regulating agency and the regulated parties is one of interdependence, rather than a traditional relationship characterised by command and control.

WHY IS THE REGULATIVE FRAMEWORK IMPORTANT FOR HRM?

It is argued that firms are increasingly individualising the employment relationship and that many of the traditional structures of labour market regulation have diminished in significance in recent years (Kalleberg, 2009; Kaufman et al., 2018). Why then should we examine the ways in which the wider regulatory context interacts with the choices employers make that appear to reflect their immediate interests? To answer this question we could simply pose the following question: Why, in some firms/sectors/industries/nations, do the direct parties make fundamentally different choices about how to regulate the employment relationship when faced with what appear to be the same organisational imperatives? If differences in regulatory contexts produce a variety of HR responses to common employment imperatives (see, for example, Marchington, 2015), differences in HRM styles among firms in the same industries or sectors may also reflect fundamentally divergent management ideologies and cultures, which might also be argued to be regulatory constraints. Taking a more holistic view, we could view management cultures and contextual imperatives as overlapping regulatory contexts. For example, early US experiments with welfare capitalism were not purely benevolent gestures by enlightened industrialists, heralding a new type of management culture. High wages and progressive terms and conditions were also a strategic response to the threat of union-organising drives, and a means by which employers could prevent unionisation by competitively matching union wages and conditions, and sponsoring alternative forms of employee representation (Lawrence, 1985: 26; Piore and Safford, 2006: 301, 303).

Understanding the regulatory context of HRM also helps us make sense of what the major changes to the world of work mean for workers, managers, organisations and society. The broad changes to work and employment are well known, and include increased female participation, an ageing workforce, increased casualisation and greater employment insecurity (Batt, 2018; Milkman, 2018). There has been a proliferation of different guises of employment, bringing into sharp focus the growth of new corporate arrangements and work practices, such as subcontracting, franchising, home-working and the use of illegal labour. These arrangements place increasing numbers of workers outside the reach of traditional regulatory institutions that provide core protections such as minimum wages, occupational health and safety (OHS) standards, workers' compensation, etc. (see Loudoun and Johnstone, this volume). As Batt (2018) warns, the financial model of the firm points to why many employers do not want or need a relationship with employees to make money. She notes:

> For a large swath of activities, they simply need to contract for services rendered or buy technology, with labor already embedded as an input. This in turn suggests a policy focus on the labor market alone – a strengthening or reform of labor and employment laws – is insufficient to achieve the kind of lasting reform needed to build sustainable economies that provides decent jobs and income security for the majority of working people. (Batt, 2018: 466)

Where employees remain within the standard employment relationship, changes to the way that relationship is constituted may similarly place them beyond the reach of traditional protections afforded by the regulatory context. The growth in individual contracting which is associated with the continuing decline in unionisation places increasing numbers of employees in a position where they are unable to utilise the type of (collective) bargaining instrument that might countervail the inherent bargaining power of employers and, if necessary, through interest representation, enables them to invoke industrial action to secure their bargaining claims. Given these changes, it becomes increasingly important to determine the extent to which alternative channels of employee voice and interest representation, and associated employee involvement initiatives, are available to the majority of workers unable to access the traditional mechanisms of collective employment regulation (Wilkinson et al., 2018).

Global supply chains are now estimated to make up some 80 per cent of world trade and 60 per cent of global production (ITUC, 2016) and present challenges for traditional forms of labour market regulation (see Donaghy and Reinecke, 2018b). Indeed, Henderson et al. (2002: 444) claim the global production network has superseded the transnational corporation. Existing supranational bodies in the governance of employment relations such as the EU and the ILO are being reformed to adapt to the environmental changes, although as Goyer and Valdivielso del (2018) also point out, the development of these transnational institutions is not predictable and in generating solutions to some problems of globalisation may lead to other unanticipated spillover effects.

In general, the options for public regulation of global supply chains have been seen as both limited and largely ineffectual (Donaghey et al., 2014). The Ruggie Framework was for example dependent on private actors engaging in voluntary restraint (Ruggie, 2001; 2007). Donaghey et al. also refer to other initiatives aimed at establishing intergovernmental regulation of employment relations in multinationals: the OECD Guidelines for Multinational Enterprises in 1976 which were revised in 2000 to include the supply chain; the ILO Tripartite Declaration of Principles concerning Multi-National Enterprises and Social Policy in 1977; and the UN Global Compact.

In fact we have seen private labour governance emerge to fill the institutional gap in low-standard economies (Fransen, 2012; Donaghey et al., 2014). As Reinecke and Donaghey (2018) observe, these firms take decisions to source from low-cost and low-standard economies to avoid regulation but to protect themselves from reputational damage (while keeping ownership over norms and standards) and end up devising their own forms of internal governance systems (see also Levy et al., 2016), Reinecke, J., Donaghey, J., Wilkinson, A. and Wood, G. (2018).

Thus, HRM practice cannot be isolated from ongoing changes to the composition of employment, the nature of the production process and structure of the labour market. Governments have introduced labour market 'reforms' to facilitate these changes, fundamentally believing innovation in the regulation of employment is a necessary precondition for national economic competitiveness. However, as Black et al. (2005) point out, notions of regulatory innovation have been poorly developed. Those who proclaim innovation tend to be optimistic, and often fail to recognise the context within which the change is taking place or the historical significance of the change. What are labelled innovations are often repetitions of past regulatory practice, or at best incremental changes to existing arrangements.

It is important to appreciate that the state maintains the ability to shape – both directly and indirectly – employment relations (Meardi, 2016). Indeed, it is the state which occupies a forceful role in being the only party which can directly change the 'rules of the game' through statutory legislation. Over time, different political trajectories of the state have changed according to the shifting influences of vested-interest parties: unitarist ideologies underpinning employer or market interests, while alternative pluralist (or Marxist) state ideologies may promote a regulatory focus towards collective bargaining or union legitimisation (Wilkinson et al., 2018).

In the labour market, state interventions have ushered in new regulatory agencies and techniques, and different types of bargaining instruments. According to Piore and Safford (2006), there has been an evolutionary change in US employment relations regulation from a traditional framework based on extensive coverage of collective bargaining to a new regime of regulation based on limited collective bargaining but expanded employee rights protection. This change (which amounts to a re-regulation rather than deregulation of employment relations contrary to much neo-liberal discourse) is evidenced by such developments as the expansion of legislation to protect the rights of a range of minority and disadvantaged labour market groups, as well as the emergence of new actors and regulatory methods such as private dispute resolution. Equally we see evidence of states shifting their attention onto curbing the ability of parties, particularly labour, to act.

To understand the significance of such changes for HRM we need to ask a series of questions. In what ways, if any, do changes to the structure of the regulatory framework fundamentally reshape the balance of power between the competing parties in this regulatory arena? Thus, for example, where one regulatory agency or technique replaces another, yet performs a similar regulatory function, can we say that there has been an innovative change to the regulatory context? Similarly, when discussing new regulatory instruments, we should ask whether these have changed the underlying pattern of relations between the parties, or just shifted the locus of bargaining by devolving negotiations to a different set of actors. The answers to these questions should be tested empirically rather than being informed by a priori assumptions. In order to make judgements about these types of questions, we need to determine how changes to the regulatory framework, and outcomes that follow those changes, affect the fundamental purposes of labour market regulation.

PURPOSES OF LABOUR MARKET REGULATION

It may be taken for granted that labour market regulation serves the purpose of promoting productivity and efficiency in the allocation of labour to achieve desired levels of production and distribution. In addition, with the development of the welfare state in the twentieth century, labour market regulation also took on a protective function (Mitchell and Johnstone, 2004). The purpose of labour law was then, in no small measure, to ensure workers enjoyed some reprieve from the inherent tendency of the market to commodify labour (Kaufman, 1998). In other words, institutions were necessary to ensure market outcomes stayed in line with societal norms; or as Polanyi (1944) put it, institutions brought the market back to society. In the long run, while the structure of institutions and the pattern of intervention might change, the need for regulation – rather than the invisible hand of the market – would not.

In the labour market then, as in other areas, regulation served the purpose of correcting 'market failure' (Baldwin and Cave, 1999: 9). Stemming from the writings of social reformers (such as Sidney and Beatrice Webb) in the UK and institutional economists (such as John R. Commons) in the USA, market failure could be corrected by the provision of minimum labour standards by government, as well as a regulatory framework that supported employees' ability to organise and to bargain collectively.

Although this view captures the importance of regulation from the point of view of the employee, it is incomplete in that it does not allow for a range of employer strategies that support various regulatory preferences (Barry et al., 2006). A revisionist literature has sought to correct this imbalance by highlighting a variety of employer labour market regulatory preferences. Swenson (2004), for example, has shown that under certain labour and product market conditions, groups of employers form cross-class alliances with organised labour to reach accommodations that de-commodify labour. Similarly, Mares (2003) has analysed firm preferences in relation to social security to demonstrate the conditions under which employers support policies of de-commodification. The burgeoning 'varieties of capitalism' literature (see below) also provides an analytical framework to compare labour market structures across distinct national systems that are supported by firm preferences based on either flexibility or close coordination.

These examples suggest that while much of the literature in the fields of labour law, IR and social policy has explained and justified the notion of labour market regulation as a form of employee protection to correct market failure and redress an imbalance in power in the employment relationship, a fuller view of the purpose of labour market regulation would also consider regulation as a form of employer protection. In many jurisdictions in the last few decades, state interventions have specifically limited the market and organisational power of labour, by such measures as limiting the right to engage in industrial action and increasing the penalties against labour activism. These interventions are often viewed by commentators as part of a neo-liberal agenda to secure a deregulated market. In fact, these labour market 'reforms' are often accomplished by implementing a greater raft of regulatory provisions, as well as new regulatory institutions.

Indeed, much systematic employment relations reform amounts to *re-regulation* in which individual employee rights are strengthened while collective employee rights are systematically weakened (Rhodes, 1989: 257–258). The significance of this change is that legal rules governed by the contract of employment may mean little to employees if they are not able to be 'backed up by social sanctions as well, that is by the countervailing power of trade unions and negotiations with the employers, and ultimately, if this fails, through withholding their labour' (Kahn-Freund, cited in Rhodes, 1989: 230).

The above highlights a broad feature of changes to the interplay between rules established by bargaining instruments and the legal regulation of the employment relationship through statute and common law (Rhodes, 1989). Labour law statutes originally established to provide a protective function for employees by guaranteeing fundamental rights such as to bargain collectively, organise and strike (and even to limit the scope of managerial prerogatives) have been reinterpreted by law makers in light of a perceived need to provide incentives to employers to boost jobs growth and enhance productivity and economic competitiveness. Under the rhetoric of flexibility and competitiveness we see, through state intervention, a strong preference for negotiations between the 'direct parties' that provide an assertion of the fundamental contractual basis of the employment relationship that has long been recognised to skew bargaining power in favour of the employer. Under the guise of protecting the national economy, statutory provisions define large segments of the economy as 'essential', and in so doing firmly place the right to produce ahead of the right to withdraw labour. Other areas of statutory regulation limit labour activism by increasing penalties against it, and by extending the reach of the law into internal union government. The law has also provided a strong reassertion of managerial prerogative. Thus, in a strange twist of logic, employers are encouraged to hire labour by the provision of statutory measures that limit the ability of employees to obtain appropriate remedies for (or even challenge the basis of) unfair dismissals. These important changes to the regulation of the employment relationship suggest a reassessment on the part of the state of the fundamental purpose of labour market regulation such that now 'many of the things that matter to managers and workers are left to state and employer [rather than joint] regulation' (Ackers and Wilkinson, 2008).

ANALYTICAL APPROACHES TO LABOUR MARKET REGULATION

Regulation Studies: Command and Control vs Decentred Regulation

If it is popular to pronounce the emergence of a deregulated labour market, this view is not supported by those in the field of regulatory studies. Contributors to this field have argued the need to reconceptualise regulation (rather than pronounce its demise) in the light of contemporary labour market changes that have reduced the role of traditional regulatory agencies and given rise to new institutions and actors (Arup et al., 2006).

One way to reconceptualise regulation has been to suggest that regulatory systems based on traditional 'command and control' – that is, state-sponsored rules backed by legal sanctions – have been replaced or augmented by more 'decentred' forms of regulation (Black, 2002). Looking beyond command and control recognises that in many areas a mix of regulatory tools and actors provides a more optimum regulatory outcome. The regulation of OHS provides a good example of this approach. Since the 1970s the direct parties have become more involved in the management of OHS risk in many countries. While this approach acknowledges that employers and employees have the greatest stake in devising safe work practices, and are often best placed to asses immediate risks, this does not mean the adoption of a system of workplace OHS self-regulation. Rather, the development of workplace structures of OHS risk management (with appointed and elected employer and employee representatives) is backed by appropriate industry codes of practice, as well as a government agency providing advice, education, inspections, compliance directions, and finally prosecutions for wilful non-compliance and repeat offenders.

Another example of soft regulation is provided by Marchington (2015) who shows how employee participation is shaped by institutional initiatives such as those to promote partnership with normative but not coercive powers; and longstanding, government-funded, semi-autonomous organisations with a brief to improve HRM on a voluntary basis, such as the Advisory Conciliation and Arbitration Service (ACAS) in the UK and the Labour Relations Commission (LRC) in Ireland:

> Unlike 'hard' institutional forces, 'soft' institutional forces do not seek to impose uniformity, nor are employers obliged to accept their ideas. Thus, employer choice and flexibility remain intact but governments hope to see preferred forms of employee participation being taken up by employers, either directly or via isomorphic transfer between employers. (Marchington, 2015: 2599)

If labour market regulation is becoming more 'decentred', what impact does this have on the patterns of employment relations which shape and are shaped by employer HRM choices? One way to answer this question is to conceptualise the labour market as a regulatory arena which affords certain actors the capacity to occupy and utilise 'regulatory space' (Hancher and Moran, 1989; Scott, 2001). According to this analytical framework, regulatory actors compete for space within defined regulatory arenas. Space may be modified to suit the interests of one or more of the parties, reflecting the prevailing balance of power between the regulatory parties. In other words, the greater the space occupied by an actor, the more that actor has the capacity to shape regulatory outcomes to suit its regulatory preferences. Regulatory space may also be modified using different regulatory instruments and different types of regulatory methods, such as command and control, joint regulation and self-regulation.

Regulatory space is a useful analytical tool because it presents change as an ongoing part of the regulatory process rather than as a tool of transition from regulation to deregulation. Thus, traditional actors may acquire more space (or indeed lose space) while new actors and institutions emerge to occupy and expand their regulatory space. For example, in recent years alternative forms of employee representation have emerged at that same time as unionisation has declined in most developed nations (Gollan et al., 2014). These alternatives range from formal structures, such as staff associations and joint consultation committees, to informal mechanisms that promote employee voice through direct involvement (Bryson, 2004). There is considerable debate as to whether these alternative forms have emerged to fill the 'representation gap' left over by declining unionisation, or are themselves a cause of union decline (the so-called substitution vs suppression effect). Despite this conjecture, there is a growing perception that employee 'voice' arrangements are of benefit to firms, as well as being vital for employees (Freeman and Rogers, 1999), in that enhanced employee voice and involvement may lead to greater levels of employee discretionary effort which boost efficiency and productivity (Wilkinson et al., 2004). To the extent that management seeks to incorporate formal voice arrangements into a broad suite of HRM initiatives to promote direct employee involvement, it is likely that unions will face pressure on this front, as well as others, in their attempt to retain the space they have occupied as a central labour market regulator (Fiorito et al., 1987).

Employing regulatory space as an analytical device also allows us to conceptualise the state as having a role in setting the boundaries of the regulatory environment and also as an actor occupying space and exercising regulatory capacity *within* the regulatory environment. Rather than 'deregulating' the regulatory environment, the state can be seen to be directly intervening or re-regulating so as to change the composition of the regulatory arena by allocating regulatory space to some parties and taking it away from others. By such common statutory measures as enabling individual contracting or limiting the capacity of unions to engage in industrial action, the state is drawing a tighter boundary around the scope of one of the direct parties to the employment relationship to exercise its regulatory capacity (i.e. its market and organisational power) over the other. Governments may also change regulatory agencies to suit the interests of one or more of the regulated parties, or compel existing regulatory agencies to act in ways that promote the interests of one or more of the regulated parties. In effect, by 'regulating the regulator', the state may reconfigure the regulatory space to achieve its own regulatory preferences and outcomes.

Institutionalism and Organisation Studies

The preceding discussion suggests that research emerging from the field of regulatory studies views regulation as occurring through a variety of tools and instruments, both formal and informal. Thus, in many regulatory arenas, command and control has given way to decentred forms of regulation and new regulatory techniques. What might have been traditionally accomplished by rules backed by sanctions can perhaps be more effectively achieved through a range of less visible but not less powerful regulatory tools such as embarrassment, shaming and moral suasion. These informal tools shape behaviours according to what is defined externally as acceptable and legitimate and, at least from a regulator's point of view, the essential coercive nature of regulation may appear softened using a mix of regulatory techniques rather than by a regime of force alone (Scott, 1995: 36).

This approach to regulation bears a strong resemblance to the literature in the field of organisation studies that contends that organisations are legitimised by an external normative context that both shapes the values of individuals within the organisation and regulates the operations of the organisation to reinforce its values. If organisations are legitimised by social and community attitudes, it follows that changes in those norms may extend the scope of organisational matters that are subject to external regulation. Thus, for example, societal expectations that corporations behave in a socially responsible manner might translate into a preconscious desire by organisations to behave in such a way rather than the appearance of ethical behaviour masking rational choices organisations make, such as seeking to avoid the costs associated with non-compliance with regulations (Oliver, 1991: 148–149; Donaghey and Reinecke, 2018a).

In the arena of employment relations, there is a growing awareness that OHS regulation now extends managerial responsibility for safety into areas such as bullying, harassment and employee stress, with large penalties having been awarded against managerial neglect and failure to act on complaints in these areas. Public policy initiatives introduced under the banner of 'work and family' may also limit managerial discretion in work organisation by requiring organisations to pay greater attention to the development of HRM policies that promote family-friendly work practices. The extent to which organisations develop policies, and change existing practices in these types of areas, as a response to changes in societal norms may determine that their long-term costs of compliance will be reduced when state intervention and judicial enactment mandate these requirements on all corporations.

According to DiMaggio and Powell (1983), the institutionalisation of organisations is best characterised as a process of 'isomorphism', in which innovators find their initiatives replicated by competitors to the point where organisational forms and behaviours appear homogeneous. Isomorphism occurs through coercive pressures stemming from societal expectations such as those mentioned above. Once organisations begin to adopt new behaviours reflecting changes in the external environment, replication (or 'modelling') occurs. Examples of HRM modelling have included well-known experiments with high commitment, high performance and semi-autonomous work systems, total quality management and quality circles becoming institutionalised practices (DiMaggio and Powell, 1983: 151). For these authors, institutionalisation also occurs because organisational learning spreads through the professions. Like-minded professionals, who share insights derived from common educational and organisational experiences, adopt similar approaches to organisational strategising and problem solving again producing institutionalisation and convergence rather than differentiation.

Before proceeding any further, it should be pointed out that the institutional perspective is not the only approach to organisation studies that recognise the importance of the link between organisational strategy and behaviour and the external environment. Indeed, the institutional perspective has been criticised for casting the organisation as necessarily passive in its relationship to the external environment. Comparing the institutional perspective to the 'resource dependence' view of the firm, Oliver (1991) argued that the institutional view offered little assessment of how organisations might resist, modify or in some way seek to shape external pressures where these diverge with the organisation's articulated self-interests. Having acknowledged this, the focus here is on institutional approaches because these clearly view the external environment as a regulatory framework rather than as a series of competing pressures arising from stakeholders with divergent interests (Oliver, 1991: 147).

Other 'Neo-institutional' Contributions

There are a number of strands of new institutionalism with contributions coming from fields including economics and law, politics, sociology, history as well as organisation studies. Neo-institutional contributions have in common the view that the rational actor model does not adequately explain the dynamics of institutional and organisational behaviour. Put simply, 'institutions matter' because they shape and constrain rational choices (DiMaggio and Powell, 1983). Rather than actions being the aggregation of rational individual preferences, organisations and institutions legitimise and order preferences, and they also invoke sanctions against non-compliance. They are the machinery of the regulatory framework.

The founding work in new institutionalism was undertaken by Coase, who argued that firms themselves were created as institutions to minimise transactions. Later, transaction costs economics became popularised through the work of Williamson. According to Coase:

> The main reason why it is profitable to establish a firm would seem to be that there is a cost of using the price mechanism … It is true that contracts are not eliminated when there is a firm, but they are greatly reduced. A factor of production (or the owner thereof) does not have to make a series of contracts with the factors with whom he [*sic*] is co-operating within the firm, as would be necessary, of course, if this co-operation were a direct result of the working of the price mechanism. For this series of contracts is a substituted one. (1988: 38–39)

If firms are themselves constructions designed to avoid transactions costs, one of the most important regulatory devices firms use to achieve this goal is the employment relationship. For Marsden (1999) the open-ended employment relationship is the instrument of regulation that has proven the most efficient means by which organisations can engage and retain labour. This type of employment relationship offers employers access to available labour despite fluctuations in demand and supply. Because the relationship contains general rather than specific duties and obligations, it is capable of delivering employers the required flexibility to cope with changes in product demand and the introduction of new technology. Similarly, the employment relationship, rather than other forms of contracting, is efficient for employees because it places limits on their managerial authority.

In employment relations, new institutionalism has come as a corrective to a body of literature that postulated that globalisation was promoting a convergence of regulatory systems and patterns of employment relations. Against the globalisation thesis, the contribution of new institutionalism has been to demonstrate instead that both history and institutions matter. In the long run, firms are constrained by external institutions which, in turn, may only change gradually because the force of history guides their continuity. So, path dependency is important and implies employers typically 'will seek to confront new market challenges by building on and deepening previous sources of comparative institutional advantage' (Thelen and Kume, 2006: 12). This means that they (employers) will persist with existing institutions (e.g. lifetime employment in Japan or centralised wage bargaining in Europe) rather than challenge or abandon them (Gould et al., 2015). As Godard has argued, 'Institutional arrangements and the paradigms that underpin them tend to reflect economic, political, and social traditions that have become embedded in established rules, norms, and expectations' (2004: 243). By 'understanding state policies and traditions and, ultimately, the economic, political, and social foundations of these policies and the institutions they support' (Godard, 2004: 244), institutional studies can illustrate how employment relations systems in some jurisdictions make available HRM policies and practices that are simply not possible or feasible in different political and economic settings.

An important contribution of new institutionalism to our understanding the basis of the regulatory framework for HRM has been the development of the 'varieties of capitalism' (VOC) literature (Hall and Soskice, 2001). This contends that there are two types of capitalist models – the liberal market economy (LME) and the coordinated market economy (CME). Countries such as the USA and UK, which epitomise the LME model, have very different regulatory structures and underpinnings than countries such as Germany, which are most closely aligned to the CME model. In LME countries, a combination of shareholder interests and stock market value shape the firm's HRM priorities. Changes to employment practices are closely aligned to the firm's current profitability, which makes employers value labour flexibility. Thus, British firms can sustain losses in market share because, through numerical flexibility, they can readily lay off workers (Goyer et al., 2016).

In CME countries, non-market relationships determine a different pattern of employment relations. In CMEs, firms can access capital independent of current profitability, which makes labour market flexibility a less important imperative. Moreover, strong inter-firm relationships and industry-wide systems of collective bargaining and vocational training work together to 'take wages out of competition', and in so doing limit in CMEs the attractiveness of HRM strategies that in LME countries are implemented as incentives to poach and retain labour by rewarding individual performance (Hall and Soskice, 2001: 25–27). Because CME firms have less need for labour flexibility – and because employees in these nations often enjoy greater protections against arbitrary layoffs – there is also greater incentive for employees to invest in firm-specific skills and provide additional discretionary effort (see also Mares, 2003: 237).

The original VOC model proposed by Hall and Soskice has been the subject of considerable debate, with shortcomings highlighted by a number of authors (Gould et al., 2015). The limitations of VOC as an analytical tool include that it is based on an ideal–typical dualism of LME–CME divergence that does not adequately account for transitions between such polar extremes, and that it is limited mainly to North American and European developed countries, leaving aside other regional and developing nations. Others such as Wood and Lane (2014) suggest that national institutions are neither tightly coupled nor do they always make for coherent outcomes. There is much bounded diversity in social economic relations within and between firms. Moreover, Wood et al. (2014: 29) suggest national complementarities appear to be eroding or becoming less common than in preceding decades. They propose that this reflects the extent to which institutional arrangements are less closely coupled or even partially disarticulated – thus making for uneven systemic change, with transformations in one area not necessarily leading to an unwinding in others.

Despite its limitations, VOC advances our understanding of the regulatory context for HRM because it seeks to explain the preferences of firms for employment relations practices by locating them within the framework of national systems of corporate governance, industrial relations and training/education that produce strong incentives for divergence along the LME–CME spectrum. The VOC literature remains an important corrective to that which suggests that globalisation has produced common pressures forcing once diverse nation states to change regulatory systems radically to achieve greater labour market flexibility.

Equally, the concept of beneficial constraints is a useful one when considering the regulation debate. As Streeck (1997) notes, within a ‘rational voluntarist’ model it is easy for parties to withdraw and defect from approaches which might be in the best long-term interests of the partners, as opposed to responding to short-term expediencies. Reinforcing this point, in the Irish context Dobbins (2010) concludes that if efficient and fair workplace coalitions are to increase, the state would need to reform the permissive voluntarism dominating Irish employment relations by ‘reinstitutionalising’ workplace pluralism through proactive policy intervention.

CONCLUSION

This chapter has argued that the fundamental changes that have been occurring to work and employment need to be understood within the framework of a regulatory context that both facilitates and constrains those changes. Rather than witnessing a simple transition to a deregulated labour market, important changes to employment structures and work practices have been accomplished with the involvement of new regulatory actors and experiments with different regulatory techniques.

Clearly, labour market regulation has devolved so that much of this regulation now takes place directly between organisational actors rather than through interest representation by once-dominant institutional actors. This transition clearly underscores the growing importance of HRM policies and practices to the management of employment relations. However, as has been pointed out, the capacity of firm-level actors to shape their own organisational outcomes remains conditioned by a number of institutional factors which include: the institutional history of the organisation and its culture and style of management; the location of the firm in industry, which determines factors such as the type of bargaining structure and bargaining instruments, including forms of custom and practice, that shape employment relations; and the national context which defines the overarching regulatory system that gives expression to the capacity of HRM to play either an expansive or a limited role in the regulation of the employment relationship. While the current regulatory framework includes a mix of old and new regulatory techniques and actors, a recent trend away from the use of employment contracts, through financialisation and new platforms, suggests a need for regulation to keep pace with the future of work, which for some workers, at least, will be very different from the past.

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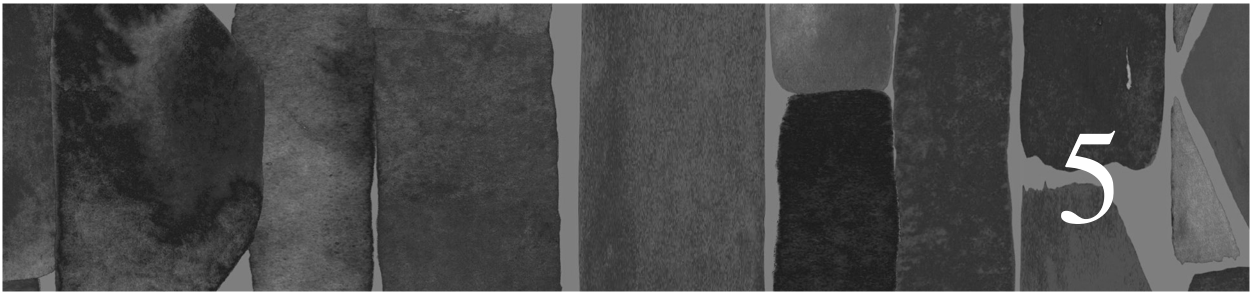

5

International Human Resource Management

David G. Collings and Kieran M. Conroy

INTRODUCTION

Effectively managing human resources (HR) is a complex endeavour. The complexity is amplified for multinational enterprises (MNEs) that operate across national borders, particularly in the current environment where business is now more interconnected and complex than ever before (Cascio & Boudreau, 2016). This complexity is greater than a challenge of scale and presents practitioners and scholars alike with unique and complex challenges that need to be understood and reconciled (Collings, Scullion & Curran, 2019a). While international trade can be traced back to at least 1900 BC, and we have evidence of international staff transfers at that time as a means of running those international operations (Moore & Lewis, 1999), research interest in international human resource management (IHRM) is a relatively recent phenomenon. Indeed, only 30 years ago Laurent (1986) described the field as in its infancy, reflecting the fact that IHRM was one of the least studied areas of international business (Ondrack, 1985). This initial lack of interest may have been partly due to a misconception that IHRM was little more than HRM on a global scale (see for example Torrington, 1994: 4).

There is little doubt that the challenges of IHRM are now more widely appreciated and this is reflected in an increasingly mature research base in the field. There is now a greater appreciation of the heavy demands which internationalising places on the HR function (Fandale, Sparrow & Scullion, 2010b; Morris, Snell & Björkman, 2016). This introduces additional layers of complexity owing to the challenges of operating in diverse national contexts combined with the requirement to manage three diverse employee groups: home-country nationals (employees who are nationals of the corporate HQ country), host-country nationals (employees who are nationals of the country in which the subsidiary they work in is located), and third-country nationals (employees who work in an MNE subsidiary in a country different to their nationality) (Lazarova, 2006). Indeed, the management of global employees has represented a key focus in IHRM research for a number of decades. Much of this research has been focused specifically on international assignees, and we return to this debate below (see also Caligiuri and Bonache, 2016; Collings, Scullion & Morley, 2007).

From a more strategic perspective the requirement for 'interunit linkages' (Bartlett & Ghoshal, 1991) brings a strategic international human resource management (SIHRM) viewpoint to the fore (Minbaeva & De Cieri, 2014). Reflecting the requirements for balancing coordination, control and autonomy in managing these interunit linkages, Schuler, Dowling and De Cieri's (1993) developed a seminal integrative framework of SIHRM. They defined SIHRM as 'human resource management issues, functions, policies, and practices that result from the strategic activities of multinational enterprises and that impact the international concerns and goals of those enterprises' (Schuler et al., 1993: 720). Their framework highlights the role of SIHRM in resolving issues related to the differentiation and integration of local units, SIHRM issues related to resource allocations across those units and SIHRM issues related to resource utilisation in those local units. In many ways this paper created a platform for much of the research that would follow in the broader field of IHRM, and the field of IHRM is now a highly diverse and vibrant one (Björkman, Stahl & Morris, 2012; Cascio & Boudreau, 2016; Collings et al., 2019a).

That said, the field of IHRM is highly dynamic and constantly evolving (Björkman et al., 2012). As such, the boundaries of the field are continuously expanding, with new questions and issues emerging, which it is argued require insights from parallel fields that may have been neglected by traditional studies in IHRM (Collings, Wood & Caligiuri, 2015). For example, in recent years the capacity to recruit diverse international talent has been challenged by populist political regimes across the globe. In the USA, President Trump's administration has created considerable uncertainty around the H1-B visa programme, which was central to facilitating the movement of key talent from abroad to the USA for work purposes (Horak et al., 2018). This has challenged the HR policies and programmes of many organisations. One striking example of the impact is Microsoft opening a new office in Vancouver as a means of accessing the available talent in the Canadian context and somewhat mitigating the challenges in the USA created by the threat to the H1-B visa programme (Collings, Scullion & Caligiuri, 2019). This clearly creates additional international HRM challenges for those firms. Similarly, the current Brexit negotiations in the UK at the time of writing (August, 2018) create equally significant concerns for organisations planning on moving employees to the UK and indeed create many uncertainties for European Union (EU) citizens currently living and working there. For organisations wishing to maintain a strong presence in the EU following the UK's proposed exit from the EU, this has resulted in the relocation of significant numbers of jobs to other EU countries. In banking and finance for example many of these jobs have been moved to Dublin or Frankfurt. President Trump's administration and current Brexit negotiations highlight how external factors can have a significant impact on IHRM policy and practice.

There are, however, many other contemporary issues which must be considered in the context of IHRM. For example, a more recent focus in IHRM research has been on the labour force beyond the direct employment of the MNE. Through their global supply chains, MNEs have a significant impact on individuals not directly employed by the firm. While many historically abdicated responsibilities for these individuals to local partners, increasingly MNEs are recognising the importance of managing labour standards in their global supply chains (Johnson et al., 2019). This expands the focus of IHRM research beyond the boundaries of the firm. Similarly, the very notion of employment is being challenged with some authors arguing that work will increasingly be undertaken by employees who are not employed by organisations in a traditional sense (Cascio & Boudreau, 2016). This is consistent with the literature which points to the increasing prevalence of the freelance economy as a way of tapping into a globally diverse talent pool to meet staffing needs. Other key contemporary challenges include, inter alia, the ascendancy of emerging markets, and ongoing global skills shortages (Tung, 2016).

The ascendancy of emerging markets has significant implications for the context of IHRM. The rise of outward foreign direct investment from emerging market multinational enterprises (EMNEs) that are developing innovative policies and practices when entering more developed markets (Hernandez & Guillen, 2018) is one key trend in this regard. These multinationals are broadly defined as 'companies that originated from emerging markets and are engaged in outward foreign direct investment where they exercise control and undertake value adding activities in one or more foreign countries' (Luo & Zhang, 2016: 334). As such, the geography of MNE home markets is changing and we see increasing activity from 'dragon' multinationals with differentiated IHRM approaches from Asia (Bruning, Sonpar & Wang, 2012), India (Thite, Wilkinson & Shah, 2012), the Middle East (Budhwar & Mellahi, 2007) and Africa (Horwitz, 2017; Wood et al., 2011), and these firms deploy very different ways of managing people that we do not fully understand (Wright et al., 2005). These multinationals also face specific HR challenges, including the development of global leadership pipelines, rather than overreliance on home-grown talent, as well as managing the high expectations of employees in foreign operations (Budhwar et al., 2017). Additionally, as they are often 'new' or 'latecomer' MNEs in the international arena, they tend to be smaller in size with less resources and international experience than their traditional Western counterparts, and these characteristics may affect or limit their ability to transfer and integrate HR policies and practices (Wilkinson, Wood & Demirbag, 2014). In particular, EMNEs tend to face a 'liability of country of origin' given their home-based institutional environments are underdeveloped, meaning that the corporate HQ has limited resources to transfer to foreign subsidiaries (Marano, Tashman & Kostova, 2017; Thite et al., 2012).

Global skills shortages have been an increasing challenge for MNEs and indigenous firms alike for almost three decades. Indeed, these skills shortages combined with the ageing workforce in the USA precipitated the emergence of global talent management as a key focus in HRM when McKinsey proclaimed a 'War for Talent' in the mid-1990s. A more international dimension of talent management, termed global talent management, has emerged more recently as a key focus for MNEs and scholars of IHRM alike (Cascio & Boudreau, 2016; Collings, Mellahi & Cascio, 2018). This is an important theme which we explore in the current chapter.

This summary introduction to the field of IHRM is intended to capture the complexity of managing human resources on a global scale and the challenges that IHRM professionals face in managing these complexities. While the sheer breadth of challenges faced in this process means a thorough investigation is beyond the scope of the current chapter (for a more comprehensive overview see Björkman et al., 2012; Collings et al., 2015), the chapter sets out to explore what we identify as three key areas of IHRM research and practice. Given the long-recognised challenges of managing 'interunit linkages' (Bartlett & Ghoshal, 1991) – the context of balancing coordination, control and autonomy in managing these interunit linkages in the MNE – we begin by considering the changing nature of international assignments in the context of staffing global operations in the MNE.

We then explore the nature of HR subsidiary relations from an IHRM perceptive. Finally, we consider the emerging literature on global talent management, which we argue is one of the key contemporary challenges that MNEs face in the context of IHRM. We incorporate some suggestions for further research across these areas as we discuss each in turn.

GLOBAL STAFFING AND THE CHANGING NATURE OF INTERNATIONAL ASSIGNMENTS

As noted above, the broad topic of global staffing has been one of the longest established research streams in IHRM (Caligiuri & Bonache, 2016; Cascio & Boudreau, 2016; Collings and Isichei, 2018). Following Scullion and Collings (2006: 3) we define global staffing as ‘the critical issues faced by multinational enterprises with regard to the employment of home, host and third country nationals to fill key positions in their headquarter and subsidiary operations’. Historically, the literature on global staffing had been dominated by research on expatriation, particularly of parent-country nationals (PCNs) – individuals from the home country of the MNE sent on assignment to subsidiary locations (Collings, Scullion & Dowling, 2009). Appositely, the point of departure for much of this literature is that the staffing strategies of any MNE are largely determined by the corporate HQ’s orientation (Harzing, 2001), as staffing is one of the main ways in which the corporate HQ seeks to maintain the status quo within its global operations. Building on Edström and Galbraith’s (1977) seminal contribution, this literature recognises the role of international assignments in control and coordination, organisational development and individual managerial development (Collings et al., 2007; Harzing, 2001). The research base is varied and extensive, but it has been focused on exploring the various stages in the expatriate assignment cycle, such as selection (Selmer, 2001), training (Mendenhall & Stahl, 2000), adjustment (Shaffer, Harrison & Gilley, 1999), repatriation (Burmeister, Lazarova & Deller, 2018) and career development (Stahl, Miller & Tung, 2002). However, in recent years there has been increasing recognition of a developing typography of global mobility in the contemporary MNE (Collings et al., 2007). As such, the nature of global mobility is now recognised as more diverse, and host-country nationals as well as third-country nationals are being increasingly sent on different types of assignment for a plethora of objectives (Bonache et al., 2017). Assignees are also being deployed for more cultural and strategic purposes, such as interpreting and absorbing local knowledge in order to share this back across the MNE (Harzing, Pudelko & Reiche, 2016). Therefore, assignees are being increasingly deployed, not solely for control purposes or to fill positions, but for learning and management development opportunities (Harzing, 2001; Shaffer et al., 2012) through a variety of alternative assignment types (Collings & Isichei, 2018; Conroy, McDonnell & Holzleitner, 2018).

We highlight three particular types of assignments that are being increasingly used for strategic and knowledge-based purposes within the MNE context. These are inpatriate assignments, international business travellers (IBTs) and virtual intermediaries, all of which we argue have significant implications for the HR function within the MNE.

Inpatriate Assignments

Inpatriation is broadly defined as the process of deploying host-country nationals (HCNs) or third-country nationals on international assignment to the corporate HQ for a defined period of time (Harvey, Speier & Novicevic, 1999). Given that MNEs are likely to have top management teams that are largely homogeneous in nature and are under pressure to increase the diversity of these teams, inpatriation is identified as an effective way to increase this diversity (Harvey, Kiessling & Moeller, 2011). Inpatriates are identified as key mechanisms for reverse knowledge transfer, educating the corporate HQ in local best practice or local idiosyncrasies (Collings et al., 2010; Maley & Moeller, 2018; Reiche, 2011). Inpatriates may also be important for reverse knowledge transfer in EMNEs, in that HCNs from developed markets can tap into and transfer locally sophisticated knowledge to the corporate HQ – located in an impoverished institutional environment (Fu et al., 2018; Kamoche & Harvey, 2006). Inpatriate assignments are, however, fraught with difficulties and individual inpatriates face challenges owing to factors such as their liability of foreignness, which may impact the effectiveness of the transferred knowledge (Harvey et al., 2005). Despite this, we still know very little about how the process of inpatriation is impacting the corporate HQ–subsidiary relationship in particular.

Scholars have cautioned that inpatriation may in fact be a ‘dangerous process’ (Harvey & Buckley, 1997), disguised as an opportunity for the individual but implemented as a means of reinforcing corporate power and control. For example, the corporate HQ may decide to deploy individuals on an inpatriate assignment if they are considered high potentials, but regularly acting under the radar in their local subsidiary, in a bid to inculcate them into corporate norms and values (Moeller, Harvey & Williams, 2010). In this sense, inpatriates are likely to originate from foreign subsidiaries that have proved themselves credible and trustworthy over time through repeated mandate development (Collings et al., 2010; Sarabi, Froese & Hamori, 2017). Indeed, the successful development of a subsidiary’s role with the MNE is often driven by key individuals in the subsidiary’s top management team (Conroy, Collings & Clancy, 2018). However, continually exporting key subsidiary talent to the corporate HQ may disrupt the subsidiary strategy and impact the amount of visibility and influence the subsidiary has built up over time. The continuous use of inpatriation, although rationalised by corporate HQ as a way to promote valuable talent within the MNE, may only seek to reinforce the authoritative power and control of the corporate HQ in the long term. Hence, subsidiary managers may shield high-potential managers from corporate talent programmes owing to the fear of losing them to corporate HQ (Mellahi & Collings, 2010).

Extant research reinforces the idea that excessive or misguided involvement from corporate HQ may negatively impact the subsidiary’s performance over time (Decreton, Nell & Stea, 2018). As such, continuously staffing corporate HQ by cherry-picking the best talent in successful subsidiaries may impact the integrative dynamics within the MNE and disrupt the effectiveness of the corporate HR function. There is a plethora of complex dynamics within this context that are underexplored in extant research and further studies are needed to understand the effects that inpatriate assignments may have on the corporate HQ–subsidiary relationship.

The second key emerging area of global staffing we focus on is international business travel.

International Business Travellers

International business travel has become an increasingly prevalent means of meeting international staffing requirements. This is due partly to the fact that individuals are increasingly unwilling to relocate internationally, owing to dual career and family issues, combined with an increasing focus on the costs of international assignments (Collings et al., 2009). International business travellers (IBTs) are defined as employees that engage in frequent business trips from the home country to several different international destinations from periods of between one to three weeks (Makela, Saarenpaa & McNulty, 2017; Shaffer et al., 2012). These employees have also been referred to as flexpatriates who travel abroad for work purposes over short periods and maintain their family and personal lives in the home country (Mayerhofer et al., 2004). Most firms expect to see a further rise in the use of IBTs over the next few years and these individuals are generally managed through formalised global travel departments (Cartus, 2018). The use of IBTs is not without its challenges. For example, how their effectiveness is measured in terms of key performance outcomes is rarely explicitly documented by MNEs and therefore there is little integration between the HR function and the strategic deployment of IBTs (Meyskens et al., 2009; Welch & Worm, 2006). Equally, the environment of business travel is continuing to evolve with new challenges emerging and external changes in the form of political events, visa application complexity and waiting times all becoming more significant. This requires firms to acquire more specialised expertise to support their international workforce, as well as develop more flexible policies in this regard (Cartus, 2018). For example, many business travellers to the USA report more scrutiny at border control in the context of President Trump's well-publicised stance on bringing jobs back to the USA. Duty of care concerns are of particular importance in this context given the significant rise in health-related issues such as jetlag, stress, anxiety and travelling to high-risk locations (DeFrank, Konopaske & Ivancevich, 2000). IBTs are also more likely than expatriates to experience role conflict as the domestic tasks and expectations of the business often follow them while they are on assignment, whereas the expatriate can largely focus on the local context while on assignment (Welch & Worm, 2006).

We foresee the increased use of IBTs in the MNE as having wider implications for how knowledge is transferred and shared within the corporate HQ–subsidiary relationship. Extant work has explored this in the context of expatriates but has largely failed to consider how alternative forms of assignment such as IBTs may be important knowledge carriers with the potential to act as key integration mechanisms across all hierarchical levels and functions within the MNE (Hocking, Brown & Harzing, 2007). In particular, we require greater understanding of how tailored and integrated HR policies and practices help manage and track the importance of IBTs as knowledge conduits. Work in this area could benefit from emerging studies in international business on the importance of boundary spanning roles (Reiche, 2011), exploring how IBTs act as boundary spanners in translating and integrating HR policies and practices between global, regional and local operations. In particular, these roles are key for linking previously unconnected actors and their knowledge across the MNE (Birkinshaw, Ambos & Bouquet, 2017; Kostova & Roth, 2003). A key question here is how can the HR function effectively identify, deploy and leverage these IBTs in order to maximise efficiently their contribution as high-value boundary spanners in the knowledge-sharing process (Taylor, 2007)?

Virtual Intermediaries

As MNEs increasingly expand global staffing options, one emerging alternative to inpatriate assignments is 'virtual intermediaries' or individuals operating in virtual HQ positions (Birkinshaw et al., 2017). We define virtual intermediaries as individuals in corporate roles that are based remotely in global locations, either co-located in subsidiary units or intermediary HQ locations, or working from home offices. Our understanding of such virtual intermediaries is in its infancy. Virtual intermediaries offer an important insight into how corporate HQ seeks to staff key roles in its own office as well as its regional or divisional offices (Menz, Kunisch & Collis, 2015). Those who find themselves in virtual intermediary roles may be obliged to travel more frequently and undertake more regular shorter-term assignments. Although anecdotally there is evidence of the increasing use of virtual intermediaries, and we can see some discussion in the literature on IBTs, our understanding is rudimentary and the implications of changing MNE structures and the increasingly fragmented nature of the corporate HQ which we expand on below are not fully understood.

The rise of virtual intermediaries is also reflected in an increase in multicultural virtual teams operating at the corporate HQ–subsidiary interface and across the MNE more generally. There is vast research based on global virtual teams which may be helpful in framing the importance of virtual intermediaries (see for example Gibbs & Boyraz, 2015; Maynard, Vartianinen & Sanchez, 2017). For example, virtual intermediaries generally operate in environments that are 'characterised by national, cultural and linguistic heterogeneity and operate in a globally dispersed virtual environment' (Zander, Mockaitis & Butler, 2012). As such, virtual intermediaries will also operate in 'extreme teaming' conditions, often managing and leading a variety of teams across cultures, functions, hierarchical levels and even sectors concurrently (Butler et al., 2018; Edmondson & Harvey, 2017). Highly talented subsidiary managers are likely to be selected or promoted from local facing roles into these virtual intermediary positions. Many may initially lack the necessary skills to perform this role effectively. Thus, having effective selection procedures as well as training and development policies in place will help with the significant role transition that these individuals face – going from managing local to global challenges. However, we still have a very limited understanding of who these virtual intermediaries are, how they get selected for these roles, the particular challenges they face, as well as the specific HR policies and practices that are in place to support effectively their transition into these roles. Given the likely increase in their prevalence, this is expected to be a key agenda for future study in the IHRM and international business fields. We now turn to considering how MNE structure impacts the development, transfer and implementation of IHRM strategies, policies and practices.

STRATEGIC IHRM IN A CHANGING MNE STRUCTURE

Understanding how HR strategies, policies and practices are effectively transferred, integrated and implemented across the MNE network has represented a second key theme in the extant literature on IHRM. Extant research emphasises the important influence of endogenous factors in this process. Key factions which have emerged in this regard include the home and host countries, MNE structures and the relative dominance of the home and host institutions (Edwards & Ferner, 2002). However, reflecting the dynamism of international business and its impact on IHRM, one key structural shift which is increasingly prevalent is the transition to a more regionalised MNE structure. We anticipate that this shift will change the outdated focus of extant research on how global HR policies are implemented locally.

It is generally accepted that the transfer of HR policies and practices within and across the MNE is affected by the distinctive institutional conditions between the home and host country (Ferner, Edwards & Tempel, 2012; Kostova & Roth, 2002; Rosenzweig & Nohria, 1994). The vast majority of studies in the IHRM field have explored the importance of this issue in the context of HR practices at corporate HQ (home country) being transferred, replicated and implemented in foreign subsidiaries (host country) (Björkman & Lervik, 2007). This research has tended to focus on the exogenous conditions that affect the transfer of these practices in the form of institutional pluralism in subsidiary environments (Edwards, Colling & Ferner, 2007; Pache & Santos, 2010). Specifically, conflicting institutional demands from the HQ and subsidiary create significant challenges for the implementation of global HR policies and practices at local level (Hillman & Wan, 2005). For example, subsidiary managers are often confronted with institutional duality between contradictory logics in the home and host country (Kostova & Roth, 2002). The more embedded the subsidiary is in both contexts, the more pressure it is likely to face, but also the more likely subsidiary managers can draw on specific institutional and corporate resources in establishing both internal and external legitimacy (Kostova, Roth & Dacin, 2008). The corporate HR function plays a key role in facilitating the subsidiary in developing embeddedness both internally and externally, which has been demonstrated as key in enabling the development of innovative HR strategies and practices (Tregaskis et al., 2010). However, as stated above, much of our understanding of IHRM is premised on a rather dated understanding of a hierarchical relationship between corporate HQ and subsidiaries, thus we now focus on the regional structure as a key example of how emerging MNE structures can impact this process.

A Regionalised IHRM Focus

The internal structuring of the MNE has significant implications for how HR activities are organised and managed, and the way HR is leveraged is central to overall MNE performance (Lazarova, Peretz & Fried, 2017). Research in the field of IHRM acknowledges that the capacity to transfer HR practices within the corporate HQ–subsidiary relationship in particular is a potential source of competitive advantage for MNEs in mitigating the liability of foreignness (Morris et al., 2009; Pudelko & Harzing, 2007). Traditionally, this relationship was organised through a centralised hierarchical structure in which power and control were concentrated at the corporate HQ, but more recently we have seen the emergence of a more decentralised network structure, populated with autonomous foreign subsidiaries (Andersson, Forsgren & Holm, 2007). It is well recognised that a number of significant tensions exist when transferring HR practices in either a hierarchical or a network-based MNE. One key tension which emerges is that corporate HQ often continuously seeks to reinforce its control and power over foreign subsidiaries, which are often concomitantly searching for higher degrees of influence and autonomy (Conroy, Collings & Clancy, 2018). For example, the degree to which a subsidiary manager chooses to implement an HR practice locally may depend on the level of internal integration or fit that practice has with other similar practices within the subsidiary HR function (Björkman et al., 2011). The level of autonomy the subsidiary has been granted by corporate HQ may also impact the degree to which subsidiaries are free to make their own decisions regarding HR policies and practices (Lazarova et al., 2017). Equally, the corporate HQ may be able to draw on a number of different mechanisms in attempting to influence the transfer of these practices, such as formal control and social capital (Ahlvik & Björkman, 2015). However, a major limitation of current research in this area is that it focuses on the MNE architecture as consisting of dyadic relationships between the corporate HQ in the home country of origin (global) and foreign subsidiaries located in a diverse range of host markets (local).

There is little doubt that we are witnessing significant changes in the internal organising structures of MNEs as they expand their reach into even more complex and uncertain markets. Many MNEs are shifting from dyadic hierarchical structures to more complex networked architectures with a wide range of multi-layered intra- and inter-organisational linkages (Conroy & Collings, 2016). An understanding of these structures as binary corporate HQ–subsidiary relationships is no longer as relevant and we are seeing the development of an increasingly fragmented HQ structure, with the emergence of intermediary HQ entities, such as divisional and regional HQs (Nell, Kappen & Laamanen, 2017). This transition has significant implications for the corporate HR function, and the development of more regionalised HR policies may be one way to balance globally standardised HR strategies with locally responsive demands. However, regional structures may also act as punctuated structures when transferring and translating corporate HR policies to local subsidiaries. The creation of a regional structure may even disempower the subsidiary in that it has to concede some of its strategic HR autonomy in a newly recentralised structure. Regional structures may, however, act as obstacles to the translation from global to local as they add an extra layer of hierarchy and bureaucracy to the corporate HQ–subsidiary relationship (Nell et al., 2017; Verbeke & Asmussen, 2016), but equally they may act as a halfway house to translate 'destructive conflicts in productive tensions' (Hoenen, Nell & Ambos, 2014). Despite these arguments, and since Heenan and Perlmutter's (1979) identification of a 'regiocentric' orientation for MNEs, we still know very little about how MNEs manage their regional HR operations and how this in turn affects the integration and implementation of global HR strategies at the local level (Edwards, Jalette & Tregaskis, 2012).

In this regionalised model it is now more important than ever that the HR function operates at a more strategic level in order to address the challenges of coordinating and transferring HR policies and practices between global and local contexts (Collings et al., 2009; Minbaeva & Collings, 2013; Schuler et al., 1993). One important way to conceptualise this global–regional–local HR model is by depicting the development of HR policies and practices through an 'integrative strategy process' (Minbaeva & De Cieri, 2014). Integrative processes seek to manage the trade-offs between centralised hierarchies and decentralised networks, with explicit examples being the development of a global leadership programme or global mobility policies (Farndale et al., 2010). This process aims to provide managers across all hierarchical levels with a platform to create and develop their own initiatives, while remaining aligned to an overall corporate strategy. The critical challenge for most corporate HR functions in developing these regionalised policies is allowing enough scope for subsidiary managers to adapt top-down directives in ways that are responsive to local idiosyncrasies (Minbaeva & De Cieri, 2014). By giving the HR function a stronger voice at the corporate decision-making table, foreign subsidiaries can benefit from more strategically integrated policies and practices disseminated from the corporate and regional centres (De Cieri & Dowling, 2012). Minbaeva and De Cieri (2014) have developed a useful model to help understand this shift to a more regionalised HR function, structured through 'centralised inspiration-regional development and local implementation'. Clearly distinguishing the decision-making scope within this multi-layered structure, in terms of levels of responsibility for the development and implementation of HR policies and practices, will lead to a greater degree of integration overall. This is a major challenge for the IHRM field, but we are beginning to see studies in international business addressing the lacuna of research on regional structures (Alfoldi, Clegg & McGaughey, 2012) and their effects on the IHRM function (Preece, Iles & Jones, 2013). Despite the significant amount of research in the context of corporate HQ–subsidiary relationships, more work is needed to comprehend fully the strategic significance of the HR function within a newly emerging regionalised setting.

We now turn to the final theme in our chapter, the emergence of global talent management as a key stream of research in the wider IHRM field.

GLOBAL TALENT MANAGEMENT

There is little doubt that one of the fastest-growing areas of research in IHRM over the past decade has been in global talent management (GTM) (Collings, Scullion & Caligiuri, 2019; McDonnell et al., 2017). This research interest has arguably been driven by the significant challenges which MNEs face in attracting and retaining the quality and quantity of employees required to deliver their strategic agendas. This is illustrated by the annual PwC CEO pulse survey which consistently highlights the lack of availability of key skills as a threat to the growth prospects of firms globally. For example, in the PwC survey of 2017 some 75% of CEOs highlighted the lack of available skills and capabilities as a primary threat to the growth prospects of their organisations. Similar sentiment is reflected in another study with CEOs in the USA identifying their top three priorities as talent, operating in a global marketplace, and regulation and legislation (Groysberg & Connolly, 2015).

While research in GTM has increased significantly over the past decade, there is little doubt that intellectually the area has suffered from a lack of agreement on the conceptual boundaries, with significant variation in terms of how GTM has been conceptualised and operationalised in the extant literature. As Björkman and colleagues note: 'although approaches vary, talent management usually focuses on a pool of employees who rank at the top in terms of performance and competencies, and are therefore considered either present or future leaders or key professionals' (2017: 461). Building on one of the most cited definitions of talent management (see Gallardo-Gallardo et al., 2015) we adopt Collings, Mellahi and Cascio's (2018: 4) definition of global talent management as follows:

1 the systematic identification of pivotal positions that differentially contribute to an organisation's sustainable competitive advantage on a global scale;
2 the development of a talent pool of high-potential and high-performing incumbents who reflect the global scope of the MNE to fill these roles; and
3 the development of a differentiated HR architecture to fill these roles with the best available incumbents to ensure their continued commitment to the MNE.

This definition recognises that GTM is not solely about leadership succession, but rather there are roles which are of a more specialist or technical nature which can be central to organisational success depending on the MNE strategy. Such roles are defined as pivotal positions and are identified based on two factors: (1) by their centrality to an organisation's strategy and the potential for significant performance variation between an average and a top performer in those roles (quality pivotal); or (2) for their potentially significant impact on strategic objectives when the quantity of people who occupy those roles increases (quantity pivotal) (Becker & Huselid, 2006; Boudreau & Ramstad, 2007). The definition also points to the importance of developing talent pools that reflect the global scope of the MNE. This highlights the importance of expanding the consideration of talent beyond corporate HQ employees and ensuring that subsidiary employees are also considered in global talent discussions (Björkman et al., 2017).

The definition also captures a key difference between broader IHRM research and a GTM perspective. Specifically, while traditional IHRM emphasised standardised approaches to HR in the MNE, or at least between employees in different units such as the corporate HQ and subsidiary, GTM is premised on differentiating the IHRM system for critical roles and members of the talent pool. Arguably, this reflects emerging trends in the HR literature where the limitations of an overly simplistic perspective on investments in human capital are foregrounded, and the value of a single 'optimal' HR architecture for all employees is questioned (Lepak & Snell, 1999). In contrast, a perspective based on differentiation considers a single set of 'best' HR practices as potentially destroying value in organisations (Bonabeau, 2004). There is no doubt that global context makes implementing a differentiated approach to talent management particularly challenging and the difficulties of aligning talent management programmes with MNE strategy are explored in detail by Collings et al. (2018).

While there is some evidence of a degree of convergence of GTM programmes in large MNEs (Stahl et al., 2012), in recent years a contingency approach to global talent management has emerged, where the GTM system is aligned with MNE strategy (Collings et al., 2018). For example, in one of the first papers to theorise how GTM contributes to organisation performance, Collings et al. (2018) develop a multi-level framework of the links between GTM and performance in the MNE. Building a contingency perspective, they argue that the adoption of a global, multi-domestic or transnational strategy at corporate HQ level determines the objectives of the GTM system and significantly influences the performance of the MNE. However, at the subsidiary level, the alignment between corporate HQ intentions and subsidiary implementation of GTM routines is central in determining the impact of GTM on subsidiary performance. At an individual level of analysis, they theorise the effects of these higher-level factors on individual performance through the lens of human capital resources. Building on the human capital emergence literature (Ployhart & Moliterno, 2011), they demonstrate that individual performance is not necessarily isomorphic with unit-level performance. GTM is regarded as a means through which individual human capital can translate or amplify to a unit-level human capital resource or performance aligned with organisational objectives. Collings et al. (2018) conclude that it is only through the vertical fit of these higher-level factors with GTM at a given level that an MNE can develop an effective GTM system and expect that to translate into sustainable performance aligned with objectives set at corporate HQ.

While this paper is important in theorising how GTM can lead to improved performance in the MNE, a limitation of their analysis is the focus on endogenous influences, and insufficient attention devoted to exogenous influences on the operation of GTM (Collings et al., 2018). Indeed, a greater understanding of how exogenous factors impact GTM has begun to emerge under the label of macro GTM (Khilji, Tarique & Schuler, 2015; Vaiman et al., 2019a; 2019b). This literature provides important insights into how talent management is defined and operationalised in different national contexts, in many ways reflective of how the comparative HR literature has improved our understanding of HRM in different institutional contexts. A key contribution of this emerging literature is in preventing an overly ethnocentric or Anglo-Saxon conceptualisation of talent management gaining hegemonic dominance, which may not reflect practice (Collings et al., 2018).

Notwithstanding these developments, research in GTM remains in the relatively early stages of development. There is ample scope for further study in the area. For example, building on Collings et al.'s (2018) theoretical framework, empirical evidence of the relationship between GTM and performance would represent an important milestone for the development of research in the area. Equally, how the principles of workforce differentiation, which is central to GTM, play out in different cultural contexts (for example, in Asian cultures), would also represent an interesting focus for research. Finally, as MNEs increasingly look beyond traditional employment contracts to resource their global units, we are witnessing an increasing focus on non-employees or contractors as a potential source of talent (Cascio & Boudreau, 2016). However, as yet we know relatively little about how this plays out from a talent perspective (Horak et al., 2018).

CONCLUSION

There is little doubt that IHRM has gained increasing prevalence as an area of research in the broader HR literature over the last few decades. The literature base is now vibrant and diverse and constantly evolving. Like many areas of research, IHRM needs to continue to draw insights from parallel fields. Our review has been highly influenced by the literature in the international business and strategy tradition, but we also see a significant influence from, inter alia, economics (Brooks, 2015), sociology (Klerk, 2015), geography (Almond & Gonzalez Menendez, 2015) and employment relations (Lamare, Farndale & Gunnigle, 2015). It is also likely that fields such as politics are expected to become increasingly influential given the considerable impact of populist politics in countries such as the USA and UK on the movement of people into those markets. This reflects the fact that IHRM is a highly dynamic and constantly evolving field of research which is extremely sensitive to changes in the global economy.

Our chapter focused on three key themes which we identify as particularly significant in the current IHRM literature. These are changing patterns of global staffing, IHRM in changing MNE structures, and global talent management. While not intended to be a comprehensive overview of the field, our hope is that the chapter summarises the key emerging research trends and stimulates further study in those areas. However, the vibrancy and diversity of issues which fall within the field of IHRM mean that we are likely to see the emergence of new and equally interesting themes over the coming years.

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6

Comparative HRM

Elaine Farndale, Chris Brewster and Wolfgang Mayrhofer

INTRODUCTION

How would you describe what ‘human resource management’ (HRM) involves to a person from outside the field: is it about ensuring that the attraction, retention and removal, deployment and motivation of employees serves the best interests of the owners of the business; is it about ensuring that the differing interests of all the stakeholders are balanced; and by stakeholders do we mean those within the organization or the wider community? What elements would you include: environmental sustainability; relationships with trade unions; board membership? The answers to these questions are not generic; they depend on several factors based on your own personal perspective and that will have been coloured by what you have experienced to date, the education you have received, the organizations that you have worked for, and the countries you have lived in, among many other factors. These are the foundations of comparative HRM as a field of study. Here we explore some of these ‘contextual’ factors that give HRM its unique flavour.

Although HRM emerged as a field of study in the USA some four decades ago, there were already signs at that time that HRM was never designed to be a universal construct (later labelled by Rose (1991) as ‘false universalism’). Building from the traditional roots of personnel management, Fombrun, Tichy, and Devanna (1984) introduced the Michigan model of HRM that linked personnel policies with corporate strategy, including a more substantial role for line managers in the management of their human resources. This was intended ultimately to produce higher levels of firm performance. Simultaneously, Beer, Spector, Lawrence, Quinn Mills, and Walton (1984) presented the Harvard model, which argued the same connection between HRM and corporate strategy, but also highlighted a range of what they called ‘situational’ factors that could affect both the design and outcomes of HRM policies and practices.

These situational factors are what we refer to as ‘context’, and include such factors as the labour market, legislation, business conditions, management philosophy, workforce characteristics, unions and societal values. Despite the adoption of this popular model, scholars and commentators rarely took up the challenge of exploring situational factors, and instead paid greater attention to identifying ‘best practices’ in HRM that might lead to high firm performance.

We argue here that such an omission is a fundamental mistake. HRM is not context-free. As evidence has demonstrated, different approaches to HRM can be equally successful in delivering the desired outcomes. Although HRM in the private sector at least may by its nature be fundamentally profit-driven (Kaufman, 2016), ‘it seems unlikely that one set of HRM practices will work equally well no matter what the context’ (Gerhart, 2005: 178). We focus mainly on country-level contextual factors here, which has largely been the tradition in the comparative HRM field to date, including both cultural and institutional dimensions. Most HRM studies are conducted in a single country, yet even at this level differences in practices are apparent due to factors such as sector or organization size (Brewster, Brookes, Johnson, & Wood, 2014; Goergen, Brewster, & Wood, 2013). It therefore should not be surprising that such differences might be amplified when expanding the level of analysis to look across national borders.

COMPARATIVE HRM AS A FIELD OF STUDY

Comparative HRM aims to describe and explain differences and similarities in patterns of HRM across countries or regions of the world (Brewster, Mayrhofer, & Smale, 2016b; Kaufman, 2016). One of the fundamental questions addressed is whether globalization is changing these patterns, leading to harmonization and convergence to a universal approach to HRM over time, or whether countries are remaining unique, with their own distinctive approach to managing employees.

The comparative HRM field has typically been empirically rather than theoretically driven (Mayrhofer & Reichel, 2009). Scholars have observed and described snapshots of differences in HRM between countries, but there has been less attention paid to building underlying theories that can explain these differences. Early works focused on describing previously unidentified differences between countries in terms of HRM practices (e.g. Begin, 1992; Boxall, 1995; Brewster & Tyson, 1991; Hegewisch & Brewster, 1993). Much of this was built on the tradition of studying comparative industrial relations systems, the field from which, particularly in European countries around this time, many HRM scholars originated. In more recent years, given we now have an improved understanding of such differences, greater attention is being paid to explaining rather than simply recording differences. This starts to uncover the ‘why’ and ‘how’ behind the adoption of typical HRM practices at country level. For example, institutional theories provide a number of explanatory mechanisms for understanding commonalities and differences in HRM across a variety of contextual settings (Wood, Brewster, & Brookes, 2014).

Perhaps due to comparative HRM’s roots being more European- than US-led, scholars have largely steered away from investigating performance outcomes of HRM (which has been the most common focus of the more universalistic US-based HRM literature, e.g. Huselid, 1995), in favour of investigating what practices or HRM systems have been adopted and the reasons behind such adoption. The dependent variable in more universal HRM studies is often the effect of HRM on firm performance (although there has been more recently a growing stream of work looking at employee well-being too: Beer, Boselie, & Brewster, 2015; Guest, 2002), whereas the HRM practices themselves are the dependent variable in comparative HRM studies. For example, comparative HRM has identified how particular approaches to recruitment or reward systems might be linked to either cultural values (e.g. Puck, Holtbrügge, & Mohr, 2009; Saher & Mayrhofer, 2014) or institutional or specifically legislative requirements (e.g. Klehe, 2004), rather than attempting to measure the outcomes of the practices. This has the advantage that we have a better understanding of why and how HRM practices come about, but the disadvantage of not knowing the consequences for organizations or other stakeholders.

Comparative HRM has grown out of the expansion of international business, increasing our need for knowledge of how workforce management might occur in different global settings. Multinational enterprises (MNEs) often face the global/local paradox, trying to design HRM systems that are both globally efficient but effective in different operating locations (Lui, Lau, & Ngo, 2004), one pressuring them towards standardization and one towards localization. Strategic international HRM emerged as a field of study from this dilemma facing MNEs, with an emphasis on exploring how people and practices can be transferred between headquarters and subsidiary locations (Stahl, Björkman, & Morris, 2012). This is a question not only of the firm establishing appropriate internal strategies, structures and relationships, but also of these fitting a variety of external contexts when comparing the home and host locations (Brewster et al., 2016b). Complementary to this field of study, comparative HRM scholars focus on what these external contexts entail. While being a field of study in its own right, insights from comparative HRM also contribute to a better understanding of the global/local paradox.

INTEGRATING MULTIPLE LEVELS OF ANALYSIS

Studies of comparative HRM focus on different levels of analysis – micro (individual employees), meso (teams or organizations), macro (countries or regions) – each providing its own unique insight into how HRM is conducted (Kochan, Dyer, & Batt, 1992; Locke, Piore, & Kochan, 1995). Brewster's (1995) telescope analogy is helpful to understand how, if we change the focus, more detailed information might emerge at one level, but at another level the picture starts to become more blurred. In other words, we can study HRM inside an organization in great detail, but this tells us little about what other organizations might be practising. Similarly, if we focus on HRM at the country level of analysis, this can identify patterns of HRM practices that can be generalized across many organizations, but we do not know the detail of what is happening inside each individual organization. Neither the country nor the organization perspective is inaccurate – they each serve a different purpose.

The macro-level perspective of countries is a particularly appropriate level of analysis to enhance our understanding of the origins and outcomes of HRM practices. Countries are complex social environments in which actors interact with established structures and processes to give each context unique characteristics (Brewster & Mayrhofer, 2009). To date, much of the comparative HRM research has focused on a relatively small number of countries worldwide to describe the phenomena. This has largely been restricted to those countries that have been economically successful (such as the USA, Japan, Germany, UK) as there is great interest in trying to identify to what this success might be attributable. More recently, there has been increasing interest in exploring HRM in other parts of the world, particularly emerging economies (such as China, India, and the ex-communist Central and East European countries), to attempt to build a comparison with more developed scenarios. There remain, however, many parts of the world (such as the African nations, many Asian and island states and Latin American countries) about which we know very little regarding how people are managed in organizations, although some progress is starting to be made (e.g. for Asia: Collins, Zhu, & Warner, 2018; Supangco & Baños, 2018; for Africa: Bischoff & Wood, 2018; Zoogah, Metwally, & Tantoush, 2018).

Within this macro-level research, there are theories that emanate from the micro level that can help explain some of the patterns of HRM practice adoption observed. For example, employee motivation has been found to be affected by different desires and expectations regarding how employees will be treated in the workplace (Lowe, Milliman, De Cieri, & Dowling, 2002). Similarly, employee behaviour is influenced by employees' ability to deal with cultural diversity (Strauss & Connerley, 2003). Both examples could be argued to be due to differences in societal values at the national level but interpreted by each individual employee in their own unique way.

Differences at the meso level of organizations can also help explain why differences are observed in HRM practices between countries. Lam (1994) noted how Japanese firms have a strong reliance on on-the-job training to produce specialist engineers, whereas UK firms prefer professional engineers, who had received a more general rather than specialist education. Different corporate governance regimes have similarly been found to affect the relative strength of management and workers, resulting in different approaches to HRM being adopted (Goergen, Brewster, & Wood, 2009).

There are also supranational factors that can explain patterns that we see in HRM between countries. For example, the varieties of capitalism literature argues that patterns of institutional factors (e.g. laws, political systems) combine to produce similar HRM outcomes (Psychogios & Wood, 2010) and that these patterns vary across market economies. This has been evidenced through the differential use of non-standard working time (Richbell, Brookes, Brewster, & Wood, 2011), levels of unionization (Brewster, Wood, & Goergen, 2015), and employee turnover (Croucher, Wood, Brewster, & Brookes, 2012) when comparing liberal and coordinated market economies.

There are, of course, interactions taking place across these different levels of analysis. At the individual level, there are employees with their different expectations and motivations. At the organization level, there are different ways of structuring the business and competing in the marketplace. At the national level, there are various forms of economic and social infrastructure that form the backdrop for an organization's operations. Across all of these levels are managers who play idiosyncratic roles in organizational decision-making around HRM practices (Oliver, 1991), mediating the relationship between context and HRM (Farndale & Paauwe, 2018).

CONVERGENCE OR DIVERGENCE?

An underlying assumption across much of the comparative literature is that there is the potential for change over time: differences or similarities observed today may not have existed in the past and may or may not survive into the future (Brewster et al., 2016b). We have come to explore this phenomenon under the title of convergence or divergence of HRM. The core debate relates to whether national or supranational contextual factors are sufficiently strong to ensure that HRM is firmly embedded within that context and is therefore likely to differ between countries/regions, or whether the standardization efforts of MNEs in particular and globalization more generally are likely to erode these contextual effects.

Convergence is a process that occurs over time, whereby organizations adopt more similar practices, leading ultimately to universal implementation ('final' convergence) or parallel trends ('directional' convergence) (Mayrhofer, Müller-Camen, Ledolter, Strunk, & Erten, 2002; Mayrhofer, Brewster, Morley, & Ledolter, 2011). Divergence should, etymologically, mean more dissimilarity over time, but has come to be used to mean non-convergence: that is, countries remaining different in the way their organizations manage their human resources. The two trends have different theoretical underpinnings.

Globalization implies an increase in the cross-border activity of firms, leading to increasing market competition that in turn puts pressure on multinational corporations to achieve economies of scale and scope by standardizing their practices across operations worldwide (Edwards, Sánchez-Mangas, Jalette, Lavelle, & Minbaeva, 2016), potentially leading to convergence in HRM. The international business literature (Rugman & Verbeke, 2001) teaches us that globalization may also lead to countries taking advantage of their specific advantages, including human resources advantages of being more skilled in specific areas or having much cheaper labour costs. There are economic advantages to firms from differentiating themselves and their products across markets (Kaufman, 2016; Meyer, Mudambi, & Narula, 2011; Rugman & Verbeke, 2001). However, that argument has achieved little purchase in the international HRM literature which still tends to see globalization as leading to standardization. Comparative HRM aims to provide explanations for why we do or do not see convergence or divergence occurring on a global scale, arguing that divergence will be necessary due to the embeddedness of management practices within a given national context (Björkman, Fey, & Park, 2007; Gooderham, Nordhaug, & Ringdal, 1999; Gunnigle, Murphy, Cleveland, Heraty, & Morley, 2002). Organizational legitimacy requires a degree of adherence to local norms.

From a theoretical perspective, the literature focusing on rational actor models of the firm (Coleman, 1990; Simon, 1955) argues that firms implement practices that are likely to improve future performance. Building from a capitalist perspective, we might expect a convergence of HRM to a set of cost-effective, flexible, rational, best-practice models (Hollingsworth & Boyer, 1997). From a world-polity perspective (Meyer & Rowan, 1977), there has been similar pressure to follow Western models of business, ultimately leading to the proposed decline of nation states and the emergence of a world system or world society (Frank & Gills, 1993; Krücken & Drori, 2009; Ohmae, 1995; Wallerstein, 1974). Such a world system would not imply total uniformity, but local variation would only make sense when in line with the overall emergent homogeneity (Meyer, 2000).

In contrast to convergence, the divergence argument is more one of stasis rather than increasing difference between countries. Divergence scholars note that the convergence argument is weakened by the embeddedness of HRM practices in strong local systems. It has been noted that HRM in particular is the area of management most likely to be impacted by and reflect local circumstances (Rosenzweig & Nohria, 1994), often based on either cultural or institutional reasoning.

From a cross-cultural management perspective (e.g. Hofstede, 1980; House, Hanges, Javidan, Dorfman, & Gupta, 2004), nations are said to have fundamental underlying differences in their core values and beliefs. Such cultural dimensions as power distance, uncertainty avoidance, masculinity and individualism have been applied many times in scholarly work to demonstrate national-level differences in, for example, training (Drost, Frayne, Lowe, & Geringer, 2002), performance appraisal (Aycan, 2005; Aycan, Kanungo, Mendonca, Yu, Deller, Stahl et al., 2000; Bowen, Galang, & Pillai, 2002; Peretz & Fried, 2012; Walker & Dimmock, 2000), diversity (Peretz, Levi, & Fried, 2015) and compensation practices (Schuler & Rogovsky, 1998). Such cultural values are said to be enduring (Beugelsdijk, Maseland, & Van Hoorn, 2015), undermining MNE attempts at HRM standardization as such actions result in a mismatch between the intentions of the practice and the outcomes at individual level. In other words, the values behind the HRM practices do not align with the values of employees within the different country settings.

From an institutional theory perspective (DiMaggio & Powell, 1983; Meyer & Rowan, 1977), there is a similar disagreement that differences between countries can be either changed or ignored by practices that cross borders. Varieties of capitalism theorizing (Amable, 2003; Hall & Soskice, 2001) suggests considerable inertia in national-level institutional arrangements, emphasizing the slow nature of institutional change (Djelic & Quack, 2003). Institutional scholars argue, moreover, that societal, economic, social and legal arrangements maintain the distinctiveness of nations (Hollingsworth & Boyer, 1997; Whitley, 1999).

Empirical studies can shed some light on these differing theoretical perspectives. Research has explored MNEs and their interaction with subsidiaries in disseminating HRM practices (Ahlvik & Björkman, 2015; Minbaeva, Pedersen, Björkman, Fey, & Park, 2014; Sumelius, Björkman, Ehrnrooth, Mäkelä, & Smale, 2014). This dissemination is not a simple process of transfer and homogenization, but rather a translation takes place between the corporate and local operations, taking into account the many cultural and institutional processes that govern HRM activities (Beamond, Farndale, & Härtel, 2016; D'Aunno, Succi, & Alexander, 2000; Ferner, 1997; Ferner & Quintanilla, 1998). Evidence to date indicates that it is the country of operation rather than the organization's home country that has the strongest influence over the HRM practices adopted by a firm (Brewster, Wood, & Brookes, 2008; Farndale, Brewster, & Poutsma, 2008). The result can be a hybridization of HRM as standardized MNE practices are adapted to fit the local context (Chung, Sparrow, & Bozkurt, 2014).

Moving beyond studies of MNEs, the comparative HRM literature has built substantial evidence of variation in HRM between countries. Much of this data has been collected through the Cranet surveys (www.cranet.org), a long-standing research network of over 40 academic partners worldwide, each representing their own country in the regular collection of data on HRM policies and practices (Parry, Stavrou, & Lazarova, 2013). The evidence is collected from larger organizations in each country and thus may exaggerate the commonalities – it is likely that very small businesses tend to 'go their own way', largely determined by the owner, more than larger, more visible organizations. The evidence the network has collected, reviewed at different times, indicates a nuanced picture but with more directional than final convergence (Farndale, Brewster, Ligthart, & Poutsma, 2017; Mayrhofer et al., 2011); that is, over time similar trends, such as the use of more sophisticated selection or reward systems, are seen in different countries, but this does not mean that every country ends up with the same practices in place.

In fact, it seems that every country retains its own specific ways of managing people. For instance, in the transitional ex-communist countries of Central and Eastern Europe, an introduction of more sophisticated HRM practices is gradually taking place, but current practice lags behind the sophistication of many West European countries (Brewster, Morley, & Bučiūnienė, 2010). Similarly, trade union membership has been declining in many developed economies over recent decades, yet the relative difference between countries remains quite stable, indicating directional rather than final convergence (Scheuer, 2011; Schmitt & Mitukiewicz, 2012). What is evident is that some practices are more likely to converge than others: the institutionally bound practices of wage bargaining and compensation practices show greater differences between countries over time compared to other HRM practices (contingent employment, training, direct information provision) over which organizations have greater autonomy for decision making (Farndale et al., 2017).

The empirical evidence suggests therefore that the nation state has not (yet) met its demise (Ohmae, 1995) and is still highly relevant to understanding HRM practice adoption. The path dependency (Sydow, Schreyögg, & Koch, 2009) created by national cultures and institutions creates a system that prevents quick or radical change. There remains, however, substantial research to be conducted regarding the convergence/divergence debate, not least of all as our knowledge to date is primarily limited to larger organizations in advanced economies, with less understanding of HRM in emerging economies and the trends that might be occurring there (Al Ariss & Sidani, 2016; Horwitz & Budhwar, 2015).

CONCLUSION

The core argument that we have presented here is that comparative HRM is focused primarily on emphasizing the importance of context. Concerns have been raised that theories that originate from studies in one context might not be readily applied to other contrasting contexts (Brewster, Gooderham, & Mayrhofer, 2016a; Budhwar & Debrah, 2001). We are still in the developmental phase of really addressing this issue throughout the HRM literature, supported by pleas to develop a more contextual view of HRM such as those by Beer, Boselie, & Brewster (2015) and Pauuwe and Farndale (2018). Nevertheless, there remains much to be done.

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7

Managing across Organizational Boundaries: The New Employment Relationship and its Human Resource Management Implications

Shad Morris, Oded Shenkar and Alison Mackey

INTRODUCTION

Authority relationships have long been seen as the cornerstone of organizational life, linking the national, political, and cultural environment with ownership, governance, and human resource management (Weber, 1947). 'Authority, or the possession of control rights, allows one person to direct – manage – the actions of another' (Conner & Prahalad, 1996, p. 478). Indeed, in organizations, some people make decisions while others implement those decisions. The ebb and flow of giving and taking orders, having someone tell someone else what to do, is the essential mechanism that makes organizations function (Thompson, 1967). This authority relationship, which enables the exercise of managerial fiat, exists between an employer and an employee because of the nature of the employment contract (Simon, 1951). 'Under an employment contract, the employer receives from the employee the privilege of postponing, until sometime after the contract is made, the selection of the employee's behavior' (Simon, 1951, p. 295). Employees in essence relinquish their decision rights in exchange for the long-term, loyalty-based commitment offered by the employer. At least, this is the prism through which the employment relationship has evolved, drawing upon Weber's Monocratic bureaucracy or Whyte's 'Organization Man.'

However, increasing globalization and hypercompetitive markets have resulted in an increase in contractual, fragile, partial, and short-lived employment relationships (Cappelli, 2008), higher rates of turnover, and a decline in long-range commitment as is indicated by the disappearance of defined benefit plans and the growing ratios of limited engagement, as in the example of temporary and interim senior executives (Tsui & Wu, 2005). Instead of offering a lifelong job in exchange for mutual loyalty as in the traditional employment contract, organizations now offer a new employment relationship in which the organization offers the employee (or contractor) a challenging job, with an attractive compensation package, and the opportunity to learn new skills in exchange for job performance. The mechanisms governing this contract-like exchange barely resemble the managerial fiat characteristic of hierarchical governance found in the literature (Coase, 1937; Williamson, 1975; 1985). While the virtues of internal human resource management practices as efficient governance mechanisms are well known (Kochan & Useem, 1992), we know little about the repercussions of the fraying of traditional internal governance mechanisms.

The purpose of this chapter is to critically review the traditional virtues of hierarchical human resource governance mechanisms – that is, managerial fiat – against the realities of today's modern workforce and the new employment contract. Among other questions, we address how organizations are managing people whose knowledge, skills, and abilities (human capital) align tightly with the organization's core capabilities. Theoretically speaking, such employees possess valuable human capital and are likely to be internally hired and managed by fiat (Lepak & Snell, 1999). Yet, it is no secret that how the majority of these employees are managed is not consistent with existing theory. On the one hand, high-value employees who are scarce in the labor market tend to be internally hired but maintain control over most of their decision rights – dismissing a primary purpose of organizational governance (Greenwood et al., 2005). On the other hand, high-value employees who are quite common tend to be externally contracted but still give up control of their decision rights – dismissing the argument that markets are not equipped for fiat (Williamson, 1975).

To appreciate the impact of these new realities, we modify existing theory as it pertains to strategic human capital. Strategic human capital scholars traditionally draw upon macro theories related to transaction-cost economics and resource-based views of the firm to determine different typologies of human capital and how that human capital is managed in a complex environment (Campbell, Coff, & Kryscynski, 2012; Chadwick & Dabu, 2009; Kryscynski & Ulrich, 2015; Morris, Snell, & Björkman, 2016; Morris et al., 2017). Adopting a sociotechnical perspective (Geels, 2010; Trist, 1981), we examine contextual factors that may be pushing reality away from existing theory. For example, we explore technological factors related to globalization and modularity to understand how valuable employees are being driven outside traditional organization boundaries but still managed through hierarchical fiat. Next, we show how social factors related to professionalization and knowledge work moderate the effects of globalization and modularity on the employment relationship with valuable employees whose human capital is also scarce. In both cases, we explore how this pushes out traditional organizational boundaries and requires that strategic human capital scholars adopt a more dynamic decision authority model.

FORCES TOWARD A NEW EMPLOYMENT RELATIONSHIP

General trends in the world economy over the last several decades have shifted the preferences of employers and employees for employment relationships. These forces have resulted in a new employment contract. For example, trends toward globalization and modularity have reduced employers' need for specific assets, shifting organization preferences toward flexibility and competitiveness instead of long-term employees with high levels of commitment to the organization. Similarly, trends toward knowledge work and professionalization of the workforce have shifted employee preferences away from lifelong employment toward challenging work, opportunity to build skills, and pipelines to launch careers.

SHIFTS IN EMPLOYER PREFERENCES FOR EMPLOYMENT RELATIONSHIPS

Globalization

Increases in technology, migration, and transportation led countries and industries to becoming more alike in what standards are followed and how work gets done (Doz & Prahalad, 1984). Over the last several decades, advances in communication technology as well as lower travel costs have led to an increased convergence throughout the world (Mueller, 1994). Additionally, with the advent of such tools as social networking, instant messaging, video conferencing, and Voice over IP, customer demands and preferences can be met almost immediately and by almost anyone with an Internet connection. This convergence in technology accessibility has radically changed the nature of the relationships between consumers and the organization:

> We have finally reached the point where the confluence of connectivity, digitization, and convergence of industry and technology boundaries are creating a dynamic between consumers and the firm… It is not necessary for firms to own all the resource bases they need. (Prahalad & Krishnan, 2008, pp. 3–4)

As a result, work done by a firm is often multivendor and global in that many of the employees are not even housed within the traditional hierarchy of the organization.

In addition, the shift from manufacturing-based to service-based jobs means that more and more people do not need to work from a specific location. Combined with increased communication technology, people can work away from the office and away from traditional managerial monitoring systems. In turn, we see a global push for talent, where people in the USA are competing with people all over the world for their jobs, instead of just those who live within proximity of a specific location (Stahl et al., 2012). This generally intensifies competition in the labor market as the geographical scope of potential employers and employees knows no bounds. Taken together these forces suggest the following proposition.

P1: Globalization has decreased the need for firm-specific knowledge in today's organizations, shifting organization preferences toward flexibility and competitiveness instead of long-term employees with high levels of commitment to the organization.

Modularity

Modularity is a general systems concept, defined as the degree to which a system's components may be separated and recombined (Schilling, 2000). It refers to the degree to which 'rules' of a process or system enable the mixing and matching of component parts. Take the management consultant. Consultants are typically identified as generating unique solutions to unique client problems. In reality, however, the majority of the work done by consultants can be found in a template or organizationally embedded process (Maister, 1993). This is largely because of the scale involved in building on past success. It allows the employee to build on modularity where different components of a product can be imitated while allowing for innovations in other areas.

Management scholars have pointed out a general trend in services and manufacturing toward modularity (Galunic & Eisenhardt, 2001; Henderson & Clark, 1990; Levy, 2008; Pil & Cohen, 2006). Within these sectors, improved technology as well as the diffusion of such technology have decreased the specificity of the knowledge developed by employees within a particular organization. Increasingly, these employees draw upon shared platforms and standards (Muffatto & Roveda, 2000). For example, high-skilled employees in automotive assembly plants have been shown to easily transfer their skills to competitors because of the common platforms used by most automobile companies (MacDuffie, 1995).

Furthermore, many scientists, health care professionals, financial service workers, and engineers work under common industry guidelines or standards to make sure their products or services fit within the requirements of a specific system or module. The entire field of information technology is increasingly seen as modular in that the Internet is modular in structure, composed of independent sites and pages, and each webpage itself is composed of elements and code that can be independently modified (Manovich, 2001).

Similar to the impact of globalization, the trend toward modularity lowers the importance of firm-specific knowledge, since the work to be done is tied to components that lie outside of organizational boundaries instead of being tightly coupled to the organization. Industry-specific or platform-specific knowledge, for example, can easily transfer across organizations, giving employers the flexibility to maintain their workforce outside of the traditional hierarchical governance. Organizations can increase competitiveness or ensure survival as they flexibly manage their workforce with temporary or contract employees, possibly staffed from professional employment organizations. Taken together, these arguments suggest the following proposition:

P2: Modularity has decreased the need for firm-specific knowledge in today's organizations, shifting organization preferences toward flexibility and competitiveness instead of long-term employees with high levels of commitment to the organization.

SHIFTS IN EMPLOYEE PREFERENCES FOR EMPLOYMENT RELATIONSHIPS

Trends toward knowledge work and professionalization of the workforce have shifted employee preferences away from lifelong employment toward challenging work and opportunities to build skills and pipelines to launch careers. This section examines both the shift toward knowledge work and toward professionalism and how these shifts affect the employment relationship.

Knowledge Work

Throughout the world, the nature of work is increasingly becoming more knowledge-based and, thereby, more difficult for management to supervise. This trend, also known as 'upskilling', requires that employees engage in problem-solving activities in their work (Snell & Dean, 1992). The upskilling of workers is said to be a result from external forces of technological innovations (Cappelli & Sherer, 1989) as well as saturation of domestic markets and greater international competition (Piore & Sabel, 1984). These factors 'have forced employers to find smaller market niches that demand quicker reactions to changing markets and, in turn, a more flexible workplace where jobs are defined more broadly and workers have greater control over them' (Cappelli, 1996: 141).

Evidence of this upskilling movement is seen in the knowledge-based economy where highly skilled workers are not just among executive or support functions (R&D) but also among its ‘frontline workers’ (Alvesson, 2000; Starbuck, 1992).

P3: Knowledge work has decreased the desire for lifelong employment in today’s organizations toward challenging work and opportunities to build skills and pipelines to launch careers.

Professionalism

Over half a century ago, Whyte (1956) articulated the plight of the ‘organization man’, as one of the abundant middle class who has ‘left home, spiritually as well as physically, to take the vows of the organization life, and it is they who are the mind and soul of our great self-perpetuating institutions’ (p. 3). Through the bureaucratization of society, Whyte and Nocera point out how a newly emerged social ethic based around (1) the belief in the group as the source of creativity, (2) the belief in ‘belongingness’ as the ultimate need of the individual, and (3) the belief in the application of science to achieve the belongingness shaped employees’ willingness, and desire, to accept the traditional employment relationship of trading decision rights for lifelong employment. Hence, Whyte’s ‘organization man’ desired to build his career around one organization.

Professionalism, in contrast, reflects the growing trend that employees are less likely to build their careers around one organization. This trend was initiated in part due to companies divesting non-related businesses and acquiring new ones with appropriate synergies during the 1980s (Cappelli, 2001). These corporate restructurings pushed for increased market niches of employees and to demand employees adapt to rapid changes in the organizational structure – or be left out. Furthermore, because legislation protected employees inside the organization, employers were motivated to push as many people as possible outside of the organization boundary (Cappelli, 2001). This way organizations were freed from their obligations to provide benefits and other assurances to their employees.

Taken together, these may be some of the reasons we see a shift in loyalty from the company to the profession (von Nordenflycht, 2010). Companies proved disloyal to employees and, as a result, employees retaliated. In fact, two of the defining characteristics of a profession include the strong preference for autonomy (Alvesson & Kärreman, 2006; Briscoe, 2007) and the idea that professionals have a responsibility (loyalty) to protect the interests of the clients and/or society in general, not the organization (Suddaby & Greenwood, 2005).

P4: Professionalization has decreased the desire for lifelong employment in today’s organizations, shifting preferences to challenging work and opportunities to build skills and pipelines to launch careers.

HUMAN RESOURCE MANAGEMENT MECHANISMS FOR THE NEW EMPLOYMENT RELATIONSHIP

As knowledge work and professionalism increase and drive upskilling of workers, these factors are likely to influence an employee’s loyalty to specific organizations as a whole. No longer are organizations seen as a nexus of contracts primarily enforced through hierarchy or markets. Rather, many organizations today represent a nexus of decisions made by both employees and employers on a continual basis. The relationships used to manage these decisions are not based upon asset specificity and whether or not decisions can be controlled (uncertainty), but rather on strategic imperatives and cultural factors relevant to the organization.

Hence, the new employment contract does not support the traditional assumptions of long-term commitment and organizational control proposed by organizational economists. For example, employees are much less likely to be loyal to an organization, and vice versa. Specifically, Kalleberg (2009) found that there has been a long-term trend toward decreased job security across most occupations and groups. Even before the 2008 economic recession, job security for 'middle-class' workers actually declined from 2001 to 2007 (Mishel, Bernstein, & Shierholz, 2009).

Research has also shown not only that technological change influences greater upskilling (Cappelli, 1996), but that upskilled workers adapt better to technological change (Chao & Kozlowski, 1986) and are better at allocating the value they create (Welch, 1970). This means that organizations will be less able to control employees involved more in knowledge work, regardless of industry (Snell & Dean, 1992). Thus, Snell and Dean recommend that upskilled employees be managed in less of a traditional hierarchal structure where managers make major decisions, but more in an integrated fashion where the employees themselves are making most of the decisions on how work is conducted and how their value is allocated.

As the deskilling of workers represented a conscious management decision taken to increase control over workers and make the management process easier, the upskilling of workers is shifting the power back to some employees, making knowledge workers and professionals central to strategic decisions within organizations (Lepak & Snell, 1999). Because the quality of work by upskilled employees is often difficult to measure and assess, organizations prefer more autonomous and open relationships with these employees (Broschak, 2004; Empson, 2001; Levin & Tadelis, 2005; Lowendahl, 2000). They usually draw on a value appropriation sharing system where the employee makes most of the decisions and appropriates many of the rents generated. Such employment relationships are not consistent with hierarchical fiat.

In such knowledge-intensive organizations, employees with differentiated human capital are in a strong bargaining position relative to the organization, since their skills are scarce and, in many instances, transferable across organizations (Teece, 2003). Scholars have argued that such employees are often more difficult to direct, as they possess a preference for autonomy and distain for authority (DeLong & Nanda, 2003; Greenwood & Empson, 2003; Lorsch & Tierney, 2002; Starbuck, 1992; Winch & Schneider, 1993). These employees are less likely to adhere to hierarchical fiat even if they appropriate most of the value they create (von Nordenflycht, 2010). As a result, organizations with these types of employees will often do more 'guiding, nudging, and persuading,' rather than commanding (Malhotra, Kim, & Patil, 2006, p. 175).

NORMATIVE MEANS FOR MANAGING PEOPLE OUTSIDE OF TRADITIONAL BOUNDARIES

In the face of the changing employment relationship, organizations may find themselves adopting other compliance approaches that are consistent with decreased asset specificity and increased interest in challenging work as well as building skills and career pipelines. It could be the case that the nature of these changes within organizations is creating an environment where coercive and remunerative approaches to employee compliance are giving way to more normative circumstances, where employees are less likely to behave opportunistically even when they are not held up by the organization through asset specificity.

Drawing upon compliance theory, there are circumstances where traditional notions of fiat might be subsumed by other forms of compliance. For example, there may be conditions when employees are completely mobile across organizations and not willing to be managed under fiat (Lazarova & Taylor, 2009), even when they possess skills that are firm-specific and complex. Such explorations drive home the changing landscape of the employment relationship, where knowledge work and globalization are changing the nature of how people are managed.

Taking into account the higher mobility and increased need for knowledge creation and integration (Kogut & Zander, 1992), human resource scholars have argued that a combination of compensation systems (remunerative) coupled with commitment and leadership-based practices (normative) help to align interests of the employee with interests of the organization (Batt, 2002; Delery, Gupta, & Shaw, 1997; Huselid, 1995; Lepak & Snell, 1999; MacDuffie, 1995). As employees comply through more normative pressures to follow authority they are more likely to align their objectives with those of the organization.

As more and more organizations are based around knowledge creation and integration as their primary objectives, we see a shift in how organizations use authority to achieve their goals. The shift comes largely from the shift in organizational goals. As knowledge creation and integration become primary goals of the organization, the role of management becomes to administer means to the major activities carried out by the employees. In other words, the fiat relationship, if existent at all, is turned upside down. Management is now seen as a support function where managers can offer advice about the economic and administrative implications of various activities planned by the professionals (Lengnick-Hall & Lengnick-Hall, 2002). The final internal decision, functionally speaking, is in the hands of various employees and their decision-making bodies. The consultant decides what product to deliver to the client; the physician decides what procedure to administer to the patient; the scientist decides what experiment to perform; the auto worker decides what quality improvements to make and what particular task the auto worker wants to perform.

Managers may raise objections to specific decisions. They may suggest that the work team for the auto plant needs to speed up production. But functionally the auto worker is the one to decide if the speed is too fast for safety and how the production process is to be run (MacDuffie, 1995; Pil & Holweg, 2004). Under fiat, employees can threaten the realization of organizational goals through opportunistic behavior. However, in many of today's organizations over-influence by management can undermine the goals for which the organization has been established – to create and integrate knowledge for greater client impact (Kogut & Zander, 1992). While decisions for secondary roles of employees (e.g., deciding what room a professor teaches in, deciding what hours a physician will work) may resemble hierarchical fiat, the main goal activities of most knowledge workers are organized without fiat. In such situations, authority is not considered hierarchical. The authority for these organizations is more functionally based, but is not found in a subordinated relationship. While managers still exist, much of their work is administrative in trying to develop systems to help and support employees in their efforts to create and integrate knowledge (Grant, 1996).

Authority to increase employee compliance is more broadly dispersed. For example, professional organizations require a focus on client needs and maintaining a certain level of care for the client. This form of authority, though not direct, is seen by Etzioni (1975) as normative. If you can get your employees to believe in and find meaning in what they are doing and who they are working with, then they will be motivated to create and integrate knowledge for the good of the organization. Normative authority is akin to what Kanter (1994) referred to as collaborative leadership. Collaborative leadership is not at all about the authority of the leader, but rather the leader takes on a support role to build a dense web of interpersonal connections among employees to achieve a common goal.

In accordance with Etzioni's later work on communities, collaborative leadership requires that managers safeguard help to bring people together for a common cause. The key is that the employees are driven by a shared goal (e.g., knowledge creation and integration for the client). Collaborative leadership means giving up authority, rather than acquiring it, to enable employees to achieve their objectives.

DISCUSSION

This chapter points to important implications for understanding the creation, management, and appropriation of value associated with highly valuable human capital. Traditionally, human capital advantages were thought to derive from individuals being 'stuck' at an organization due to investments in firm-specific human capital (cf., Becker, 1964). The logic was that individuals' firm-specific investments are most highly valued by their present employer, making it unlikely that such individuals could secure lucrative offers from alternative employers and bid up their wages with their current employer (Campbell et al., 2012). Not surprisingly, much of the scholarship for managing human capital has focused on advantages derived from individuals with high levels of firm-specific human capital (e.g., Lazear, 2009). Continued focus on firm-specific advantages based on human capital – how to create and manage them – may be misplaced (e.g., Ployhart & Moliterno, 2011).

The trends identified in this chapter (i.e., globalization, modularity, knowledge work, and professionalization) that are shifting the employment relationship also point to a concomitant shift in the importance of the specificity of human capital for generating competitive advantage in favor of scarcity and/or complementarities with organization resources (Mackey, Molloy, & Morris, 2014). Identifying the degree of scarcity and/or complementarities with the resource base of the organization will be important for human resource management scholarship, moving forward. Outcomes from labor market competition are also important to consider when considering how organizations manage their human asset advantages.

CONCLUSION

In summary, this chapter answers the question of how organizations manage and leverage critical human assets across organizational boundaries in a world defined by globalization, modularity, knowledge work, and professionalization. These shifts in society have pushed some highly valuable workers outside the organization and kept others in. Many employees kept inside the organization are managed through a market-based approach where the employees maintain decision rights. Many employees pushed outside the organization are managed through a hierarchical fiat relationship traditionally reserved for internal employees. This shift leads us to question the assumptions of existing research that internalized employees are managed through fiat and externalized employees through spot market contracts. Finally, we proposed new normative human resource management mechanisms that organizations are using for managing and leveraging valuable human capital.

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PART II

Fundamentals of Human Resource Management

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8

Recruitment and Selection

Filip Lievens and Derek Chapman

INTRODUCTION

Few people would question that recruitment and selection are key strategic domains in HRM. At the same time, recruitment and selection also have an image problem. First, recruitment and selection are often viewed as ‘old’ ingrained HRM domains. It seems like the traditional recruitment and selection procedures have been around for decades, which is at odds with the ever-changing internal and external environment of organizations. Hence, practitioners often wonder whether there are any new research-based ways for recruiting and selecting personnel. Another image problem for recruitment and selection is that a false dichotomy is often created between so-called macro HR (examining HR systems more broadly) and micro HR (examining individual differences). It is further sometimes argued that organizations should value macro approaches and write off micro approaches as not being relevant to the business world. We posit that these image problems and debates only serve to distract and fracture the field and hide the fact that excellent HR research and practice need to take both macro and micro issues into consideration. For example, creating an effective recruiting strategy (some would describe this as a macro process) requires considerable understanding of the decision-making processes of potential applicants (viewed as micro processes). The same can be said with respect to designing effective selection systems etc.

The challenge for many researchers then has been to demonstrate how scientifically derived recruiting and selection practices add value to organizations. Unfortunately, when the quality and impact of recruitment and selection procedures for business outcomes are investigated, they are often described in rather simplistic terms. For example, in large-scale HR surveys (e.g., Becker & Huselid, 1998; Huselid, 1995; Wright, Gardner, Moynihan, & Allen, 2005; Wright, Gardner, Moynihan, Park, Gerhart, &

Delery, 2001) 'sound' selection practice is often equated with whether or not formal tests were administered or whether or not structured interviews were used. Similarly, effective recruitment is associated with the number of qualified applicants for positions most frequently hired by the firm. Although such questions tackle important aspects of recruitment and selection, we also feel that such descriptions do not capture the sophisticated level that recruitment and selection research and practice have attained in recent years. This oversimplification in large-scale HR surveys is understandable due to the difficulty of getting usable survey data across a diverse set of companies. However, the goal of demonstrating the utility of recruiting and selection systems may be undermined by this practice and risks setting the field back if the results are interpreted out of context.

In light of these issues, the aim of this chapter is to highlight new key research themes in recruitment and selection. The general theme of this chapter is: '*Which new research developments in recruitment and selection have occurred that advance recruitment and selection practice*?' Given the huge volume of work published we do not aim to be exhaustive. Instead, we aim to cover broad themes and trends that in our opinion have changed the field.

OVERVIEW OF KEY RESEARCH THEMES IN PERSONNEL RECRUITMENT

In this section, we review some recent developments in the field of recruiting. For excellent and comprehensive reviews of earlier recruiting research, we recommend several prior reviews (Barber, 1998; Breaugh & Starke, 2000; Chapman & Mayers, 2015; Lievens & Slaughter, 2016). Tight labor markets in North America have helped fuel interest in recruiting research and considerable progress has been made in the recruiting field over the past several years. As noted above, we especially focus on research that has practical implications for organizations.

The Impact of Technology on Recruiting

Organizations have had to adjust to the new reality of online recruiting. The rapidly emerging field of E-recruiting is defined as:

> the use of communication technologies such as websites and social media to find and attract potential job applicants, to keep them interested in the organization during the selection processes, and to influence their job choice decisions. (Chapman & Goddolei, 2017, p. 213)

One of the primary advantages of E-recruiting is the potential to reach a large number of potential applicants at low cost (Gueutal et al., 2005; Stone et al., 2005). E-recruiting provides the opportunity to reach applicants wherever they are through their mobile devices. For example, a recent survey found that 68% of active job seekers used their mobile phones at least once a week to search for jobs (Glassdoor, 2013). We know little, however, about how the impact of displaying recruiting messages on small mobile phones in distracting environments compares to more media-rich websites and traditional recruiting media viewed in quiet surroundings (Chapman & Goddollei, 2017). Clearly the recruiting landscape is changing rapidly and recruiting theory needs to adapt to reflect these shifts.

Despite the practical advantages afforded by E-recruiting, there remain both positive and negative consequences for organizations. For example, organizations can significantly reduce costs to advertise positions by using third-party job boards (e.g., Monster.com, Indeed) or through company websites. In addition, the inexpensive nature of online recruiting permits the conveyance of large amounts of information to potential applicants at a minimal cost relative to traditional advertising venues. Media content can be substantially richer, including graphics, photos, interactive text, and video (Allen, Van Scotter, & Otondo, 2004). The potential also exists for the immediate tailoring of recruiting information to target the needs of prospective applicants (e.g., Dineen, Ash, & Noe, 2002; Dineen, Ling, Ash, & DelVecchio, 2007; Kraichy & Chapman, 2014). For example, after completing a needs questionnaire online, a prospective applicant could conceivably be provided with targeted information about the organization, its benefit programs, and opportunities that addresses their individual needs. Along these lines, Dineen et al. (2007) discovered that customized information about likely fit (combined with good web aesthetics) decreased viewing time and recall of low-fitting individuals, suggesting a means to avoid these individuals of being attracted to the organization. Kraichy and Chapman (2014) found that online recruiting messages focusing on eliciting affect or emotion were more effective at attracting applicants than cognitive/fact-based messages, particularly for those applicants with lower need for cognition. Clearly, customized real-time recruiting approaches are within the realm of existing technologies and have considerable potential for increasing the sophistication and effectiveness of our recruiting practices.

Despite the benefits and efficiencies of online recruiting, a potential downside is that many employers complain about the flood of unqualified applicants that can result from online advertising (Chapman & Webster, 2003; Parry & Tyson, 2008). This deluge of applicants can inflict considerable costs on the organization if the online recruiting process is not accompanied by an effective and efficient screening technology. The importance of integrating efficient screening tools and online recruitment needs to be emphasized to a greater extent in HR practice.

Researchers have also begun to focus more specifically on what makes an effective company website for recruiting purposes (e.g., Allen, Mahto & Otondo, 2007; Cober, Brown, & Levy, 2004; Cober, Brown, Levy, Cober, & Keeping, 2003; De Goede, Van Vianen, & Klehe, 2011; Lee, 2005). Specifically, these authors suggest that website content (e.g., cultural information), appearance (e.g., use of colors and pictures), and navigability (e.g., links to job applications and usable layout) are all important for recruiting purposes. Cober et al. (2003) found that perceptions of the website aesthetics and usability accounted for 33% of the variance in pursuit intentions and 31% of the variance in recommendation intentions. Clearly, investing resources in website aesthetics such as the use of pleasing colors, pictures of smiling employees, and easy-to-navigate functions such as direct links to application forms can have appreciable benefits for recruiting. Recruiting researchers have begun to employ new methodologies to study how applicants experience and navigate websites. For example, eye-tracking technology has revealed that applicants focus on the navigation structure and links of recruiting websites more than other aspects of the sites (Allen, Biggane, Otondo, Pitts, & Scotter, 2013). Schmidt, Chapman, and Jones (2015) demonstrated the use of click-through ratios (the ratio of applicant views to actual job applications submitted) available from network servers to determine the effectiveness of real job ads. A study of Williamson, Lepak, and King (2003) provided another practically important finding. They discovered that setting up a recruiting-oriented website (instead of a screening-oriented website) was associated with significantly higher attraction by prospective applicants.

Applicant Quality as Recruiting Outcome

Traditional recruiting outcomes have been categorized into four major constructs: job pursuit intentions, organizational attraction, acceptance intentions, and job choice (Chapman, Uggerslev, Carroll, Piasentin, & Jones, 2005). Breaugh and Starke (2000) presented a large number of potential organizational goals that recruiters could strive to reach from shortening recruiting processing to reducing turnover. More research is emerging on these additional outcomes. For example, although recruiters have always been concerned about the quality of applicants attracted, few researchers have focused on this area. This area has perhaps become more popular due to the concerns about online applicant quality noted in the technology section. Specifically, Carlson, Connerly, and Mecham (2002) argued that assessing the quality of the applicants attracted is a useful tool in assessing the overall utility of the recruiting/selection system. To this end, they provided a useful assessment framework. This outcome has become an important focus of recruiting research (e.g., Collins & Han, 2004; Schmidt, et al., 2015; Turban & Cable, 2003). Dineen and Noe (2009) showed one way to improve applicant quality is through real-time conveyance of fit information to applicants to discourage weak applicants. Schmidt et al. (2015), in a quasi field experiment, showed that stronger applicants were most attracted to job ads emphasizing what the employer could provide to the applicant (needs/supplies fit) versus emphasizing what the company needed from the applicant (demands/abilities fit). Chapman and Webster (2006), meanwhile, have shown that stronger applicants are most influenced by recruiting practices. Specifically, weak applicants are inclined to apply to most vacancies to maximize their chances of employment, whereas strong applicants can afford to consider the merits of each company before submitting any applications. These findings highlight the importance of considering recruiting strategy and messages for attracting the best applicants.

The Renewed Importance of the Recruiter

A longstanding debate in the recruitment field has examined the role that recruiters play in influencing applicant decisions. Earlier work suggested that recruiters play either no role or a minor one in determining applicant decisions. However, research since 2000 has confirmed that recruiters in fact do play a significant role in applicant job choice (Chapman et al., 2005). In their meta-analytic review, Chapman et al. tested several models to account for how recruiters influence job choice. Their best-fitting model involved job and organizational characteristics as mediators of recruiter influence on attraction and job choice. In other words, recruiters appear to influence job choices by changing applicant perceptions of job and organizational characteristics. Even more importantly, this influence was most pronounced for the best candidates – those with multiple job offers (Chapman & Webster, 2006).

Ironically, there is little guidance in the selection literature regarding how to identify and select individuals well suited for recruiting. Early studies showed that applicants pay attention to and are positively influenced by recruiter behaviors such as being informative and expressing warmth (Chapman et al., 2005) but we know little about individual differences that may be associated with recruiting success. A meta-analysis demonstrated that simple demographic factors (e.g., recruiter sex or race) are not good predictors (Chapman et al., 2005). However, there are potentially many more individual differences such as personality traits and cognitive ability that may predict recruiting outcomes. We believe that more work on individual differences in recruiting success is critical.

Despite the growing role of technology in the recruiting process, most employers and applicants continue to value an opportunity for face-to-face interaction at some point in the recruitment process. Employers who implement effective technology-based screening practices find that their recruiters are freed up from the manual sorting of resumes in order to spend more ‘face time’ with qualified candidates. Interestingly, this is the opposite of what most employers fear when they consider implementing online recruiting and screening processes. Rather than becoming cold, sterile places, employers actually have more time to interact with their top prospects to connote empathy and warmth – exactly the recruiter traits most associated with applicant attraction (Chapman et al., 2005).

Organizational Image and Employer Branding

It is clear that applicants consider the image of an organization as an important factor for evaluating employers. Chapman et al.'s (2005) meta-analysis on organizational image in recruiting found a corrected mean correlation of 0.50 between image and job pursuit intentions, 0.40 for attraction, and 0.41 for acceptance intentions.

A lot of work has emerged on how applicants form images of organizations. One simple mechanism appears to be familiarity. Applicants are generally more attracted to companies that have name or brand recognition (Cable & Graham, 2000; Cable & Turban, 2001; Cable & Yu, 2006; Collins & Stevens, 2002; Turban, 2001), although it should be acknowledged that being familiar and having initially negative views of the organization can have deleterious effects on recruiting outcomes (Brooks, Highhouse, Russell, & Mohr, 2003). Efforts then to invest in becoming more recognized within a targeted applicant population are generally likely to prove useful for organizations. For example, for organizations who recruit primarily on university campuses, sponsoring events attended by students and advertising broadly within the campus community should increase both familiarity and attraction.

Beyond brand recognition, Lievens and Highhouse (2003) suggest that in forming images of organization individuals draw symbolic associations between the organization and themselves. This anthropomorphic approach to conceptualizing organizational image demonstrated that applicants ascribe human personality traits such as sincerity, excitement, competence, sophistication, and ruggedness to organizations (Aaker, 1997; Lievens & Highhouse, 2003). In general, people seem to be more attracted to organizations whose traits and characteristics are perceived to be similar to their own (e.g., Slaughter, Zickar, Highhouse, & Mohr, 2004).

Another approach to organizational image has focused on the issue of corporate social responsibility (CSR), also termed corporate social performance (CSP). Applicants have been shown to take note of CSR information such as an organization's environmental practices, community relations, sponsorship activities, and treatment of women and minorities (e.g., Aiman-Smith, Bauer, & Cable, 2001; Backhaus, Stone, & Heiner, 2002; Jones, Willness, & Madey, 2014; Turban & Greening, 1997). For instance, Greening and Turban (2000) found that organizational CSP appears to influence the attractiveness of a company to applicants, such that all four of the CSP dimensions were significantly related to job pursuit intentions and the probability of accepting both an interview and a job. Aiman-Smith et al. (2001) conducted a policy-capturing study and found that a company's ecological rating was the strongest predictor of organizational attraction, over and above pay and promotional opportunities. These authors and others (see Greening & Turban, 2000; Turban & Cable, 2003; Turban & Greening, 1997) suggest that attraction stems from interpreting company image information as a signal of working conditions – a proxy of 'organizational values' – and applicants develop an affective reaction to these signals which may manifest in being attracted to that organization.

At a practical level, this increased research interest in organizational image is paralleled by the approach of employer branding (Avery & McKay, 2006; Backhaus & Tikoo, 2004; Cable et al., 2000; Cable & Turban, 2003; Cable & Yu, 2006; Lievens, 2007). Employer branding or employer brand management involves promoting, both within and outside the firm, a clear view of what makes a firm different and desirable as an employer. According to Backhaus and Tikoo (2004), employer branding is essentially a three-step process. First, a firm develops a concept of what particular value ('brand equity') it offers to prospective and current employees. The second step consists of externally marketing this value proposition to attract the targeted applicant population. To this end, early recruitment practices have been found to be particularly useful (Collins & Stevens, 2002). The third step of employer branding involves carrying the brand 'promise' made to recruits into the firm and incorporating it as part of the organizational culture. Recent evidence has shown that a strong employer brand positively affected the pride that individuals expected from organizational membership (Cable & Turban, 2003), applicant pool quantity and quality (Collins & Han, 2004), and firm performance advantages over the broad market (Fulmer, Gerhart, & Scott, 2003).

An interesting twist to the employer branding process has emerged from the growth of third-party information about companies posted online (Chapman & Goddolei, 2017). As Van Hoye & Lievens (2007) discovered, potential applicants are particularly influenced by third-party online information which they termed 'Word of Mouse.' Demand for these third-party appraisals has grown considerably over the past few years. For example, the website Glassdoor.com contains hundreds of thousands of appraisals of company attributes such as pay and working environment. This allows potential applicants access to insider information about a particular company culture and working environment that was previously unavailable. This complicates an organization's branding efforts considerably as this anonymous information provided by employees can undermine or bolster branding strategies depending on the congruence between online accounts and the branding message. Given the emerging nature of these third-party sites the validity of the information on them is open to debate. The marketing literature illustrates the potential danger of having this information manipulated by either the employer (posting false positive information) or competitors seeking to undermine the competition by posting false negative information (Luca & Zervas, 2016).

Addressing Aging Populations

Whereas traditional recruiting research has predominantly examined attracting young employees from universities and colleges, looming demographic realities involving a major shift in the age of employees are forcing employers and researchers to learn more about attracting and retaining older workers. Information about attracting older workers has just recently begun to emerge. For example, Rau and Adams (2004) examined the growing area of 'bridge employment' whereby older workers seek out a semi-retirement opportunity. This typically involves part-time employment that can serve to supplement retirement income as well as serve to fill a variety of social and esteem needs in older workers. Emphasizing equal opportunity for older workers, flexible schedules, and pro older worker policies have been shown to interact to improve attraction of older workers (Rau & Adams, 2005). Other suggestions for appealing to older workers include flexible compensation and benefits programs, and job redesign to accommodate and appeal to older workers (Hedge, Borman, & Lammlein, 2006). Clearly, more empirical data are needed to test many of the ideas posited for attracting older workers (Rau & Adams, 2014).

Attracting Temporary Workers

One response to staffing highly volatile work demands has been to rely more heavily on temporary workers, interns, and employment agency employees. This approach represents a significant recruiting challenge as employers often offer lower pay, few benefits, and little training to these temporary workers as compared to core employees. There has been little empirical work examining the attraction of temporary employees; however, research conducted on cooperative education programs shows that temporary employees tend to be attracted to many of the same organizational and job characteristics as full-time employees. Therefore, employers offering better pay, prestige, locations, and opportunities for advancement are likely to be more successful in attracting temporary employees. As many of these employees use internships and temporary work as a stepping stone to full-time employment, employers would benefit considerably from considering their temporary hires as a potential full-time talent pool and treat them accordingly.

Applicant Reactions to Selection Procedures

Although recruitment and selection are often viewed as separate processes, research is increasingly showing that the two processes have considerable interactive effects (McCarthy, Bauer, Truxillo, Anderson, Costa, & Ahmed, 2017). Negative reactions to selection procedures have been shown to correlate with attraction, intent to pursue, job recommendations, and intentions to accept a job offer (see meta-analysis of Hausknecht, Day, & Thomas, 2004). Applicant reactions are a complex phenomenon. For instance, many researchers have emphasized the perceptions of injustice as the primary outcome of applicant reactions (e.g., Bauer, Truxillo, Sanchez, Craig, Ferrara, & Campion, 2001; Gilliland, 1993), whereas others have called for more behavioral outcomes such as effects on attraction and job choice (e.g., Chapman & Webster, 2006; Ryan & Ployhart, 2000). What is well established is that applicants make inferences about organizations based on how they are treated during the selection process. In turn, these inferences might influence how attracted they are to the organization. In designing selection procedures, HR managers should balance their recruiting and selection needs and pay attention to the potential effects that their selection practices can have on applicant attraction and job choice.

DIRECTIONS FOR FUTURE RESEARCH ON PERSONNEL RECRUITMENT

Emphasizing Proactive Approaches

Unlike selection research, which has a rich history of exploring very practical approaches to personnel selection, recruiting research has tended to focus on more distal predictor–attraction relationships. For example, we still lack simple descriptive information on the specific recruiting tactics used by employers. As a result, there is a dearth of research examining the effectiveness of particular recruiting tactics and strategies. The growing body of research on decision processes should help recruiting researchers make informed predictions about the likely success of these specific tactics and provide potential moderators of these approaches. Likewise, incorporating and refining theories of persuasion from social psychology in the recruiting context should provide a rich source of predictions about the crafting of recruitment messages. For instance, studies incorporating the Elaboration Likelihood Model (ELM) can tell us how to craft recruitment messages that are effective for busy job fairs or for quiet deliberation of information from a webpage (e.g., Jones, Schultz & Chapman, 2006; Larsen & Phillips, 2002).

Another example of such a proactive recruiting approach might consist of organizations seeking to maximize fit perceptions in order to enhance attraction. For example, through online assessments it may be possible to identify that an applicant has higher potential person–job fit than person–organization fit. As a result, a proactive recruiting approach would be to emphasize the benefits for person–job fit for that individual throughout the recruiting process. This might involve presenting more detailed information to that individual on job characteristics, tasks, roles, etc. The aforementioned studies of Dineen and colleagues exemplify how such a proactive and customized fit approach might be accomplished in early (web-based) recruitment stages. These studies also go beyond the notion of fit as being a natural process whereby applicants self-select into organizations.

Demonstrating Value to Organizations

To date, recruiting researchers have largely had to rely on logical arguments to demonstrate the value of recruiting to organizations. For example, utility analyses can demonstrate the theoretical return to the company of employing an effective recruiting system over a weak recruiting system (e.g., Boudreau & Rynes, 1985). We can also argue that effective recruiting is necessary in order to generate the types of selection ratios needed to make our selection systems more effective (Murphy, 1986). However, we believe that the time has come for recruiting researchers to capture organization-level outcomes such as firm performance, organizational training costs, and turnover expenditures to more directly demonstrate the utility of recruiting practice in organizations. Along these lines, Breaugh and Starke (2000) provided a comprehensive framework for examining the types of recruiting goals that organizations can align with their overall corporate strategies. For example, as a cost reduction strategy HR departments could design recruiting practices aimed at attracting experienced employees who need little training, thereby saving training costs. Alternatively, a company emphasizing success through teamwork would benefit from recruiting practices that attracted individuals who are comfortable and motivated in team environments. Recruiting materials then would display photos of employees engaged in team-based tasks, advertising outlets could include publications that attract a team focused audience, and benefits and rewards should emphasize rewards for team performance. Other demonstrations of value to organizations can be seen in an exemplar paper by Highhouse, Zickar, Thorsteinson, Stierwalt, and Slaughter (1999) which showed how recruiting image information (i.e., an image audit) can be applied to real-world recruiting issues (in this case, the fast food industry). Understanding how your organization is viewed by potential employees is a first and necessary step toward determining recruiting strategy. Generating effective strategies to address these images (such as hiring popular students to work in your fast food restaurant in order to attract more students) can flow from studying these issues empirically.

Disentangling Content from Method

In order to better determine recruiting effects, researchers are urged to design multiple manipulations for various recruiting tactics. Too frequently, recruiting researchers have single manipulations of information which make it difficult to determine whether the approach to recruiting is driving any observed differences or whether the content of the single manipulation is causing the effects. For example, in designing a study examining the role of a recruiting tactic such as comparing the job opening to a competitor's offering versus a tactic involving simply providing additional information about the company, researchers should endeavor to provide several examples of each manipulation so that the content of the manipulation is not confounded with the tactic. Accordingly, we can gauge the relative effects of the recruiting tactics independent of the job and organizational content used in the manipulation.

Focusing on Job Choice

We know a lot less about behavioral outcomes such as actual job choice than we do about attitudinal outcomes such as attraction, job pursuit intentions, and job acceptance intentions. What is clear from the few studies examining actual job choice is that our traditional recruiting predictors are much weaker in their predictions of behaviors then they are of their predictions of attitudes. We need to pay more attention to multiple outcomes, longitudinal outcomes, and behavioral outcomes if we are to provide organizations with information that will be practical.

OVERVIEW OF KEY RESEARCH FINDINGS IN PERSONNEL SELECTION

In this section, we review recent themes in the personnel selection domain. Due to space constraints, we refer readers to Cook (2016), Lievens and Sackett (2017), Sackett and Lievens (2008), Ryan and Ployhart (2014), and Ployhart, Schmitt, and Tippins (2017) for excellent overviews of the state of the art of personnel selection. Note too that the section below deals mainly with developments with respect to predictor instruments (i.e., selection procedures), even though we acknowledge there have also been substantial developments in the criterion domain.

Improvements in Prediction of Existing Selection Procedures

Many studies attempted to improve the prediction of existing selection procedures. One insight deals with increasing the *contextualization* of sign-based predictors (cognitive ability tests, aptitude tests, and personality inventories). Although contextualization has a history in aptitude tests (DeShon, Smith, Chan, & Schmitt, 1998; Hattrup, Schmitt, & Landis, 1992), more recent studies have experimented with it in personality inventories. Contextualized personality inventories use a specific frame of reference (e.g., 'I pay attention to details at work') instead of the traditional generic format (e.g., 'I pay attention to details') (Bing, Whanger, Davison, & VanHook, 2004; Hunthausen, Truxillo, Bauer, & Hammer, 2003; Lievens, De Corte, & Schollaert, 2008). The meta-analysis of Shaffer and Postlethwaite (2012) summarized this research base and showed that for four Big Five traits (Emotional Stability, Extraversion, Agreeableness, and Openness to Experience) the sizes of validity coefficients of ratings on contextualized personality inventories were at least double those of generalized inventories. Yet, some questions remain. For instance, how far does one need to go with contextualizing personality inventories? Granted, adding an at-work tag is only a start to a full contextualization of personality inventories (e.g., 'I pay attention to details when I am planning my meetings with customers.'). In light of the fidelity–bandwidth trade-off, perhaps the answer is related to what one wants to predict. Narrow contextualized scales might be better predictors of narrow criteria, whereas more generic scales might be better predictors for a more general criterion such as job performance.

A second insight relates to the increased recognition that practitioners should carefully *specify predictor–criterion linkages* for increasing the criterion-related validity of selection procedures. As conceptualizations of job performance broaden beyond task performance to include the citizenship, counterproductivity and adaptive domains it is important for organizations to carefully identify the criterion constructs of interest and to choose potential predictors on the basis of hypothesized links to these criterion constructs. All of this fits in a general trend to move away from general discussions of predictors as 'valid' to consideration of 'valid for what?' Although this idea has already been launched since the taxonomic work on the dimensionality of performance, which revealed that cognitive measures were the most valid predictors of task performance, whereas personality measures were the best predictors of an effort and leadership dimension and a counterproductive behavior dimension (labeled 'maintaining personal discipline'; Campbell, McCloy, Oppler, & Sager, 1993; McHenry, Hough, Toquam, Hanson, & Ashworth, 1990), it has become an established finding (e.g., Hogan & Holland, 2003; Gonzales-Mulé, Mount, & Oh, 2014; Judge & Zapata, 2015).

A third stream of research with considerable value for selection practice is that one should be aware of potential curvilinear relationships between personality traits and *job performance dimensions* (e.g., 'Too much of a good thing'; Le, Oh, Robbins, Ilies, Holland, & Westring, 2011) and of *interactions among predictor constructs*. For example, interactions between Conscientiousness and Agreeableness (Witt, Burke, Barrick, & Mount, 2002), Conscientiousness and Extraversion (Witt, 2002), and Conscientiousness and social skills (Witt & Ferris, 2003) have been discovered. In all of these cases, high levels of Conscientiousness coupled with either low levels of Agreeableness, low levels of Extraversion, or inadequate social skills were detrimental for performance. At a practical level, these results highlight, for example, that selecting people high in Conscientiousness but low in Agreeableness for jobs that require frequent collaboration reduces validities to zero.

Fourth, research has shown that the use of *other reports* in addition to self-reports might improve the prediction of personality traits (Connelly & Ones, 2010; Oh, Wang, & Mount, 2011). For example, Oh et al. examined the meta-analytic validity of observer ratings of personality in work contexts. They found that observer ratings had higher corrected validity (range from 0.18 to 0.32) than did self-ratings (range from 0.05 to 0.22). Moreover, observer ratings displayed incremental validity over self-ratings, although the reverse was not true.

Finally, research is informative as to what practitioners can do when applicants *fake* selection procedures such as personality inventories (and we know they do). Research shows that social desirability corrections should generally not be applied (Ellingson, Sackett, & Hough, 1999; Schmitt & Oswald, 2006). Although faking reduction approaches have been tried out, most of them (e.g., warnings, forced choice formats) had only meager effects (Dwight & Donovan, 2003; Heggestadt, Morrison, Reeve, & McCloy, 2006). One promising approach consists of requiring candidates to elaborate on the ratings provided, although this strategy seems useful only when the items are verifiable (Schmitt & Kunce, 2002; Schmitt, Oswald, Kim, Gillespie, Ramsay, & Yoo, 2003). Another useful intervention consists of using a two-step procedure. In a first stage, potential fakers are identified via a variety of computer-administered measures (e.g., a small sample of regular personality items, bogus items, and impression management scales). If a test-taker's responses exceed a predetermined criterion, (s)he receives a warning message not to fake before receiving the full set of personality items (which also include the initial small set of items). Fan, Gao, Carroll, Lopez, Tian, and Meng (2012) showed that this procedure had a lot of promise (it lowered the scores of people flagged as fakers), although effects on criterion-related validity were not examined. Last, it was discovered that faking does not seem to be a problem when personality inventories are used for selecting candidates (i.e., a selection process with a high selection ratio; Mueller-Hanson, Heggestad, & Thornton, 2003).

The Use of Technology in Personnel Selection

In the last few decades, the face of personnel selection has changed substantially due to the increased use of information technology (Internet) for administering, delivering, and scoring tests (Tippins, 2015). Actually, use of the Internet in selection is nowadays simply a necessity for firms to stay competitive. The efficiency and consistency of test delivery are some of the key benefits of Internet-based selection over computerized selection. Extra cost and time savings occur because neither the employer nor the applicants have to be present at the same location.

The good news is that research generally lends support to the use of the Internet as a way of delivering tests. Both between-subjects (Ployhart, Weekley, Holtz, & Kemp, 2003) and within-subjects studies (Potosky & Bobko, 2004) have provided evidence for the equivalence of Internet-based testing vis-à-vis paper-and-pencil testing. For example, Potosky and Bobko (2004) found acceptable cross-mode correlations for noncognitive tests. Timed tests, however, were an exception. For instance, cross-mode equivalence of a timed spatial reasoning test was as low as 0.44 (although there were only 30 minutes between the two administrations). As a main explanation, the loading speed inherent in Internet-based testing seems to make the test different from its paper-and-pencil counterpart (Potosky & Bobko, 2004; Richman, Kiesler, Weisband, & Drasgow, 1999).

Research with regard to transforming face-to-face interviews to video-conferencing interviews reveals a more mixed picture. Although considerable cost savings are realized from using these technologies, ratings have been shown to be affected by the media used (e.g., Chapman & Rowe, 2001; Chapman & Webster, 2001). The increased efficiency of technology-mediated interviews (e.g., video-conferencing interviews, telephone interviews, interactive voice response telephone interviews) seems also to lead to potential downsides (e.g., less favorable reactions, loss of potential applicants) as compared to face-to-face interviews, although it should be mentioned that actual job pursuit behavior was not examined (Chapman, Uggerslev, & Webster, 2003).

Whereas the previous developments have made rapid inroads, unproctored Internet testing has been more controversial. In this type of testing, a test administrator is absent during test administration (Bartram, 2008). Accordingly, unproctored Internet testing might lead to candidate authentication, cheating, and test security concerns. To date, there seems to be relative consensus that unproctored testing is best suited for low-stakes selection (Tippins et al., 2006). As a possible solution, some organizations have moved toward a two-tiered approach whereby unproctored Internet-based tests of cognitive ability and knowledge are administered for screening purposes only, followed by on-site proctored administration of a parallel test for those passing the online version. Sophisticated verification procedures are then used to examine whether the same person completed both tests, or, alternatively, only the proctored test is used for final hiring decisions. Some organizations combine this two-tiered approach with item response and item generation techniques so that candidates seldom receive the same test items. This requires considerable investments because large databases of questions must be generated and the difficulty level of each item must be determined to ensure parallel tests are generated each time. Once constructed, however, the organization can reap the benefits of unproctored testing and extend the life of the system by making fraudulent activity less damaging. When organizations use these deterrents, large-scale research shows that the amount of cheating on unproctored Internet tests of cognitive ability is often less than typically thought (Lievens & Burke, 2011; Nye, Do, Drasgow, & Fine, 2008).

Personnel Selection in an International Context

The face of personnel selection has changed not only due to rapid technological developments. The globalization of the economy has also considerably affected personnel selection practice and research. This internationalization causes organizations to move beyond national borders, as reflected in international collaborations, joint ventures, strategic alliances, mergers, and acquisitions. One well-known HR consequence of this rapid internationalization is the need to develop selection procedures that can be validly used to predict expatriate success. Research has a long history here (going back to the Peace Corps studies). One of the problems is that the selection of people for foreign assignments has traditionally been based solely on job knowledge and technical competence (Schmitt & Chan, 1998; Sinangil & Ones, 2001). However, a meta-analysis of predictors of expatriate success (Mol, Born, Willemsen, & Van der Molen, 2005) revealed that there are many more possibilities. In this meta-analysis, four of the Big Five personality factors (Extraversion, Emotional Stability, Agreeableness, and Conscientiousness), cultural sensitivity, and local language ability were predictive of expatriate job performance. A problem with the large body of research on predictors of expatriate success is that research has mainly tried to determine a list of (inter)personal factors responsible for expatriate adjustment versus failure (e.g., Mendenhall & Oddou, 1985; Ones & Viswesvaran, 1997; Ronen, 1989). Unfortunately, there is little research on designing a comprehensive selection system to predict expatriate success in overseas assignments.

Another consequence of the increasing internationalization is the need for selection systems that can be used across multiple countries while at the same time recognizing local particularities. This is not straightforward because differences across countries in selection procedure usage are substantial. This was confirmed by a 20-country study of Ryan, McFarland, Baron, and Page (1999). Apart from country differences, differences grounded in cultural values (uncertainty avoidance and power distance) also explained some of the variability in selection usage. Another large-scale study showed that countries differed considerably in how they valued specific characteristics to be used in selection (Huo, Huang, & Napier, 2002; Von Glinow, Drost, & Teagarden, 2002). Countries such as Australia, Canada, Germany, and the United States assigned great importance to proven work experience in a similar job and technical skills for deciding whether someone should have the job. Conversely, companies in Japan, South Korea, and Taiwan placed a relatively low weight on job-related skills. In these countries, people's innate potential and teamwork skills were much more important. We need more studies to unravel factors that might explain differential use of selection practices across countries. In addition, we need to know how one can gain acceptance for specific selection procedures among HR decision-makers and candidates. Clearly, this is complicated due to tensions between corporate requirements of streamlined selection practices and local desires of customized ones.

A final pressing issue for organizations that use selection procedures in other cultures deals with knowing whether a specific selection procedure is transportable to another culture and whether the criterion-related validity of the selection procedure is generalizable. So far, there is empirical evidence for validity generalization for cognitive ability tests (Salgado, Anderson, Moscoso, Bertua, & De Fruyt, 2003; Salgado, Anderson, Moscoso, Bertua, De Fruyt, & Rolland, 2003) and personality inventories (Salgado, 1997) as the criterion-related validity of these two predictors generalized across countries. Research dealing with the criterion-related validity of other selection procedures in an international context is scarce. One exception is a study of Ployhart, Sacco, Nishii, and Rogg (2004) who examined whether the criterion-related validity of various predictors (measures of team skills, work ethic, commitment, customer focus, and cognitive ability) differed across 10 countries. They found that criterion-related validity was largely constant across countries and unaffected by culture.

Unfortunately, no studies have examined conditions that predict when the criterion-related validity of selection procedures will generalize across countries. Along these lines, Lievens (2008) highlighted among others the importance of matching predictor and criteria in an international context. The importance of predictor–criterion matching can be illustrated with assessment center exercises. The dimensions and exercises that are typically used in assessment centers in North America and Europe might be less relevant in other countries. Perhaps, in a high power distance culture, candidates are extremely uncomfortable engaging in role-plays. This does not imply that such exercises will be invalid in these cultures. The question is: Are these exercises indeed relevant for the criterion domain that one tries to predict in these cultures? Empirical research supports this logic. Lievens, Harris, Van Keer, and Bisqueret (2003) examined whether two assessment center exercises were valid predictors of European executives' training performance in Japan. They found that a group discussion exercise was a powerful predictor of future performance as rated by Japanese supervisors later on. The presentation exercise, however, was not a valid predictor. According to Lievens et al. (2003), one explanation is that the group discussion exercise reflected the Japanese team-based decision-making culture.

Another hypothesis put forth by Lievens (2008) is that the predictor constructs (especially cognitive ability) will often be very similar across cultures, but that the behavioral content and measurement of these predictors will vary across cultures. For example, Schmit, Kihm, and Robie (2000) developed a global personality inventory with input from a panel of 70 experts around the world. Although all experts wrote items in their own language for the constructs as defined in their own language, construct validity studies provided support for the same underlying structure of the global personality inventory across countries. This might also mean that ratings in nonpersonality situations such as assessment centers or interviews might be prone to cultural sensitivity because there is ample evidence that the behavioral expressions and interpretations for common constructs measured might differ from one culture to another. Future research should test these hypotheses about possible moderators of the cross-cultural generalizability of the validity of selection procedures.

Going Beyond Validity: Effects of Selection on Firm Performance

Prior selection research usually took a micro-analytical perspective and typically examined the effectiveness of a selection procedure for predicting individual performance. To demonstrate the impact of selection on organizational performance, more recent research has taken a macro-analytical approach (Ployhart, 2006; Schneider, Smith, & Sipe, 2000). In particular, these studies went beyond simply correlating brief reports of HR managers' use of selection procedures with firm performance (e.g., Huselid, 1995; Terpstra & Rozell, 1993) and adopted a truly multilevel perspective to demonstrate that performance at the individual level also translated into differences at other levels (and especially at the organizational level). The general logic underlying most of this research is that human capital emerges out of an interaction of HRM practices (e.g., training, selection) and people's knowledge, skills, abilities, and other characteristics (Ployhart & Moliterno, 2011). One example of this stream of research is the study of Ployhart, Weekley, and Baughman (2006). They showed that individual-, job-, and organization-level mean personality were positively associated with job performance and job satisfaction, whereas job- and organization-level variances were often negatively associated with performance and satisfaction. These results highlight the importance of personality homogeneity at different levels (cf. Attraction–Selection–Attrition framework). Similarly, Oh, Kim, and Van Iddekinge (2015) showed across a large set of firms that personality-based human capital (i.e., organization-level emergence of personality) had effects on key organization-level outcomes such as managerial job satisfaction, labor productivity, and financial performance. The interaction between organization-level mean personality traits (e.g., emotional stability) and smaller organization-level variance in these traits had also beneficial effects on key organizational outcomes. As a last example of this stream of research, Kim and Ployhart (2014) demonstrated how staffing and training influence firm performance under different economic conditions. They demonstrated that training was more beneficial for pre-recession profitability, whereas staffing was more beneficial for post-recession recovery.

Personnel Selection and the Dark Side

In the last few years, the assessment of dark-side traits has increased in importance in both practice and research for several reasons (Berry, Sackett, & Wiemann, 2007). One is the frequency of counterproductive behavior at all organizational levels. Another reason is that organizations are looking for ways to screen people on maladaptive traits early in the selection process. This might be especially important for security personnel, law enforcement agents, employees in nuclear power plants, etc.

Research has advanced in specifying the construct space related to maladaptive traits. Maladaptive traits are then referred to as subclinical versions of three main traits: narcissism, machiavellism, and psychopathy (aka 'the dark triad'; O'Boyle, Forsyth, Banks, & McDaniel, 2012; Spain, Harms, & LeBreton, 2014; Wille, De Fruyt, & De Clercq, 2013; Wu & LeBreton, 2011). Apart from these conceptual issues, a key question is how these dark traits can best be measured in a selection procedure. Due to its increased importance, the assessment of dark-side traits has diversified. Whereas traditionally overt and covert/personality-based integrity tests were employed (see meta-analysis of Van Iddekinge, Roth, Raymark, & Odle-Dusseau, 2012), conditional reasoning tests (James, McIntyre, Glisson, Green, Patton, & LeBreton, 2005) represent now also viable alternatives. Conditional reasoning tests are based on the notion that people use various justification mechanisms to explain their behavior, and that people with varying dispositional tendencies will employ differing justification mechanisms. The basic paradigm is to present what appear to be logical reasoning problems, in which respondents are asked to select the response that follows most logically from an initial statement. In fact, the alternatives reflect various justification mechanisms. James et al. present validity evidence for a conditional reasoning measure of aggression. Other research found that a conditional reasoning test of aggression could not be faked, provided that the real purpose of the test is not disclosed (LeBreton, Barksdale, Robin, & James, 2007).

So far, a problem is that conditional reasoning tests have been developed for a limited set of traits (especially aggressiveness). Therefore, the measurement of dark traits still represents a challenge for both researchers and practitioners. Apart from integrity tests and conditional reasoning tests, researchers have also started examining the viability of measuring implicit motives (Lang, Zettler, Ewen, & Hulsheger, 2012) and using implicit association tests (Uhlmann, Leavitt, Menges, Koopman, Howe, & Johnson, 2012).

DIRECTIONS FOR FUTURE RESEARCH ON PERSONNEL SELECTION

Toward a Modular Approach to Personnel Selection Procedures

In the past, selection procedures were seen as monolithic entities. There is now increased recognition to make a clear distinction between predictor constructs (content) and predictor measures (methods). Content refers to the constructs and variables (e.g., conscientiousness, cognitive ability, finger dexterity, field dependence–independence, reaction time, visual attention) that are being measured. Methods refers to the techniques or procedures (e.g., paper-and-pencil tests, interviews, assessment centers, work samples, self-reports, peer reports) that are used to measure the specified content (Arthur & Villado, 2008). For example, a specific construct such as Extraversion might be measured via various methods such as interview questions, self-report items, or situational judgment test items.

Although there exist various taxonomies related to predictor constructs (e.g., Big Five), less is known about the key underlying factors of predictor methods. Therefore, Lievens and Sackett (2017) developed a framework of seven predictor method factors (aka the 'Super Seven'): stimulus format, response format, stimulus presentation consistency contextualization, information source, response evaluation consistency, and instructions. They then argued in favor of a modular approach to personnel selection that breaks down a selection procedure into smaller components (namely these seven 'building blocks'). Or in other words, a selection procedure is then no longer a monolithic entity but an assemblage of these loosely coupled and relatively independent building blocks.

Such a modular approach has various conceptual and practical merits. First, it leads to greater insight into the workings of each of the separate components because the isolated impact of these components is examined on key selection outcomes. For example, when one focuses on a holistic selection procedure such as an assessment center, it is difficult to determine why it leads to valid predictions of future performance. It might be because the assessors are well trained, the exercises are contextualized, or because the response format is not closed-ended. Conversely, if one examines the effect of one component such as response format (while keeping all the others factors constant), one might determine whether an open-ended (as compared to a closed-ended) response format leads to better predictions. Second, a modular approach creates more integration and cross-fertilization across different selection procedures because these components cut across various selection procedures. Returning to the example below, suppose one finds that open-ended response formats lead to better predictions and thus higher validity; such an insight might inform a variety of selection procedures such as assessment centers, work samples, interviews, etc. As a key practical benefit, a modular perspective permits developing a myriad of new selection procedures by 'mixing and matching' different building blocks. That is, one might design a new 'hybrid' selection procedure by changing one or more building blocks of an existing selection procedure or by flexibly recombining them. For example, one might invest in higher levels of response-scoring consistency or more contextualization when designing an interview. Such changes might be made to improve reliability, validity, applicant perceptions, and/or reduce costs and subgroup differences. This ability to adjust building blocks leads to increased agility in (re)designing selection procedures, which serves as catalyst for innovation and change.

Social Media and Personnel Selection: New Talent Signals?

Social media such as Facebook, LinkedIn, and Twitter now play a predominant role in modern life. Social media can be defined as Internet-based operations based upon Web 2.0 that allow users to generate and exchange their own content (Kaplan & Haenlein, 2010; McFarland & Ployhart, 2015). There has been growing interest among companies to screen and evaluate individuals' social media profile and messages (if given permission by the individuals involved) as a novel and additional source of information for recruiters to make decisions about whether or not to hire a person. This practice of using social media in selection (aka 'cybervetting') has the potential to revolutionize the field of employee selection (Chamorro-Premuzic, Winsborough, Sherman, & Hogan, 2016; Landers & Schmidt, 2016; McFarland & Ployhart, 2015; Roth, Bobko, Van Iddekinge, & Thatcher, 2016). For instance, Roth et al. posited: 'We believe this is a somewhat rare moment in the human resources literature when a new class of selection methods arrives on the scene' (2016, p. 269).

What are the opportunities in using people's social media information in selection? One potential benefit is that the information that people voluntarily provide about themselves on social media is often extensive (Park et al., 2015; Yarkoni, 2010). Importantly, research further shows that social media users present not only just idealized versions of themselves but also their true selves (i.e., the 'least common denominator self,' Back et al., 2010; but see also Marder, Joinson, Shankar, & Thirlaway, 2016) because social media are 'masspersonal' in that people's social media messages are targeted toward multiple audiences and relational contexts (e.g., friends, family, employers; Carr, 2016). Accordingly, it has been argued that it is more difficult to engage in targeted impression management than in traditional selection procedures. Finally, from a utility point of view, screening information about people's characteristics from social media is regarded to be relatively low cost as compared to other more traditional selection methods.

Despite these opportunities, the use of social media in employee selection also involves important risks and challenges (Davison, Bing, Kluemper, & Roth, 2016; Roth et al., 2016). A first challenge deals with the lack of standardization because the content (the kind of information people self-disclose on social media) might differ across applicants. Social media might thus provide abundant information for some people but little information for others. This lack of standardization complicates the task for recruiters to provide reliable ratings across people (Kluemper, Rosen, & Mossholder, 2012; Lievens & Van Iddekinge, 2015). A second challenge is that the information about people on social media might often be job-irrelevant and that people might not represent themselves honestly on social media, thereby raising doubt whether reliance on people's social media content enables valid predictions to be made about work-related criteria. As a third key challenge, personal information (e.g., ethnicity, religion, political affiliation, disability status) can often be found on social media that current legislation does not allow companies to use for making hiring decisions (Roth et al., 2016; Van Iddekinge, Lanivich, Roth, & Junco, 2016). Once recruiters are exposed to such information it may be difficult for them to ignore it, thereby reducing fairness. In addition, screening social media pages might be seen as a privacy violation (Davison, Maraist, & Bing, 2011; Stoughton, Thompson, & Meade, 2015). These reliability, validity, and fairness challenges are further complicated by the fact that scientific research on the use of social media in employee selection is virtually nonexistent (for an exception, see Van Iddekinge et al., 2016).

Taken together, the use of social media in employee selection creates tremendous opportunities, while at the same time posing huge challenges, as summarized by the following quote from Landers and Schmidt:

> In the selection context, people provide a great deal of information about themselves via their online behaviors within such software, and these online behaviors can be observed, captured, and acted upon by employers. What remains unclear for both researchers and practitioners is what that information truly represents. (2016, p. 5)

Thus, there is a pressing need to tackle these challenges in a theory-driven, interdisciplinary, and evidence-based way. At a practical level, future research is needed to provide evidence-based recommendations to make these new talent signals less weak and 'noisy' (i.e., more reliable and valid; Lievens & Van Iddekinge, 2015). As one such recommendation, organizations should at least determine beforehand which signals are indicators of well-known individual differences such as cognitive ability, knowledge, interests, personality, or motivation (Roth et al., 2016). Another recommendation might be to use a combination of judgment-based (e.g., use of thoroughly trained recruiters; Kluemper et al., 2012; Van Iddekinge et al., 2016) and mechanically based (e.g., machine-learning approaches such as computational linguistics; Kosinski, Stillwell, & Graepel, 2013; Park et al., 2015; Youyou, Kosinski, & Stillwell, 2015) approaches for scraping job-relevant social media information.

Gamification and Personnel Selection

One of the attractive points of Situational Judgment Tests (SJTs) is that they present a series of realistic situations to applicants. However, SJTs are typically static and linear. Therefore, more realistic stimulus formats (e.g., 2D animated, video-based, 3D animated, avatar-based), branched/nonlinear formats, and webcam response formats have been developed (Fetzer & Tuzinski, 2013; Kanning, Grewe, Hollenberg, & Hadouch, 2006; Lievens, De Corte, & Westerveld, 2015). Similarly, gaming principles in selection 'aka serious games') have been adopted to lead to even higher realism and an even more engaging experience for applicants (and especially for millennials). Werbach and Hunter (2012) referred to gamification as the process in which features of games are 'embedded into activities that are not themselves games' (p. 27). To bring order in the diversity of game features, Bedwell, Pavlas, Heyne, Lazzara, and Salas (2012) developed a taxonomy of nine elements of gamification: action language (how the player communicates with the system), assessment (feedback given to the player), conflict/challenge (the difficulty, problems, and uncertainty presented), control (degree of interaction and agency the player has), environment (presentation of physical surroundings), game fiction (fantasy and mystery in the story and world), human interaction (human-to-human contact), immersion (player's perception of immediacy and salience), and rules/goals (clear rules to attain goals).

Due to their interactive and nonlinear nature, gamified assessments challenge conventional approaches for scoring and for subsequently examining the reliability and validity of the scores obtained (e.g., construct-related and criterion-related validity). A comparison with traditional selection approaches is also not straightforward. One useful starting point for future research might be to establish evidence-based or theory-based links between the game's features (see the list above), candidate actions, and the job-related constructs that are the focus of the selection procedures. We also need to examine how people's performance in games is related to established constructs such as cognitive ability. For example, Unsworth, Redick, McMillan, Hambrick, Kane, and Engle (2015) found little evidence that playing video games leads to enhanced cognitive abilities. Clearly, gamification will take prime place on the agenda of researchers and practitioners in the years to come.

Big Data Analytics in Personnel Selection

When Deep Blue II beat chess grandmaster Garry Kasparov in 1997, the writing was on the wall. Since then, the computational power of PCs has exponentially increased, vast amounts of digitally collected data have become available, and the software packages for analyzing those data have become evermore sophisticated. This has culminated in the 'Big Data' movement, which is regarded as one of the biggest trends of the last few years (Shah, Cappella, & Neuman, 2015).

Big Data include a combination of four dimensions: volume, velocity, variety, and veracity. Clearly, capitalizing on those dimensions opens a window of opportunity for personnel selection. In one of the prior sections, for instance, we have already referred to the use of Big Data for examining and demonstrating the effects of hiring and selection practices on organization-level performance indicators. In addition, the Big Data movement can also be fruitfully applied for improving existing selection procedures. One example that we discussed above consists of the use of machine learning for scraping job-related information from people's social media pages. Other examples are the use of text analytics for scoring accomplishment records (e.g., Campion, Campion, Campion, & Reider, 2016) or the reliance on social sensing for extracting nonverbal information from interviews or assessment center exercises (Schmid Mast, Gatica-Perez, Frauendorfer, Nguyen, & Choudhury, 2015). In the next few years, we expect applications and investigations of the use of various forms of Big Data analytics in personnel selection to exponentially increase, allowing researchers and practitioners to address novel questions and/or find new answers to old questions.

CONCLUSION

At the start, we mentioned that personnel selection is typically viewed as an 'old' and 'narrow' domain in HRM. In addition, it is often viewed in rather simplistic dichotomous terms. One of the aims of our review was to illustrate the various exciting developments that have taken place in this field in recent years. As demonstrated, many of these developments have substantial value for HR practitioners working in organizations. However, this is only one side of the equation. An equally vital issue is to implement these developments in organizations. One challenge is to overcome the stubborn overconfidence personnel selection decision-makers have in their own judgment (Kausel, Culbertson, & Madrid, 2017). Another related stumbling block is the lack of awareness of these new trends. For example, it was telling that a survey among HR professionals revealed that two of the greatest misconceptions among these professionals dealt with personnel selection, namely the relative validity of general mental ability tests as compared to personality inventories (Rynes, Colbert, & Brown, 2002).

Therefore, future research is needed to uncover factors that encourage/impede organizations' use of selection procedures. For example, Wilk and Cappelli (2003) showed that (apart from broader legal, economic, and political factors) the type of work practices of organizations was one of the factors that might encourage/impede organizations' use of selection procedures. Specifically, organizations seem to use different types of selection methods contingent upon the nature of the work being done (skill requirements), training, and pay level.

In a similar vein, we need to find out ways to sell selection practices to practitioners and to overcome potential resistance (Muchinsky, 2004). Probably, the provision of information about the psychometric quality and legal defensibility of selection procedures to decision-makers in organizations is insufficient. An alternative might consist of linking the adoption of sound selection practices not only to validity criteria but also to organization-level measures and Big Data analytics (annual profits, sales, or turnover; see the section 'Going Beyond the Validity of Selection Procedures'). Another way might be to use more vivid information (case studies) to persuade decision-makers. However, even this way of communicating selection interventions to practitioners might fail. Along these lines, Johns (1993) posits that we have typically placed too much emphasis on selection practices as *rational technical* interventions and therefore often fail to have an impact in organizations (e.g., attempts to 'sell' utility information or structured interviews). Conversely, practitioners in organizations perceive the introduction of new selection procedures as *organizational* interventions that are subject to the same pressures (power games etc.) as other organizational innovations. Although Johns' article dates from 1993, we still have largely neglected to implement its underlying recommendations.

One possible approach to improving the use of scientifically validated recruiting and selection procedures is through the increasing professionalization of the field of HR. As more organizations insist on hiring HR personnel with professional training and credentials, the greater the likelihood that research-based practices will be valued and adopted in organizations. For example, Chapman and Zweig (2005) and Lievens and De Paepe (2004) found that trained interviewers were much more likely to practice structured interviews than their untrained counterparts. We are also hopeful that ongoing learning through professional development requirements for maintaining professional credentials will further infuse and update practice in the field. Likewise, it is necessary for researchers and instructors to engage the professional community to ensure that the research we are conducting is both relevant and timely.

EPILOGUE

The central question of this chapter was: '*Which have been key themes in recruitment and selection in the last years*?' Our review highlighted many common areas of interest between recruitment and selection. Examples include the increased use of technology, social media, and gamification. Due to these developments it also becomes apparent that the distinctions between recruitment and selection have become more blurred and that both domains have become part of the daily life of people (Ployhart et al., 2017). Whereas in the past people applied for a job and physically went to a consultancy firm or company to take tests and interviews, these activities are now often interwoven into daily (online) activities.

Another common thread running through our review is that we still have difficulty in putting across our message that recruitment and selection matter to the organization. In both recruitment and selection, we need to find ways of demonstrating the value of recruiting and selecting to organizations. In recruitment, this might be done by developing frameworks for assessing the quantity and quality of the applicant pool. In selection, a macro-oriented (multilevel) approach should be given full attention for showing the effects of selection procedures on individual, group, and organizational outcomes.

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9

Training, Development and Skills

Irena Grugulis

INTRODUCTION

It is difficult to argue against the merits of training and development. They add to employees' earnings, limit their chances of unemployment (and their chances of long-term unemployment), provide access to more interesting and higher status jobs and, when supported by formal qualifications, enable employers and employees to find each other more readily. For employers, providing training reduces their dependence on the outside labour market so they run less risk that, when skills are required, they will not be available (or will not be available at the price the organisation is prepared to pay). Training and development may also support productivity and high-quality production and send a key symbolic message to staff: literally that their employer values them and is investing in their future. At a national level, countries that invest more in their education systems, as well as vocational education and training, compete more effectively in knowledge-intensive industries.

So far so positive. Small wonder then that training and development are the litmus test of human resource management, HRM (Keep 1989). In the fraught and contentious literature on 'Best Practice HRM', 'High Commitment Work Practices', 'High Involvement Management', 'High Performance Work Systems', 'High Commitment Management' or 'High Performance Practices' training is the only constant, the only practice that appears on all best practice lists (Grugulis and Stoyanova 2011). When companies train and develop their staff other HR practices make sense. Skilful trained and developed staff will contribute more to decision-making and problem-solving, should be rewarded for the contribution they make to the firm and are likely to make better use of discretion in their work.

There is suitably robust evidence to support each of these links and, through them, all parties to the employment relationship can benefit: employees, employers, trade unions, professional bodies, employer organisations and the state. There seems little question but that the state should support training, firms should provide it and individuals should pursue it. Such is the consensus on the positive impact that training and development have that it might be anticipated that the provision of, and participation in, vocational education and training (VET) is high and rising. After all, since all parties benefit from VET it makes sense to organise it, enrol on it and participate in it. Yet even a cursory glance at the realities of working lives and working labour markets demonstrates that this is not necessarily the case.

In absolute terms training levels are falling. In the UK the volume of vocational training fell by half between 1997 and 2012 (Green et al. 2013), a fall that pre-dated the recession. Quality is tenuous, with some training involving only watching a short video (Leidner 1993) and much provision is at low levels. Or, as Keep (2015) puts it, too few employers are offering training, too few individuals are able to access it, and much of the training on offer is of questionable quality. Given the positive outcomes observed above this might seem illogical, but it is not. While training and development can and do have an extremely positive impact, not all jobs require training and development, and not all training and development are developmental.

The issue that so many commentators forget, when writing about the merits of training and development, is that training is a derived demand (Performance and Innovation Unit 2001) or a third-order issue (Keep and Mayhew 1999). In other words, organisations are not established with the primary purpose of devising the best, most rigorous, most developmental training activities for their staff. They are set up to make a profit or provide a service. The route to profitability or efficiency may require highly skilled and knowledgeable staff, as in the production of luxury cars or the provision of cutting-edge professional advice (Starbuck 1993). Where this is the case training and development, mentoring and skills support are likely to be key elements of firm practice. But not all organisations choose to compete on the basis of skills, knowledge and quality. Many extremely successful companies compete by routinising or automating work, limiting the skills that employees require or can exercise. So McDonald's bells, buzzers and lights, work routines and pre-prepared foods serve to restrict employees' discretion in an attempt to 'employee-proof' jobs (Ritzer 1996; Royle 2000), insurance sales may be boosted by the use of scripts (Leidner 1993) and call centre technology shapes and controls work (Taylor and Bain 1999).

There are two central points here. The first is that not all training is equal. Training varies by type, quality, rigour and relevance to skill. The second is that the nature of work varies. Put simply, the training required depends on the work that people do. Not all jobs are developmental, or skilful, or knowledge-based, nor do they include areas of discretion or responsibility. Some may, while others demand only the exercise of a very limited range of skills to achieve a narrow set of tasks. Any evaluation of training depends heavily on what that training consists of and what job the trainees are doing or will do.

This chapter, rather than eulogising the practice of training and development as an undifferentiated whole, interrogates it carefully. It argues that, if our focus is on skill levels rather than activity levels, it would be more helpful to classify training by content and distinguishes between four different types of training: developmental, administrative, soft skills, and information and communication. It goes on to examine the nature of jobs and the way skills are matched and mismatched within these. It argues that the current problem is not lack of skills but lack of skills use, for the last few decades' participation in both education and VET has risen, but this has not been matched by growth in the skills needed by jobs.

WHAT IS TRAINING?

Training is not generic. In the warm glow of positive affirmations that surround the practice of training it is easy to forget that the term covers a heterogeneous range of activities which vary in content, rigour, relevance and value. Surprisingly, while there is a good deal of debate within HRM on assessing the value of training, evaluating training courses (Kirkpatrick 1959a, 1959b, 1960a, 1960b) and ensuring that training needs are assessed adequately there is little on differentiating types of training by content or contribution to skill (though see Grugulis 2007). Indeed, much of the way that training is assessed actively challenges such differentiation by its focus on style over substance. Post-training evaluations encourage people to comment on the tutor, the course activities and their pleasure in participation far more frequently than they require feedback on content or skill changes.

At national level, statistics conflate a wide range of training activities. The UK's Labour Force Survey includes learning activities undertaken at home or for hobbies, such as reading a car manual, as well as work-based development and fails to distinguish between them (Brinkley and Crowley 2017). There may, of course, be many reasons why researchers may be interested in the general learning activities that people undertake. These can reveal insights into psychological health, confidence or willingness to tackle new topics. But such outside activities tell us little about skills development at or for work.

Not only is it important to differentiate between training undertaken at work, training undertaken *for* work and non-work-related training, it is also important to differentiate between different *types* of training. In the USA and the UK, for example, the most common types of training are induction and health and safety (Cappelli 2015; Vivian et al. 2016). These are useful. It is necessary for workplaces to be safe, for organisations to follow legal requirements and for new recruits to be told what colleagues do, how work processes operate and where they can go for lunch. Such types of training should not be discouraged, but they do little to improve, maintain or develop skills, nor do they affect the way work is organised or experienced.

It would be helpful then, to know not only whether training is provided at work and by employers, but also what that training involves. Here, existing classifications are helpful, but limited. They distinguish between on- and off-the-job training, between training offered by internal or external suppliers, and between training that is linked to a qualification and training which is not. This can be useful, but it fails to address the fundamental question of what the training does and what it is for.

Accordingly here, this chapter puts forward a framework for analysing work-related training by dividing it into four different types: developmental, administrative, soft skills, and information and communication. Each has a different focus and different implications for the workplace.

Developmental training instils and cultivates skills. To become a fully qualified accountant trainees undergo three years of training, combining work with professional study linked to a series of professional examinations. The qualification, and even parts of the qualification, add substantially to earnings (Anderson-Gough, Grey and Robson 1998). At craft level the rigorous German apprenticeship offers two to four years combining college-based study and work-based practice (Bosch 2010; Thelen 2004). This, then, is what might be called *developmental* training. Such robust, skills-based training has a clear impact on the contribution people can make in the workplace and the way companies compete.

The next type of training is *administrative training*. Under this classification come activities such as induction, health and safety, familiarity with workplaces, routines and colleagues. Much of this provision is statutory, such as health and safety, fire safety and computer safety. In this category comes content that is necessary and useful but which does not materially impact individuals' skills nor affect the way that organisations compete.

Third comes training in *soft and social skills*. Service sector work often focuses on soft or social skills (Hochschild 1983; McDowell 2009). Soft skills training covers a wide range of areas. Workers can be trained in managing their feelings and, through these, their behaviour towards customers. Hochschild (1983) describes the way that flight attendants were taught to imagine that unpleasant customers were children or had recently been bereaved. Other workplaces may train employees to pitch their voice well over the telephone (Callaghan and Thompson 2002), adjust their appearance to suit the company image (Warhurst and Nickson 2001), demonstrate proper etiquette for corporate hospitality (Anderson-Gough et al. 1998) and rapidly establish rapport then disengage (Korczynski 2002). Soft skills provision may focus on groups, as well as individuals, fostering a particular type of company culture (Grugulis, Dundon and Wilkinson 2000) or enlivening dull and routine jobs with 'fun' activities (Kinnie, Hutchinson and Purcell 2000).

Then there is training that takes the form of *information and communication*. This can be a useful way of passing on news about what is happening in the company, or telling workers about new initiatives or products. So Weeks (2004), in his ethnographic study of a retail bank, describes the weekly meetings at which management would brief workers on head office initiatives, products to focus on selling and legislative changes.

Significantly, two categories of training, developmental and soft skills, concentrate on (varying forms of) skills development. It is training in this area that has the potential to impact pay, career ladders, work organisation or levels of discretion and responsibility. The other two categories of training, administrative and information and communication, are more focused on *maintenance*. These are necessary for the organisation to function but do little to change or develop employees' skills.

Classifying training in this way highlights its *purpose* rather than the mode of delivery and each category of training may be presented through a variety of formats. So, for example, a lawyer may learn about legal cases and putting arguments in university, studying formally in the classroom and gaining a certificate at the end of their studies; film sound recordists may borrow equipment not being used in filming to develop their technique in their free time (Grugulis and Stoyanova 2009); and photocopier technicians may engage in problem-centred conversations, discussing the idiosyncrasies of individual machines and the ways these could be repaired (Orr 1996).

Over time, shifts in business strategy or ownership may result in changes in emphasis on training courses. When one metropolitan borough outsourced its housing benefit processing the private sector company which took over aimed to save costs by automating the work and changing workers' jobs to involve lower-level customer-facing reception work rather than skilled benefits assessment. It altered its training courses, reducing the focus on the nature of benefits, legal requirements and processing, and introducing more on soft skills and personal presentation (Grugulis, Vincent and Hebson 2003).

This framework also allows analysis to distinguish between training undertaken because skills are required in work and that provided for other reasons. Training may even be a means of avoiding work. Woodcock describes the 'buzz sessions' at the call centre he worked at:

> Each shift began by gathering all the workers together for a motivational session. We would pack into the small side room attached to the break area. Most of the workers squeezed along rows of worn sofas, the last to arrive stood awkwardly by the exit. These buzz sessions involved a range of staged 'fun' activities. The most common were alphabetical rule games. For example the 'going on

> a picnic' game. This involves a hypothetical picnic [where] the supervisors devise a rule for what you can bring. Each of the workers then asks if they can come with an item, receiving a yes or no in response. One by one the workers have to continue asking until everybody is accepted onto the picnic. The rules ranged from the simple (the same colour) to more complex alphabetical ordering. For example, the first letter of the item must start with the same first letter as the name of the person to the left. It is not clear what this has to do with sales, but the supervisors enjoyed watching workers squirm as they failed to guess. (2017:74–75)

In Woodcock's call centre, novices were trained in the products being sold, the legal context and the use of the call centre equipment before being allowed to make calls. Once they started in work, additional training served as a means of introducing 'fun' into jobs which were dull and routine (see also Kinnie et al. 2000). But it could also be a means of temporarily removing inexperienced workers from the front line. Team supervisors received bonuses based on sales, but these bonuses were withheld when error rates rose above 10 per cent. Bonuses represented a significant proportion of supervisors' earnings so if error rates were dangerously high close to the end of an accounting period, novices (who were more likely to make mistakes) were taken off the phones and given additional training on sales technique or made to participate in buzz sessions for whole shifts. Keeping novices away from the phones in this way made it more likely that supervisors would receive their bonuses.

These examples demonstrate some contrasting uses of training. On-the-job mentoring clearly contributes to developing technical skills so that staff can work on cutting-edge tasks. Changes in training may directly reflect changes in business strategy, the restructuring of jobs and the way an employer chooses to compete, while buzz sessions may be used as an excuse to get novices away from the phones and secure supervisors' bonuses.

Classifying training in this way should also enable commentators to get to grips with the issue of training quality. This can be a major problem. In the UK more than half of apprenticeships last less than a year (NationalAuditOffice 2012) compared to the Continental norm of two to four years, and more than 20 per cent of employers admitted they provided no training whatsoever for their apprentices (UKCES 2015). In the USA, when construction employers were no longer obliged to work with trade unions developing VET programmes, pressure to ensure trainees were immediately employable meant quality reduced (Bilginsoy 2003).

The lesson is fairly clear. Training can, as most HRM textbooks assert, contribute to the way that a business works, influencing strategy and developing employees. It can also be a diversion from the main business of business. Appreciating the difference between these, and understanding the various types of training that exist, will help far more with understanding organisational strategy than positive training evaluations or measuring the duration of courses.

WHAT IS HAPPENING TO WORK?

Any discussion of skills and training would be incomplete without some consideration of jobs. The way that work is designed and controlled, the skills demanded of employees and the routines which limit or support those skills are all key to any account of training. In many accounts of HRM the focus is on knowledge-intensive jobs and the knowledge economy. These are seen as pivotal. Such an emphasis is hardly surprising. Governments are keen to support their knowledge-intensive industries to secure future prosperity; individuals in knowledge-intensive, 'symbolic analyst' (Reich 1991) roles are likely to enjoy high pay, status and interesting work, and organisations may compete on the basis of superior skills, knowledge and innovation.

However, while knowledge-intensive jobs attract a good deal of attention and while they may be desired by all of the parties to the employment relationship, labour market realities are much more mundane and most jobs are simply not knowledge intensive. Low-paid and low-skilled work dominates the labour market. In the USA 32 per cent of workers earn below two-thirds of the median hourly wage (Howell, Azizoglu and Okatenko 2012:2). In the UK the figure is 22 per cent (Mason, Mayhew and Osborne 2008:15). The consultants, lawyers, analysts and architects who help to make up the knowledge economy are important, but they are more than outnumbered by cleaners, carers and caterers.

Accordingly, this chapter will focus, not on the knowledge-intensive elite, but on the labour market as a whole and the way skills are used or neglected. It will argue that while individuals have been acquiring additional skills and qualifications, jobs have failed to keep pace, with the result that many qualified and able employees find their skills *under*-utilised at work.

When we consider the labour market as a whole the key problem that emerges is the disjuncture between skills possessed by individuals and those demanded by the jobs they are hired to do. Individuals' skills and qualifications are rising. People stay in education longer, are more likely to leave with qualifications, and are far more likely to stay on to tertiary education. These are all extremely positive developments. However, while job skills are also rising they are not rising as quickly as individual skills. According to Harris (1949), education started to outstrip workplace demands after the Second World War, a process which has gathered pace in recent decades.

In the UK the scale of this mismatch is severe. In 2012 only 1.5 million economically active individuals held no qualifications, but they were outnumbered nearly four to one by the 5.9 million jobs that required no qualifications. At the other end of the scale highly qualified individuals more than outnumbered the jobs available for them to do, with 8.2 million qualified to degree level or above but only 6.8 million jobs requiring a degree on entry (Felstead and Green 2013). The position in the USA is similar. According to Pietrykowski (2017:5), 39 million workers are employed in five low-wage service sector occupations: sales, food preparation/service, building/grounds maintenance, personal services and healthcare support. This is nearly as many as all of the knowledge-based and creative class combined.

Because qualified people significantly outnumber jobs which require skills and qualifications, many find that their skills are under-utilised at work. The increasing numbers of qualified workers available means that employers can hire highly skilled people to take on work which, in the past, would have been undertaken by school-leavers or unskilled workers. In Wisconsin 60 per cent of parking lot attendants possess a college degree (Levine 2013). More than 70 per cent of the graduates working in hotels, retail and hospitality report that their skills were under-utilised (Felstead and Green 2013:11). Purcell and Elias (2015) observed that, three years after graduation, 12 per cent of graduates were unemployed, a further 20 per cent had experienced at least one period of unemployment, and 32 per cent were not in a graduate job. In total, 64 per cent of their respondents were underemployed, not using their skills, or had experienced unemployment. In other words, there is a substantial underuse of graduate skills (Mayhew and Holmes 2016) with corresponding wage penalties for the graduates involved (Cappelli 2015).

This problem is not confined to graduates. In the UK, at every level of qualification the supply of qualified workers exceeds the number of jobs available (Felstead and Green 2013:10). Just under a third of the workforce reported that their skills were under-utilised in 1986, rising to nearly 40 per cent by 2006 (Felstead et al. 2007). The overall figure fell slightly in 2012 but in some areas was acute. Young workers' skills were more likely to be under-utilised, as were those employed part-time, in hotels, hospitality and retailing or in arts entertainment and recreation (Felstead and Green 2013:11–12). Discrimination may play a part in this: there are higher levels of skill under-utilisation among black and Hispanic workers in the USA (Jensen and Slack 2002) as well as recent immigrants to Canada (Livingstone 2017), though Felstead and Green (2013) found that white informants were *more* likely to have their skills under-utilised.

Given that the two areas with most dramatic under-utilisation of skills are both in services, it is possible that the dominance of the service sector may exacerbate this mismatch (Grugulis 2017). In manufacturing, where much of the existing research into training is located, jobs tend to be full-time, unionised and male-dominated. Career pathways and qualifications have been developed to facilitate progression between jobs. Skills are valued and high-skill, high-quality, small-batch manufacture is presented as a strategic alternative to competing on the basis of routinized mass production (Arthur 1999; Sorge and Streeck 1988).

It is not clear that the service sector operates in the same way. Jobs are more likely to be held by women and it is here that many flexible jobs, from traditional part-time work in retail and restaurants to the new 'gig' economy, are located. Highly skilled service occupations are very different to low-skilled jobs with few pre-set career paths leading from one to another (one exception to this is the NHS's Skills Escalator programme, designed to facilitate career progression, see Cox et al. 2008). Service companies may also offer less training than those in manufacturing (Eichhorst and Marx 2009).

More fundamentally, the link between quality and skill that exists in manufacturing is less clear in the service sector. Frenkel (2005) argues that, while *standardised* service work does involve low skill and low pay, *customised* work demands higher skills and earns higher pay (see also Boxall 2003; Boxall and Purcell 2016). However, Rubery and her colleagues' (2004) study of call centre work showed that pay varied by employer choice rather than skill level, and Lloyd's (2005) research into fitness instructors argued that higher-quality gyms gained their status from the buildings, equipment and additional facilities provided rather than the skills of their staff. Cleaners working for upmarket hotels were expected to spend longer bringing rooms up to a higher standard, but pay and skill levels were little different to those in mid-range hotels and again the principal difference between types of hotel lay in the buildings, rooms, facilities and services, rather than the skill levels of staff (Lloyd, Warhurst and Dutton 2013). It seems that, in much of the service sector, high quality may mean more, and more attentive, low-skill workers to assist the customer, rather than qualitatively distinct high-skill service (Ashton, Lloyd and Warhurst 2017).

Service sector skill is a contentious topic. Many low-skilled jobs which cannot be further deskilled 'because they already call for so little skill' (Rose, Penn and Rubery 1994:8) exist in the sector and pay is bifurcated between high-wage and low-wage segments (Pietrykowski 2017) – which seems to support the idea of an hourglass economy (Nolan and Slater 2003) where skills and pay are polarised. However, in contrast to manufacturing where many tasks have been automated, eliminating many low- and intermediate-level jobs, 'high-touch' service sector work is extremely hard to automate. Bathing elderly clients, supervising children at play after school and checking night club patrons for weapons or drugs all require person-to-person, 'high-touch' attention (McDowell 2009). Moreover, there has been a growth, rather than a decline, in intermediate jobs in the service sector (Anderson 2009). This does not mean that skills are either encouraged or rewarded. Lloyd and Payne's (2017) detailed account of service sector work in three countries reveals the ways in which the same job can encourage or limit individuals' skills, discretion and responsibility.

When front line service sector jobs do demand skills these tend to be 'soft' or social skills whose 'skilfulness' is a matter of rather contentious debate (Bolton 2004; Payne 2000, 2009) and which attract pay penalties rather than premia (Pietrykowski 2017). Outsourcing may aggravate these pay differences with highly skilled IT consultants rewarded for taking on freelance projects, while low-skilled janitors and guards lost both pay and healthcare benefits (Barley and Kunda 2004; Dube and Kaplan 2010; Kunda, Barley and Evans 2002). So the routes to different and more skilful forms of productivity which are present in manufacturing through company strategy, work design or qualifications may simply not exist for many routine service sector jobs.

PROBLEMS WITH RECRUITMENT?

It seems, then, that while increasing numbers of people are staying on in education and gaining qualifications, jobs are failing to keep pace with the higher level of skills available in the labour market. As a result, many workers' skills are under-utilised and under-rewarded. There is little sign that this is on the wane; rather, the under-utilisation of skills seems to be increasing with job growth in sectors where it is most acute.

This raises questions in two areas. First, there is an apparent contradiction between these underemployed workers and the employers who struggle to recruit. Such problems, after all, suggest a *lack* of available skills rather than a surplus. Second, they seem to contradict the teaching of classical economics which argues that imbalances in skill should be self-correcting.

Turning first to the contradiction between under-utilised skills and difficulties in recruitment, it is fairly common, in both policy documents and the popular press, to see accounts of skills shortages in the labour market. There are not, it seems, enough people with the right skills to fill the jobs available. The solutions proposed vary but include targeted interventions in schools, colleges and universities to prepare young people for the world of work; increased funding for STEM (Science, Technology, Engineering and Mathematics) subjects; redesigned vocational training; and (not infrequently) a fair amount of criticism of the education system and the young people of today (Cappelli 2015).

These accounts present employers as a combination of victim and saviour: victims because the right skills are simply not available for them to hire; and saviours because, by involving employers in the systems for vocational and wider education, such problems can be solved. Both perspectives are unrealistic and both forget that the problems employers report are with *recruitment* and problems with recruitment may not necessarily be caused by a lack of skills.

Ironically, given that solutions to this problem have repeatedly focused on the education system, it is highly unlikely that the problem lies with a lack of skills in recent entrants to the labour market. If only because graduates and school-leavers only constitute a small proportion of the workforce. Nor, as observed above, is the difficulty a lack of skills in the labour force in general. Rather, as Cappelli observes, this is a problem with hiring practices and with employers who see skills as 'coming with the applicant to the job, and job requirements are absolute, such that candidates either have the necessary skills to do a job or not and, if not, they cannot do the job' (2015:254).

Candidates are expected to be, not simply job ready, but ready for a specific job with experience to prove it – an outlook which results in companies failing to appoint, even when *thousands* of applicants have applied for a single position (Cappelli 2012). A simple review of some of the jobs employers find it most difficult to recruit confirms that the problem is not one of skill deficiencies.

In the USA the top 10 include labourers, a job which, Cappelli (2015:261) points out, requires 'no discernible skill', drivers, production operators, secretaries and administrative assistants. In the UK the job category with the largest number of vacancies is Elementary Occupations, an area which, by definition, requires very little skill, closely followed by Caring, Leisure and Other Services (Vivian et al. 2016:150). None of these are highly skilled occupations. None require high levels of formal education, extended apprenticeships or lengthy periods of professional development. For all of these jobs, even if experienced candidates were not available, it should be comparatively straightforward for employers to hire workers with potential, train them, provide on-the-job support as they settle in and ensure they gain the skills required. Yet because individuals do not fit the job profile perfectly employers fail to hire (Cappelli 2012), despite the fact that it is employers who have control over job content and job design (Mayhew and Holmes 2016).

If the idea of employers as victims is difficult to support, what of that of employers as saviours, rescuing the economy from skills shortages by designing and delivering quality training? Employers can have a positive impact on the VET system. In Continental Europe where vocational qualifications are designed by employer associations, educationalists and trade unions in collaboration, they are rigorous qualifications (Busemeyer and Trampusch 2012; Thelen 2004). However, crucially, this involvement is not with individual employers directly but with employer associations or, for professional qualifications such as medicine, law and accountancy, with professional bodies. These tertiary organisations represent employers but are capable of taking a sectoral or occupational perspective and providing a long-term view of skills required. In the absence of this, qualifications are often weaker. In the UK, where few tertiary bodies exist and government attempts to create them artificially have been unsuccessful, vocational qualifications are not fit for purpose (Grugulis 2003; Wolf 2011). More worryingly, the UK and USA are both dominated by low-skilled jobs (Finegold and Soskice 1988), training levels are falling rather than rising, and falling from a fairly low base. In the Adult Education Survey the UK came 23rd out of 26 participants, below Latvia and above only Poland, Greece and Romania. Sweden was the highest rated for learning at work, with 67 per cent of workers reporting job-related training and education sponsored by their employers in 2011. The average figure for all EU28 nations was 41 per cent. In the UK only 25 per cent participated (Brinkley and Crowley 2017:32). Some employers are actively engaged in high-quality VET but, given the nature of much of the economy, it is unreasonable to expect such involvement from the majority. This is not a skills issue, it is a training one. The problem seems to be that, while some firms do train and do it well, others simply do not want to train, even, or perhaps especially, for jobs that are fairly simple in terms of skill. It is difficult to avoid the conclusion that, in these complaints, what employers actually want is an over-supply of willing workers to reinforce their labour market power (Cappelli 2015; Livingstone 2017).

What then of economic theory? Classical economics claims that markets are largely self-regulating in this area, an over-supply of skills will be penalised by reductions in wages or periods of unemployment, discouraging workers from acquiring skills, or at least from acquiring skills the market does not reward; an under-supply will be met by wage rises to attract candidates, motivating more people to develop skills in a particular area. But skills development may be a lengthy process: a degree may take three or more years to complete; an apprenticeship up to four years. It is not clear what jobs are required in the future, nor what skills will be rewarded (Crouch 2005). Investments in skills are not as readily unravelled as those in other areas and it is unrealistic to compare them to the spot markets that exist in other areas. It is also extremely doubtful whether labour markets have ever behaved in the ways that classical economic theorists would have us believe. In *Liar's Poker*, Michael Lewis recounts the way that investment banking salaries spiralled in the 1980s, despite the queues of many thousands of applicants for each position, many of whom would doubtlessly have agreed to do the jobs for less. 'There was,' he concluded, 'something fishy about the way supply met demand in an investment bank' (Lewis 1989:46). While salaries do not come down at the top end of the labour market, they do not go up at the bottom. Companies which struggle to recruit labourers or customer service workers are aware that low wages are offputting but fail to raise them (Bolton 2004; Cappelli 2015).

Where problems exist, with skills, with recruitment and with over- and under-qualification, there is no automatic fail-safe that will correct the mismatches. As the persistent under-utilisation of skills has shown, these can endure for many decades. Nor is it realistic to provide a view of this issue that puts employers outside the problem. They are a key part of the labour market and their actions matter, particularly those in the area over which they have most influence, namely their own internal workings.

CONCLUSION

It matters, it seems, what training and development involve and how jobs are designed and controlled. While markets in currencies or stocks may be readily controlled by changes to supply or demand, the market for labour is rather more complex and, as seen here, changes to supply in isolation may do little to shape demand and may simply result in alienated and discouraged workers whose skills are under-utilised and under-rewarded.

This chapter has provided a new way of classifying vocational training, by dividing activities into ones which are: developmental, administrative, focused on soft or social skills, or concerned with information and communication. Each of these activities are useful, but the purpose each serves is different and distinguishing between these varying types of intervention should help to strengthen the field of training and development.

The chapter has also considered the nature of work and, particularly, the way that skills are used or neglected. The increasing number of people in education is a potential opportunity for the labour market. As people develop their own skills they can be deployed onto more complex tasks and take on more significant responsibilities. Regrettably this is an opportunity that has largely been neglected. Knowledge-intensive jobs exist but they are in the minority and the result of the increasing level of education and skills is that many more people find their skills under-utilised at work.

Finally, this chapter concludes by challenging one of the assumptions of classical economics: that skills are largely self-regulating in the labour market. There is little to show that this is the case. The over-supply of skills that currently exists is becoming endemic and there is little sign of levels of qualification slowing down.

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10

Talent Management: Disentangling Key Ideas

Eva Gallardo-Gallardo and Marian Thunnissen

INTRODUCTION

There is little doubt about the fact that talent management (TM) is a hot topic. One only needs to take a look at the headlines of journals, magazines, and business reports, not to mention the title and keywords on academic papers and books, to see how often this term is all around us. In fact, at the time of this writing, a search of the term *talent management* returns: 17,500,000 and 1,610,000 hits on Google and Google Scholar, respectively, and over 3,000 books on Amazon.com. Likewise, on social networking sites there is an intense debate on the talent challenges organizations are confronted with. For instance, LinkedIn has over 1,000 professional groups discussing the ins and outs of TM. *Why is TM such a hot topic?* To survive in today's dynamic and competitive global environment, organizations need to excel and continuously perform better than their competitors. In a knowledge economy talents are seen as unique strategic resources, central to achieving sustained competitive advantage (Dries, 2013; Silzer & Dowell, 2010). Organizations use TM to capture, leverage, and protect these resources (Sparrow & Makram, 2015).

In a recent podcast Dominic Barton (2018), McKinsey global managing partner, stated: 'we are awash in capital. It's talent that you need to drive it.' With the Fourth Industrial Revolution upon us and having a significant impact on jobs, combined with a set of broader socio-economic, geopolitical, and demographic changes, it is more important than ever for companies to focus on the talent required (WEF, 2016). Indeed, talent-related issues (such as finding and developing the right talent) are the top concern of CEOs (Groysberg & Connolly, 2015), perhaps boosted by the fact that more than 70% of CEOs highlight the scarcity of essential skills and capabilities as a key threat to the growth prospects of their organizations (PwC, 2015). Sourcing and retaining the quality and quantity of talent required to deliver on an organization's strategic agenda has been a continual struggle for organizations (Vaiman, Collings, & Scullion, 2017). Meanwhile, academic research in the field of TM does not give much support in finding the right solutions.

Research on TM has been accused of lagging behind in offering organizations vision and direction on the matter (Al Ariss, Cascio, & Paauwe, 2014; Cappelli & Keller, 2014; Cascio & Boudreau, 2016). In fact, a decade after it emerged as a 'hot topic' in practice, TM became a serious topic of academic interest (Gallardo-Gallardo, Nijs, Dries, & Gallo, 2015; McDonnell, Collings, Mellahi, & Schuler, 2017). Presently, TM is one of the fastest growing areas in the academic field of management studies (Collings, Scullion, & Vaiman, 2015). Notwithstanding this interest, TM 'remains a rather diffuse area of research, and its conceptual and intellectual boundaries remain relatively fluid' (Collings, Cascio, & Mellahi, 2017, p. 3). The aim of this chapter is to provide a critical and integrative review of TM research. In short, we seek to answer this question: *What do we know by now about TM?* We begin by briefly explaining the origins of TM. Thereafter, we present an up-to-date discussion of key topics in the field. Then we highlight challenges to and opportunities for TM research. The chapter ends with our concluding remarks.

ORIGINS OF TM

The birth of TM in a business context is generally considered to have occurred in the late twentieth century. Specifically, many commentators ascribe its rise to the influential work of a group of McKinsey consultants (Chambers, Foulton, Handfield-Jones, Hankin, & Michaels, 1998; Michaels, Handfield-Jones, & Axelrod, 2001) who proclaimed 'The War for Talent' in the late 1990s. At that time, due to the challenges of an aging population and a tightening labor market for certain skills, US organizations were fighting a 'war' for executive talent. These consultants sought to understand what differentiated high-performing organizations from others. They concluded that high-performing organizations had a fundamental belief in the importance of talent for achieving organizational excellence (i.e., a talent mind-set) and focused on talent from the top to the bottom of the organization. According to them, organizations should identify A- (top performers), B- (solid performers), and C-players (poor performers), and manage C-players out of the organization. In short, these consultants advocated for loading all roles in an organization with star performers or A-players, which was legitimated by high-profile executives such as Jack Welch at GE (Collings et al., 2017). This approach was highly influential and helped to create some distinction between TM and traditional approaches to people management (Collings, 2015). However, recently the idea of forced distribution has been challenged since it is perceived as elitist with many negative implications for employees (e.g., Meyers & van Woerkom, 2014; Pfeffer, 2001). Likewise, although McKinsey consultants' work has been considered as compelling evidence that TM impacted positively on business performance, there is little evidence that these typical 'War for Talent' practices focused on stars or A-players actually contribute to improved business performance (see Swailes, 2016).

McKinsey's study has been responsible for the sharp growth of interest in what has become known as TM by both practitioners and management scholars. The message was clear and catchy: talent was considered the competitive weapon every organization needed to focus on. Since its publication, there has been a global wave of consultancy reports discussing talent shortages, the role of TM in organizational success, and the importance of talent in today's knowledge economy with the Fourth Industrial Revolution standing strong. For almost a decade, business and consulting firms have been driving not only the practice but also the discourse on TM (Cascio & Boudreau, 2016), illustrating a gap between practitioners and academic interest in the subject. In fact, in their seminal review of the area, Lewis and Heckman (2006) highlighted that the difficulties with the definition of TM are based largely on the practitioner literature. Virtually all of the academic literature published in peer-reviewed outlets has appeared since 2008 (Gallardo-Gallardo et al., 2015; McDonnell et al., 2017). From 2010 onwards, a gradual increase in publications can be observed, with 'peaks' attributable to special issues that have appeared (Gallardo-Gallardo et al., 2015; McDonnell et al., 2017; Thunnissen & Gallardo-Gallardo, 2017). Currently, TM is considered one of the fastest growing areas of academic work in the management field (Collings et al., 2015).

TM RESEARCH: KEY TOPICS AND DEBATES

In this section we present the key debates in the field by answering the following questions: (a) How are TM and talent defined? (b) Which TM practices have caught more scholars' attention?

Defining TM

In one of the first literature reviews of the area, Thunnissen, Boselie, and Fruytier concluded that most of the academic literature was 'trying to respond to the question of what talent management is' (2013a, p. 1749). Four years later, TM conceptualization is still one of the most prevalent topics (Thunnissen & Gallardo-Gallardo, 2017), probably because, since its origins, there has been a 'disturbing lack of clarity' regarding its definition, scope, and overall goals (see Lewis & Heckman, 2006).

Over the years, several efforts have been made to clarify the concept (see Collings & Mellahi, 2009; Iles, Chuai, & Preece, 2010; Lewis & Heckman, 2006; Sparrow, Scullion, & Tarique, 2014) and its underlying philosophies (see Meyers & van Woerkom, 2014). Current TM meanings are associated with two long-running debates (Cappelli & Keller, 2014; 2017): *Does TM apply to all workers?* And *Should TM focus on positions or individuals?* We discuss them below.

Inclusiveness or Exclusiveness of TM

Two approaches to the conceptualization of TM coexist. Inclusive approaches suggest that TM should be directed to all employees in the organization since potentially everyone has 'talent' and something to contribute (e.g. Buckingham & Vosburgh, 2001), whereas exclusive approaches apply only to an elite subset of employees or jobs: that is, those that create a disproportionate value to the organization (Boudreau & Ramstad, 2005; Collings & Mellahi, 2009). This ambiguity can be traced back to dissimilar interpretations of the term 'talent': *Is talent considered rare or does everyone have it?* So, choosing one approach or the other will be closely related to the way organizations understand talent. We return to this in the next section.

Up until now, the most predominant approach within the TM literature considers TM as a normative and exclusive practice which applies to the subset of employees or positions that create disproportionate value to organizations. Within this approach, the most widely cited definition specifies that TM is:

> the systematic identification of key positions which differentially contribute to the organization's sustainable competitive advantage, the development of a talent pool of high-potential and high-performing incumbents to fill these roles, and the development of a differentiated human resource architecture to facilitate filling these positions with competent incumbents, and to ensure their continued commitment to the organization. (Collings & Mellahi, 2009, p. 304)

Cappelli and Keller summarize this idea in the following definition of TM: 'the process through which organizations anticipate and meet their needs for talent in strategic jobs' (2017, p. 24). This 'exclusive' approach has its roots in the resource-based view of the firm, and it is based on workforce differentiation, which Collings defines as 'formalized approaches to the segmentation of the workforce based on employees' competence or the nature of roles performed to reflect differential potential to generate value' (2017, p. 300). The underlying assumption is that organizations should invest disproportionately in those individuals or positions from which they expect the greatest return (Boudreau & Ramstad, 2005; Collings & Mellahi, 2009; Scullion, Collings, & Caligiuri, 2010).

This elitist and less egalitarian approach is what differentiates TM from HRM (Collings & Mellahi, 2009; Dries, 2013). Likewise, it is said to benefit from the 'Matthew Effect': that is, the effect whereby the allocation of more resources to the better performers in the organization generate greater return on investment since more investments are made where more returns can be expected (Bothner, Podolny, & Smith, 2011). While this offers great potential to motivate those labeled as talented, it also might damage organizational morale, embittering loyal employees and causing resentment among peers due to perceptions of inequity or injustice (Collings, 2017; DeLong & Vijayaraghavan, 2003). Moreover, overemphasis on individual performance undermines teamwork and runs the risk of creating destructive internal competition that retards learning and the spread of best practice across the organization (Pfeffer, 2001; Walker & LaRocco, 2002). Likewise, some ethical concerns had arisen related to TM practices, such as the full and fair identification of talented people regardless of their class, gender or power (see Painter-Morland, Tansley, Deslandes, & Susan Kirk, 2018; Swailes, 2013).

Lately, an 'inclusive' TM approach has emerged within the TM literature, boosted by European researchers and deeply grounded in the positive psychology discipline (Seligman & Csikszentmihalyi, 2000). Its underlying assumption is that all employees have valuable talents or strengths that can be productively applied in organizations (Meyers, 2016; Swailes, Downs, & Orr, 2014). Some possible reasons why the inclusive approach have emerged are: (a) the fact that the Anglo-Saxon stance of talent as high performance and high potential is not shared in collective and less performance-oriented cultures (Dries, Cotton, Bagdadli, & de Oliveira, 2014); (b) the fit with the principles of equality in certain sectors of industry, for example, the public sector (Boselie & Thunnissen, 2017; Rainey & Chun, 2005); (c) recent tight national labor markets and labor regulations (see Meyers, 2016); and (d) the scarcity of talent in the labor market (Fernández-Aráoz, 2014). Departing from the recognition and acceptance that all employees have talent, inclusive TM can be defined as 'the ongoing evaluation and deployment of employees in positions that give the best fit and opportunity (via participation) for employees to use those talents' (Swailes et al., 2014, p. 5).

This inclusive approach is believed to benefit from what is called the 'Mark Effect': that is, by treating everyone in the organization equally, a more pleasant, collegial, and motivating work climate is created (Bothner et al., 2011). Precisely, the main criticism of this inclusive approach relies on this egalitarian perspective since it makes the differentiation between TM and HRM more difficult. Focusing on all the workforce would have no added value to what is known as HRM but would be a simple relabeling of it (Lewis & Heckman, 2006). Moreover, according to Cappelli and Keller (2017), this approach fails not only to recognize that workers contribute unevenly to the organization, but also to consider the feasibility of sustaining it since it requires lots of resources from the organization. Very much in line with this, Becker and Huselid (2006) claim that investing equally in all employees resulted in unnecessarily high costs for organizations. In these critiques, preference for the resource-based view becomes apparent. Yet research by the Chartered Institute of Personnel and Development (CIPD, 2015) shows that half of the organizations considered in its study include all staff involved in TM activities. So, inclusive approaches are also fairly common. Rather than being alternatives, in practice most organizations use hybrid approaches (Sparrow, Scullion, & Tarique, 2014; Stahl et al., 2012).

People or Positions

The exclusive approach leads to a second debate: *Should the locus of workforce differentiation be individuals or positions?* Earlier approaches to workforce differentiation (e.g., Michaels et al., 2001) were very much focused on individuals, emphasizing the idea that highly valuable and unique human capital can lead to competitive advantage (Becker & Huselid, 2006; Lepak & Snell, 1999). Employees can be classified into two broad groups: those 'with talent' (i.e., a small group of *stars* or A-players); and 'untalented' ones (i.e., average (B-players) or below-average (C-players) performers). Employees either 'have talent' or 'do not have it' (Meyers & van Woerkom, 2014). However, this approach raised a number of critiques, such as the difficulty of classifying individuals based on their performance, potential, or intelligence, the assumption that organizational performance is just a simple aggregation of individual performance, the appearance of negative employees' reactions to forced distributions, and the issues with talent portability (see Collings, 2017).

These critiques, together with the fact that the value of individual performance is often moderated by the job occupied, shift the locus of differentiation to positions that give TM a more strategic sense (Cappelli & Keller, 2017; Collings, 2017). From this perspective, some positions are more critical to organizational performance than others, and firms should devote more resources to them. Why? Because they are central to the organization's strategic intent and show great variability in performance between an average and top performer in those positions, or if there is an increase in the number of people in those positions (Boudreau & Ramstad, 2007; Cascio & Boudreau, 2016; Collings & Mellahi, 2009). Investing in selection, evaluation, and development in those 'A positions' has the greatest potential to generate a significant return through increasing revenue or decreasing costs (Huselid et al., 2005). While executive jobs are almost by definition strategic, pivotal positions can be located anywhere in the organization (Cappelli & Keller, 2017).

This shift of locus does not dismiss individual differences, but simply places the identification of key positions at the point of departure of any TM process. In short, first they should be identified, then they should be filled by the best incumbents. This fact recognizes that human capital is of limited economic value unless it is deployed effectively (i.e., in a manner consistent with an organization's strategic intent; Becker & Huselid, 2006; Bowman & Hird, 2014; Boxall & Purcell, 2015), and also points out the central role of the organizational capabilities that harness this human capital (Linden & Teece, 2014). A second organizational routine emerges in the consideration of a workforce differentiation strategy in the context of TM, namely the creation of a 'talent-pool strategy' (Collings, 2017). Such a strategy emphasizes proactive (internal and external) identification of the best potential incumbents to fill these pivotal positions as they become available. Likewise, it helps to develop talent within the broader context of the organization, which in turn has the benefit of focusing on firm-specific human capital (Collings, 2017). Unfortunately, there is little evidence of the impact of workforce differentiation on organizational-level outcomes (Collings, 2014; 2017).

Unscrambling Talent

The lack of clarity regarding TM has been attributed to the inadequate operationalization of the term 'talent' (Garrow & Hirsh, 2008; Lewis & Heckman, 2006; Reilly, 2008; Tansley, 2011). In most of the articles and books on TM the authors just take the concept for granted or do not formulate an explicit definition (Gallardo-Gallardo, Dries, & González-Cruz, 2013; Thunnissen & Gallardo-Gallardo, 2017). However, if they do, a cornucopia of definitions emerges associating it with different concepts such as *high performer, high potential, stars, exceptional abilities, mastery, commitment, motivation, outstanding performance,* and *key employees*. Thus, understanding 'talent' seems to be not only a logical step, but also a priority to efficiently manage it.

The conceptualization of talent has caught the attention of TM scholars (e.g., Gallardo-Gallardo et al., 2013; Meyers, van Woerkom, & Dries, 2013; Nijs, Gallardo-Gallardo, Dries, & Sels, 2014; Tansley, 2011), and several dilemmas regarding its operationalization have become manifest. Definitions can be divided among the *what* or *who* talent categories. In other words, *does talent refer to the exceptional characteristics possessed by employees (i.e., object approach),* or *does it refer to employees (i.e., subject approach)?*

Talent as Characteristics of People

One of the most cited definitions within this approach is the one by Michaels et al. (2001, p. xiii) in which talent is 'the sum of a person's abilities – his or her intrinsic gifts, skills, knowledge, experience, intelligence, judgment, attitude, character and drive. It also includes his or her ability to learn and grow.' This definition serves to show that when describing talent an amalgam of related terms emerges, which could be used to avoid some other dilemmas:

- *Can talent be developed or is it innate?* The nature and nurture determinants of talent are a longstanding debate when it comes to individual differences (Meyers et al., 2013), and lead to the so-called 'make or buy' talent decision (Cappelli, 2008). The commonly held view is that talent is nature shaped by nurture (Ackerman, 2014), which perhaps is the reason for seldom differentiating between innate and learned abilities in organizations (Silzer & Dowell, 2010).
- *Is talent more about ability or attitude?* Talent is often related to perseverance, commitment, motivation, and passion (e.g., Ulrich, 2007; Weiss & Mackay, 2009). Recent definitions of talent show how the attitudinal approach to talent should be seen as complementary to the ability approach. For instance, Nijs et al. describe talent as 'systematically developed innate abilities of individuals that are deployed in activities they like, find important, and in which they want to invest energy. It enables individuals to perform excellently in one or more domains of human functioning' (2014), while Thunnissen and Van Arensbergen (2015) posit that talent is regarded as a multi-dimensional construct, specifically as a set of three interrelated components: outstanding abilities, intrapersonal characteristics (i.e., motivation, commitment, perseverance, passion, and drive); and excellent performance. Indeed, the talent construct is much too complicated to permit simplistic, one-sided explanations.
- *Is talent transferable or context-dependent?* The meaning of talent varies according to the organizational environment and culture, the type of work, and the stakeholders (and their logics) involved in the TM process (Pfeffer, 2001; Thunnissen & Buttiens, 2017; Thunnissen & Van Arensbergen, 2015). Moreover, the context supports individual achievements, since 'individual performance is a function of not only individual but also organizational factors, such as the team to which the person belongs, organizational routines, or other complementary assets, which are left behind as a person moves to a new organizational context' (Dokko & Jiang, 2017, p. 117). So, a change of context may affect a person's performance. Thus, talent is not just about the quality of an individual's abilities and attitudes, but also depends on the quality of their job and their work environment.

Talent as People

Both inclusive and exclusive perspectives can be found in the subject approach to talent

(Gallardo-Gallardo et al., 2013). As mentioned above, the inclusive approach is based on the assumption that all employees have strengths or talents valuable to the organization. Accordingly, organizational success stems from 'capturing the value of the entire workforce, not just a few superstars' (O'Reilly & Pfeffer, 2000, p. 52). Inclusive approaches foment employee well-being, learning, and performance throughout the whole workforce by giving everyone the opportunity to fully unlock their potential via participation (see Meyers, 2016; Swailes et al., 2014). However, when talent encompasses all employees, managing it 'simply' implies proper workforce management and the development of all employees, which is not particularly helpful in specifying how TM is different from HRM (Garrow & Hirsh, 2008) or organizational development (OD) (Church, 2013).

The exclusive approach to talent refers to 'those individuals who can make a difference to organizational performance, either through their immediate contribution or in the longer-term by demonstrating the highest levels of potential' (Tansley et al., 2007, p. 8). That elite group is often known as the organization's talent pool. Thus, talent tends to equal high performers (i.e., those that consistently demonstrate superior performance in relation to others; Aguinis & O'Boyle, 2014; Bish & Kabanoff, 2014) and/or high potential (i.e., those that have the qualities to effectively perform and contribute in broader or different roles in the organization at some point in the future; Silzer & Church, 2009). Both approaches to talent imply exclusiveness and lead to 'rank and yank' practices. On the cons side of workforce differentiation based on individuals we should add that performance and potential assessments are difficult to base on objective indicators and often reflect judgments made by managers, which make this process inherently subjective (Silzer & Church, 2010). Likewise, the identification of such talents is prone to biasing effects, which derive, among other things, from the gendered nature of leadership and personal factors (see Swailes, 2013). Moreover, the high-potential label is often given based on current contribution in a role, which is considered one of the main mistakes when managing talent (Martin & Schmidt, 2010) since past performance is unlikely to predict future success in significantly different situations (Cascio & Aguinis, 2008; Silzer & Church, 2009). Also, performance levels vary over time and conditions, so the identification of A-players might be flawed (Netessine & Yakubovich, 2012; Pfeffer & Sutton, 2006).

TM PRACTICES

Besides the focus on key positions in Collings and Mellahi's (2009) TM definition, scholars also refer to the activities and processes that involve the systematic attraction, identification, development, engagement, retention, and deployment of those talents which are of particular value to an organization in order to create strategic sustainable success (e.g., Scullion et al., 2010). So, attention should be paid to the practices involved in TM. A recent review of the empirical TM literature (Thunnissen & Gallardo-Gallardo, 2017) shows that, up until now, most studies have focused on talent identification since it is considered an essential but challenging part of TM. There has been great interest in understanding how the identification of talent is operationalized in multinational companies (e.g., McDonnell, Gunnigle, Lavelle, & Lamare, 2016), what the role of technology is in this practice (e.g., Wiblen, 2016), how to effectively identify specific talents (e.g., Lopes, Sarraguça, Lopes, & Duarte, 2015), outstanding performance (Bish & Kabanoff, 2014), or in high potential (e.g., Church & Rotolo, 2013). Some other practices that have also attracted much of scholars' attention are: talent attraction (e.g., Kim, Froese, & Cox, 2012), talent recruitment (e.g., Thunnissen, 2016), and talent retention (e.g., Kong, Chadee, & Raman, 2013). However, talent development and managing talent flows (i.e., internal mobility and external hiring) remain underexplored (some exceptions are Bidwell, 2017; Schmidt, Mansson, & Dolles, 2013).

A few articles analyze the relationship between the conceptualization of talent and TM practices (e.g., Mäkelä, Björkman, & Ehrnrooth, 2010), expose diversity issues in TM practices (e.g., Festing, Kornau, & Schäfer, 2015), center on compensation practices (e.g., Tymon, Stumpf, & Doh, 2010) or on succession planning (e.g., Groves, 2007), and analyze how TM practices differ within different types of organizations (e.g., Tatoglu, Glaister, & Demirbag, 2016) or within regions (e.g., Latukha & Selivanovskikh, 2016). The disparity in interests among the regions under investigation is remarkable. Each region definitely has different needs or problems to solve (see Thunnissen & Gallardo-Gallardo, 2017). Unfortunately, and no matter the region, the relationship between TM practices and outcomes is underexplored.

It should be said that the focus has been placed mainly on the intended TM policy, and much less on the implementation of TM and the outcomes of TM, although recently interest in employee reactions has increased. For example, great interest has been shown regarding employees' reactions to talent designations since positive reactions are not always guaranteed (e.g., Meyers, De Boeck, & Dries, 2017).

CHALLENGES AND OPPORTUNITIES IN TM RESEARCH

Over the past few years, a number of reviews in the academic literature on TM have been published (Cappelli & Keller, 2014; Dries, 2013; Gallardo-Gallardo et al., 2015; Gallardo-Gallardo & Thunnissen, 2016; McDonnell et al., 2017; Nijs et al., 2014; Tarique & Schuler, 2010; Thunnissen et al., 2013a) which point to a number of issues regarding the study of the field. First, much of the earlier academic literature on TM was focused on establishing its conceptual and intellectual boundaries (Thunnissen et al., 2013a). In 2006, Lewis and Heckman, and again repeated in 2009 by Collings and Mellahi, posited that TM lacked a clear and consistent definition and scope, and also a conceptual framework based on empirical research. They pleaded for more clarity, coherence, and rigor in academic TM research and for more empirical evidence. As a result of these calls, the amount of empirical publications increased significantly, although the quality of many of these studies is open to question (Gallardo-Gallardo et al., 2015; Thunnissen & Gallardo-Gallardo, 2017). A disconcerting finding is that most of the papers published on TM still do not present any definition of talent or TM at all (see Gallardo-Gallardo et al., 2015; Thunnissen & Gallardo-Gallardo, 2017). This adds both to the confusion regarding the terms and to the skepticism toward the area. We posit that it is of real need, not only to specify the approach to TM adopted (i.e., the inclusive or exclusive approach), but also to explicitly acknowledge the talent philosophies underlying the approach. In fact, we encourage studies that investigate and compare both the inclusive and the exclusive approach, and the effects and outcomes. This, in turn, will help the field to pinpoint the strategic value of TM above and beyond established concepts such as succession planning, organizational development, or strategic HRM.

Second, in its first decade the academic TM literature reflected the dominance of US scholars with their US-based thinking in the first publications on TM (e.g., Collings, Scullion, & Vaiman, 2011; Powell, Duberley, Exworthy, Macfarlane, & Moss, 2013). At present, the literature base is highly diverse geographically (see Gallardo-Gallardo et al., 2015; McDonnell et al., 2017), and there appears to be a strong network of European scholars operating (see Gallardo-Gallardo, Arroyo Moliner, & Gallo, 2017). Although the empirical TM literature seems to be dominated by EU scholars and European TM issues (Thunnissen & Gallardo-Gallardo, 2017), the TM literature as a whole is still premised by Anglo-Saxon thinking and research, and mainly centered around experts working on international HRM (Gallardo-Gallardo et al., 2017; 2015). Thus, not only is more research outside those regions needed, but also the participation of experts from different research traditions (i.e., economists, sociologists, psychologists) would be of great help in expanding our knowledge about TM.

Third, and in line with our previous remarks, the field of TM has been (and is) frequently criticized for an absence of sound theory (e.g., Collings & Mellahi, 2009). According to Dries (2013, p.3), the current 'vague but appealing rhetoric' in the academic TM literature even causes critics to question whether TM is just a management fad. Thunnissen et al. (2013a) posit that the TM literature has a narrow and one-dimensional approach (i.e., a classic top-to-bottom managerialist approach), which usually results in ambiguity regarding TM principles and in thinking in terms of contrasts instead of mutual opportunities and contributions. These authors were the first to stress the importance of a multidisciplinary approach to TM issues. Nijs et al. (2014) show that there is a whole body of literature outside the HRM domain (i.e., the giftedness, the vocational psychology, and the positive psychology literature) with the potential of offering interesting insights into the operationalization and measurement of talent, and thus the TM field. Likewise, Gallardo-Gallardo et al. (2015) encourage the study of TM from more 'alternative' angles, such as knowledge management, career management, a strength-based approach, and social exchange theory. These authors also posit that, instead of agreeing on which specific theoretical frameworks to use, it is more important for scholars to make deliberate choices in terms of theoretical framing and apply these frameworks consistently within their research project.

A fourth related critique is that the TM literature mostly addresses talent issues in private and multinational organizations in the US context (Powell et al., 2013; Stahl et al., 2012; Vaiman & Collings, 2013). Yet, too often TM concepts, models, and practices developed within large organizations are applied uncritically to other type of organizations with little or no acknowledgment of the fundamental differences among them. For instance, small and medium enterprises in comparison to large firms differ in fundamental ways in regard to their institutional, resource, and economic contexts, not to mention their overall approach to HRM and the HR practices adopted (Festing, Schäfer, & Scullion, 2013; Krishnan & Scullion, 2017; Valverde, Scullion, & Ryan, 2013). Likewise, public sector organizations are affected by the significant impact of institutional mechanisms, which makes them unique and diverse in terms of their management (see Boselie & Thunnissen, 2017).

In addition, there is a lack of academic attention to the internal and external organizational context when discussing the conceptualization and/or implementation of TM (Thunnissen, Boselie, & Fruytier, 2013b). In short, there is a lack of contextual awareness. Despite several authors advising on the need to contextualize TM in both theoretical frameworks and research design (e.g., Collings et al., 2011; Meyers & van Woerkom, 2014; Thunnissen et al., 2013b), the academic TM literature fails to use the organizational context to explain what happens in practice and why.

Sixth, the instrumental and managerial approach to talent and TM mentioned above leads to a narrow conceptualization of outcomes in terms of shareholder returns, performance, organizational efficiency, and flexibility. Notwithstanding the prevalence of the organizational perspective, the value of TM for all internal and external stakeholders has to be taken into account and maximized (Collings, 2014; Thunnissen et al., 2013b). Thus, the value of TM for employees and for society at large needs to be considered (Thunnissen et al., 2013b; Thunnissen &

Gallardo-Gallardo, 2017). Although research on the effects of TM is scarce in general, it is interesting to note that those studies conducted on the effects of TM focus most often on the employee level (e.g., Björkman, Ehrnrooth, Mäkelä, Smale, & Sumelius, 2013; De Boeck, Meyers, & Dries, 2018; Swailes & Blackburn, 2016). One could say that we know more about employee reactions to TM than we know about the effects of TM on profits, organizational efficiency, and flexibility. Multi-level research on the effects of TM on both the employee and organizational level is essential to learn about the value of TM. Longitudinal research in which 'Big Data' available within the organization is used to evaluate TM programs can be helpful.

Finally, most empirical studies focus on the intended TM strategy, and up until now there has been little interest in understanding how TM works in practice, and whether and how TM develops and evolves within organizations. The few empirical studies (e.g., Buttiens, 2016; Thunnissen, 2016) that focus on the complete TM process show that organizations adjust their TM approach over time due to changes in the internal and external context, and in the actors involved in TM. This leads to a dynamic and complex TM process. Recently, King (2015) presented a model for global TM operating within a firm, recognizing the crucial role of multiple participants. However, this framework is informed from an organization-specific business strategy and aligns to business-specific strategic requirements, neglecting other components that can affect TM design, implementation, and effectiveness (e.g., environmental context, organizational culture). Therefore Thunnissen and Gallardo-Gallardo (2017) proposed an integrated and contextualized TM framework which clearly distinguishes between enablers of excellence (i.e., the external and internal context, the intended TM strategy, the TM implementation process), is a multi-level, multi-value approach regarding the outcomes of TM, and incorporates learning and innovation into the TM process, which makes it dynamic. However, this conceptual model needs further empirical investigation to gain a comprehensive view of the key actors, underlying processes, and dynamics.

CONCLUSION

TM is a hot topic that is developing fast, mainly due to its strategic value. Despite some consensus that has been reached on its conceptual and intellectual boundaries, there is still room for improvement. Therefore, we need rigorous theories, models, and methods to continue advancing our understanding of the field, without losing track of the real question: *talent for what?*

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11

Leadership Development: The Shift from 'Ready Now' to 'Ready Able'

Lacey Leone McLaughlin, Albert A. Vicere and Ian Ziskin

To paraphrase Hall of Fame baseball player Yogi Berra, the future ain't what it used to be, and neither is leadership. Leaders used to have critical information before everyone else, tell people what to do and how to do it, and remain in positions of power in the same organization for decades. Current and future conditions are and will continue to be completely different.

Leaders no longer have exclusive or faster access to information. Leadership is much more about creating an engaging and motivating environment than it is about giving orders. And very few people, especially those in leadership positions, remain in their positions for very long.

Practically everything about the world of work is changing at a dizzying pace, which means that leadership, and the ways leaders must learn and develop, also are transforming. This chapter is about the changing context for leadership, key trends that are reshaping approaches to leadership and leadership development, the emerging capabilities that leaders must master, and the new and reinforced ways that organizations are developing current and next-generation leaders.

THE CHANGING CONTEXT FOR LEADERSHIP

We are living in a 'networked economy,' and two major inflection points have driven its emergence: globalization and the information technology revolution. Globalization has brought us flatter, faster-paced organizations with global reach. Information technology has enabled us to work in partnerships linked by powerful information networks that generate enormous amounts of data. Combined, these forces have triggered worldwide waves of industry and organizational restructuring (Vicere, 2002a; Friedman, 2005; Brynjolfsson and McAfee, 2014; Moore, 2015) that in turn are reshaping both the nature of leadership and approaches to leadership development.

- *The First Wave.* 'Old' economy organizations were built on notions of control. People were controlled through structure and hierarchy, and resources were controlled through vertical and horizontal integration – in today's terminology, hands-on control of the major elements of an organization's supply chain. Adding to the challenge, most 'old' economy companies had their roots in a primarily domestic marketplace. They may have sold products outside their home country and even manufactured products overseas, but the heart of their business tended to be a robust and growing domestic marketplace.

  Several decades ago, in response to the emerging global competitive challenge, established companies began to aggressively pursue new organizational models that were faster, more efficient, and closer to the customer. The resulting de-layered, downsized organization was a natural response to global competition as speed, efficiency, and customer focus emerged as key elements of competitive advantages in the increasingly global marketplace (Vicere, 2002a).
- *The Second Wave*. As organizations flattened and pushed to drive efficiencies, many found they no longer had the resources or capabilities to do everything themselves. A breakthrough in addressing this challenge was proposed by Hamel and Prahalad (1994) who noted that high-performing companies tended to organize around 'core competencies,' the things the organization did or wanted to do better than anyone else. This was coupled with the rise of outsourcing arrangements which enabled organizations to partner with other organizations, combine competencies, and create synergies. Alliances, joint ventures, and partnerships also blossomed as organizations formed relationships to enhance growth and market development. The organizational networks and ecosystems that evolved enabled organizations like Cisco, WalMart, Apple, and others to demonstrate how networks and relationships can reshape organizations and industries for results (Vicere, 2002a; Schuman and Twombley, 2009; Atluri, Dietz, and Henke, 2017; Meffert and Swaminathan, 2017).
- *The Third Wave*. Old economy companies ensured control by operating in tightly defined hierarchies and doing most everything themselves. In the networked economy, where an organization's ability to manage, coordinate, and influence webs of relationships is critical, information technology emerged as a parallel and perhaps even more powerful revolutionary force (Schuman and Twombley, 2009).

  The IT revolution spawned the development of computer and telecommunications networks, e-commerce systems, enterprise software platforms, and other forms of connectivity that linked networks of business partners together in a new organizational infrastructure, one built upon relationships and webs of information linkages. The 'Big Data' generated by these linkages has the potential to further transform business processes and create new and powerful sources of competitive advantage (McGuire, Manvika, and Chui, 2012).

SHAPING FORCES

The transforming leadership context outlined above is being accelerated and further disrupted by three critical shaping forces: revolutionary technological change, agile talent and flexible work designs, and socio-economic challenges – each of which will have a significant impact on leadership and leadership development.

Revolutionary Technological Change

> Algorithms, artificial intelligence, automation, big data, the cloud, digitization, human-machine collaboration, the internet of things, machine learning, robotics – these are just a handful of terms, ideas, and trends that have intersected with the worlds of work and leadership over the recent past. (Boudreau, Ziskin, and Rearick, 2016)

The shaping forces and trends outlined above represent incredible opportunities and significant disruption for organizations and how leaders must be developed to succeed in the future.

Technology means different things to different industries and leaders, but the implications of the technology revolution are becoming clearer every day. Technology and tools formerly were employed to help humans do their work. Farm implements used by farmers are a simple but apt example. More recently, technology has begun to inform or instruct people (Lombrozo, 2017): for example, Uber and Lyft drivers being told by computers when and where to collect and deliver riders. We are fast approaching the replacement of humans by machines in all kinds of work. Automated teller machines, driverless vehicles, drones, and industrial robots are just a few examples among an ever-growing list.

Depending on the industry, job, and geographic location, we are likely to see significant unemployment in certain sectors of the economy over the next 10–15 years, and complete elimination of human intervention in many tasks. McKinsey found that 'between 400 million and 800 million individuals could be displaced by automation and need to find new jobs by 2030 around the world' (McKinsey Global Institute, 2017).

One vivid example of the impact of technology is the computer industry. Over the relatively short span of a few decades, there has been a seismic shift from mainframe, to desktop, to laptop, to handheld, to wearable, to injectable, to ingestible devices – all the while becoming smarter, smaller, faster, more powerful, and less expensive.

What technology revolution is happening – or about to happen – in your industry or profession? Do leaders know and understand what is coming? Do organizations know how to develop leaders to be ready for the technology revolution in their industry?

Agile Talent and Flexible Work Designs

The changing nature of work, the workforce, and the workplace is having a profound effect on how talent is defined, developed, and deployed as well as on the ways that work is done (Boudreau, Creelman, and Jesuthasan, 2015). The traditional employment model is giving way to more bite-sized, shorter-term projects and assignments. Increasingly, people in the workforce are interested in flexibility, freedom, and controlling their own destiny. The aroma of social and organizational reconfiguration is in the air.

Do people still covet long-term employment with an organization or would they prefer to freelance and move from organization to organization, project to project, and boss to boss? The answer is yes and yes, it depends on who you ask, what they do for a living, where they live, their career stage, and their personal values and financial situation.

Because workforce preferences depend on many different factors, so too must organizations offer a wide array of scenarios and options when attempting to attract, retain, develop, and engage people. The entire 'employee experience' is changing, including the fact that the people who are working on behalf of organizations may not be employees at all (Hoffman, Yeh, and Casnocha, 2013). The mix of regular full-time employees relative to short-term workers is likely to change, and most organizations and leaders are simply not ready for it (Society for Human Resource Management, 2015).

Boudreau et al. (2015) noted that talented individuals are becoming more thoughtful and discerning about how they want to work, where they want to work, when they want to work, with whom they want to work, and why they want to work. Personal preference and sense of purpose are becoming key drivers of career choice. So too are work choices based on practical life considerations. The workforce is expected to be available 24 hours a day, 7 days a week, anywhere in the world. People who dare to believe that they should have personal lives in addition to work lives are looking to strike a reasonable balance, or at least a blend, of work/life priorities. Better control of one's own work and life destiny necessitates better mastery of how and when and where we work (Fox and O'Connor, 2015).

> Organizations and leaders are only beginning to proactively and strategically think about how they want to configure their workforces, with some appropriate blend of full-time employees, part-timers, freelancers, consultants, and the like. The strategy and blend will vary from company to company. The need for careful consideration of options will become more paramount as workforce needs and expectations evolve over the next ten years and beyond. (Boudreau et al., 2015)

Think more agile, flexible, virtual, project-based, customized, micro-tasked, and multi-phased. People, especially the most talented people, are increasingly expecting to have a portfolio of work and life experiences that morph over time. If you are thinking, 'that's not our organization, we don't intend to operate that way,' think again. This trend is not about your organization's strategy or preferred operating mode, nor is it solely a function of any one leader's personal views about leadership. It is about keeping pace with the changing nature of work, the workforce, and the workplace. It means big changes for leadership and leadership development – not only the capabilities required to be a leader, but the very definition of what leadership is and why it matters.

> Companies are struggling to understand who (and what) their workforces are composed of and how to manage today's incredibly diverse combination of worker types, including workers on and off the balance sheet as well as part-time, contingent, and virtual workers. Across all organizations, industries, and geographies, a new work and social contract is emerging. Today's HR organization needs to adapt to these changes in the 21st-century workforce. (Schwartz, Bohdal-Spiegelhoff, Gretczko, and Sloan, 2016).

Socio-economic Challenges

Clean water, climate change, crime, demographics, diversity, drug addiction, education, famine, fertility, gender rights, globalization, health care, human trafficking, income equality, immigration, population growth, racial equality, religious freedom, sexual assault, unemployment, urbanization, and war. These are only some of the social and economic issues and opportunities we face as leaders, organizations, and citizens of the world.

> Are these problems inevitable, somehow endemic to society? Or, are they manufactured by, and a by-product of, bad leadership? To be sure, people of every shape and size contribute to the social and economic challenges we face as a global society. But, who is accountable for the rise and, more importantly, the resolution of these trends? The answer seems to be leaders, making social responsibility a key leadership capability. (Browne, Nuttal, and Stadlen, 2016)

Leaders make a huge difference to how well these socio-economic issues are communicated, prioritized, resourced, and resolved. This requires a breadth of perspective and a level of understanding which go well beyond the traditional boundaries of countries, cultures, economies, industries, political persuasions, social classes, or wealth. Big-picture problems require big-picture solutions, which in turn demand big-picture leaders.

LEADERSHIP CAPABILITIES

The transformational, technological, flexible, and socio-economic themes discussed above set the stage for seven leadership capabilities – some old, some new, some reimagined – that must be mastered by leaders to ensure their future relevance in the ever-changing world of work.

Outside-In Perspective

Some years ago, Katz (1974) described three clusters of skills required for effective leadership:

- Technical skills involved the practices, tools, and processes required to do a job.

- Human skills involved the ability to understand, communicate, and work with others.
- Conceptual skills involved an intuitive sense of the bigger picture, a longer-term horizon, an ability to connect seemingly unrelated patterns or elements, and the creative development of new or novel ideas.

We know that leaders at all levels must have competencies in all three skill arenas. Knowledge and proficiency in the technical aspects of any job are essential to performance and advancement. The ability to engage and energize others is a cornerstone of effective management. But conceptual skills, the capacity to think strategically and to look ahead to create the effective organization of the future, are crucial for leaders.

The pressures of change have morphed into a relentless transformational force. Networked business ecosystems are redefining organizational roles and relationships. Social changes have precipitated a shift in employee attitudes toward work and organizations. Technological advances are unfolding at a frenetic rate. The growing consumer class in developing economies has shifted targets for market growth (Moore, 2015). These and many other developments require leaders who, in addition to having a solid grounding in technical skills, also have the conceptual capacity to anticipate change and the intellectual openness to create novel organizational solutions to unanticipated challenges (Birshan and Kar, 2012; Shoemaker, Krupp, and Howland, 2013). Vicere (2015) referred to this as the 'strategic leadership mindset' and described it as a teachable, coachable intellectual process that unfolds in five phases:

- *Looking out*. Effective strategic leaders maintain an intense focus on developments external to the organization – social and demographic trends, economic shifts, and technological breakthroughs. They see these trends as the context for business strategy and organizational development. They focus on the critical questions of what their organization needs to do and how it needs to change to anticipate, adapt, and take advantage of developments in the changing external environment.
- *Looking around.* Having 'looked out' and placed the organization in the context of emerging external trends, effective strategic leaders then 'look around' to consider what can be learned by studying comparator organizations including competitors, benchmark peers, potential disruptors, etc. What changes seem to be driving strategy and investment for these organizations? What is working for them? What can we learn from their experiences? How can we make a quantum leap?
- *Looking in the mirror.* Armed with an assessment of the external context and insights from comparator organizations, effective strategic leaders then 'look in the mirror' to consider what they must do to ensure that the people who work with and for them understand the external context and have considered the lessons of comparator experiences. They develop breakthrough communications that facilitate engagement and discussion of potentially game-changing information and insights.
- *Looking to the team.* Having framed their influence strategy, effective strategic leaders then engage with their team to discuss how key external trends and comparator information can be used to frame strategy development and execution. From those discussions, they build the plans and set the agendas that will move the organization into the future.
- *Looking for results.* Effective strategic leaders clarify strategies and priorities, engage people across the organization, and define processes to monitor progress, drive results, and remain relevant in a constantly changing business environment. They ensure that a focus on current performance is balanced with a constant connection to the future.

The strategic leadership mindset described above enables leaders to operate from an outside-in perspective, to better understand trends affecting the organization, to see around corners and connect the most relevant dots, to integrate information into business insights that impact results, and to orchestrate the organizational processes that ensure effective execution and performance (Vicere, 2015).

Network Savvy

In a classic study, Mintzberg (1973) noted that effective leaders play three sets of roles in an organization:

- Interpersonal roles – serve as an internal leader and external liaison.
- Informational roles – collect and disseminate information both within the organization and with external constituencies.
- Decisional roles – identify and pursue opportunities and resources, the handling of disturbances, and the allocation of resources.

Mintzberg's work has remained remarkably relevant over the years. Yet, the shift to the network economy has put these roles into a new context. Leaders today continue to have interpersonal and informational responsibilities, although it may be argued that those responsibilities are even more critical and more challenging due to the distributed nature of work. Leaders also retain decisional responsibilities, but those responsibilities increasingly must be shared and negotiated with various network partners. The nature of leadership as defined by Mintzberg may be similar today, but the networked economy places new demands on leaders and requires consideration of an enhanced set of roles and related capabilities.

Based on discussions with dozens of leaders and first-hand observation of their leadership behaviors, Vicere (2002a) projected four mindsets essential for effective leadership in the emerging networked economy that remain relevant today:

- *Boundaryless Thinker.* Leaders in the networked economy need to think beyond the status quo and help others across their organization to do the same. They cannot be bogged down in traditional orthodoxies, but must be open to new ideas. They must promote and lead change, championing new ideas to drive organizational relevance in a changing world.
- *Network Builder.* Leaders who think in a boundaryless manner are more likely to have a relationship mindset, one focused on the importance of sharing ideas, information, knowledge, resources, and capabilities. Organizational effectiveness in the networked economy is rooted in relationships and networking. Complementary partners must be identified and linked together in a knowledge-sharing culture in focused pursuit of organizational success.
- *Diplomat.* To develop and maintain the effectiveness of networks, leaders must be able not only to bring constituencies together, but also to help them work together and appreciate that through collaboration they can achieve more than they could on their own.
- *Interpreter.* To complement their skills of diplomacy, leaders must have the ability to interpret the nature of business opportunities to their network, the perspective to help partners understand each other, and the skills to coach, facilitate, and provide feedback to an organization that is no longer a collection of lines and boxes, but a living, growing, expanding ecosystem.

Agility and Emotional Intelligence (AEQ)

Agility often evokes a litany of additional words and phrases, offered in a perhaps futile attempt to define succinctly that which cannot be described. Adaptability, ambiguity, complexity, disruption, flexibility, paradox, and speed are often mentioned, as are reconciliation of competing priorities and similar constructs. Haneberg (2011) provided an insightful definition: 'Agility is our capacity to be consistently adaptable without having to change. It is the efficiency with which we can respond to nonstop change.'

A formal definition of agility offers help but does not do justice to the demands on leaders. Essentially, we want them to do more with less, faster than ever before, with fewer or less well-defined resources, in anticipation of challenges, issues, and trends that are not well understood – but, even if they are, could likely change on a moment's notice.

How should we think about helping leaders to become more agile? Perhaps the best way to resolve this dilemma is to develop leadership agility through the lenses of life and work experiences, rather than through programmatic content and exhortations.

People who are adept at seeing around corners and connecting the dots among seemingly unrelated things have a leg up on agility. People who learn quickly, are curious about and aware of a wide variety of things are more likely to be agile than those with a more singular knowledge and experience base. People who surround themselves with diverse thinkers, divergent opinions, and different perspectives are more likely to be open to learning than people who only associate with those who look, think, and act like them. People who move across roles, functions, organizations, and geographic locations will be better prepared as agile leaders than those with 'one year of experience thirty times.' People who are comfortable with making decisions quickly, experimenting, failing, learning from the experience, and moving on to the next important thing are going to be more adept and agile than those who are afraid of failure (Forbes Coaches Council, 2017).

Being a 'smart' leader with a high IQ is no longer enough for ongoing sustainable success (Jensen, 2012). We have worked with numerous leaders who are functionally and technically brilliant but woefully lacking in emotional intelligence (EQ). We have also seen how companies, colleagues, employees, customers, and other key constituents have changed their expectations of leaders, requiring a greater and greater focus on increased EQ (Ovans, 2015).

Are you born with a static EQ or can EQ be learned? Dan Goleman popularized the term 'emotional intelligence (EQ)', which he defined as recognizing, understanding, and managing our own emotions and recognizing, understanding, and influencing the emotions of others. Goleman noted, 'in practical terms, this means being aware that emotions can drive our behavior and impact people (positively and negatively), and learning how to manage those emotions – both our own and others – especially when we are under pressure' (1995). In a recent conversation with Jay Conger, Chairman of the Kravis Leadership Institute, he pointed out the need for leaders to 'become much more adept at 'sensing' situations.' Can a leader 'sense' what is going on with his/her team? Does he/she truly listen, understand the dynamics of a situation, ask questions, and dig deeper (Jay Conger, Personal Communication, 2017)?

In the past, exceptions were made for low-EQ leaders, if they executed on other fronts and/or were experts in their functional areas. But, as more research is done around why people leave organizations, the results show that low-EQ leaders are a major factor. The strongest correlation with why employees leave organizations is a lack of connection with their manager (Lighthouse blog, 2016). With the cost of replacing an employee between 50 and 250% of their salary (Petrone, 2017), companies are beginning to hold leaders to a much higher standard of performance when it comes to EQ and investing significantly in the development of EQ-related skills like leadership, feedback, and conflict resolution (Beck and Libert, 2017).

Chief Organizational Capability Officer

Future leaders will need to excel at building and driving organizational capabilities including agility, collaboration, culture, customer-centricity, innovation, leadership, networks, outside-in perspective, talent, transformation, and transparency, among others. Specific capabilities required will likely vary by company, industry, and related business challenges. But today, leaders need to identify, master, and cultivate a wide range of different yet complementary capabilities.

More and more companies (including UPS, Time Inc., and Viacom) have established the role of 'Chief Transformation Officer,' which is an illustration of the growing need for new and different organizational capabilities. The leaders filling these roles come from a wide variety of educational, experiential, and functional backgrounds. Their primary qualifications and mission involve seeing the need for change, disrupting the organization's status quo, driving change, and creating the capacity to transform other leaders, as well as their organizational DNA to promote new ways of thinking and operating (Gorter, Hudson, and Scott, 2016).

Inherent in this role is the need for leaders to evolve into 'orchestra conductors,' working across multiple functional disciplines and organizational boundaries to solve large, complex issues, which themselves are cross-functional in nature. Orchestra conductors are not experts in playing the flute, violin, or tympani. Their job is to find the very best musicians in the world, bring them together, and create beautiful harmonious music. Leaders who play the new Chief Organizational Capability Officer role are much like these orchestra conductors. Their job is to bring together the very best people who represent multiple areas of expertise and a broad array of organizational capabilities, and lead them to deliver great results.

The requirement for leaders to excel at building organizational capacity for transformational change is on the rise. Leadership development efforts must therefore strike the right balance between building leaders who fit and leaders who do anything but fit with historical organizational paradigms.

Talent Personalization

One of the most important roles leaders play is to find, develop, and keep the best people. While this requirement is not going away anytime soon, the ways in which this role is accomplished are changing. We are seeing an increasing need for and application of marketing-related principles to people-related challenges. Differentiation, mass customization, personalization, and segmentation are becoming more common and accepted talent principles. 'Mass customization in HR will include shifts from employment value proposition to personal value proposition and sameness to segmentation' (Ziskin, 2015, p. 168).

Talent management philosophies have historically led organizations to create a work environment that works for everyone and people practices that treat everyone the same, all in the name of fairness. Sameness is not equivalent to fairness. The future of work demands talent solutions that are customized and personalized to the unique needs and interests of pivotal talent in pivotal roles, especially for those individuals who are in high demand and have many options about where, when, how, with whom, and on what they wish to work. Treating everyone the same may be an effective strategy for minimizing employee relations complaints or even lawsuits. It is not an effective strategy for developing talent or leaders of other talented people, nor is it a way to drive organizational and individual performance in a hypercompetitive business environment (Boudreau and Ziskin, 2011).

We do not imagine that every employee or freelancer will have their own unique or special employment arrangement. We do, however, see increasing evidence that mass customization and selective personalization of work and talent solutions will be inevitable – and more practical than the historical practice of spreading limited talent resources among broad populations of people, many of whom do not want or need the same things. Leaders will need to learn how to craft different value propositions for different people, and be transparent and confident enough to explain why those different options are business-justified and fair. Transparency will be the new fairness. 'The vast majority of employees will support differential treatment if there are clear, logical, and well-communicated reasons as to why such differential treatment exists' (Cantrell and Smith, n.d.).

Transparency and Truth-telling

Today, not only do employees have access to more work environment information from websites and social media than ever before, but they are also more readily sharing information with their current and potential coworkers. In this Glassdoor, Rateyourjob-Rateyourboss, Twitter, and LinkedIn climate, transparency and trust are critically important. If someone is selected and attends a leadership development program, there is a high probability that this news will show up on their social media presence in some way. Likewise, people are increasingly comfortable with sharing information about compensation, performance feedback, and other work-related matters that have historically been treated more confidentially. How do leaders lead in a world with no secrets?

This trend toward increased transparency seems to be at odds with the secrecy that often surrounds many leadership development, talent management, and succession planning practices. It is not uncommon to come across employees who have been selected to participate in a leadership development initiative or a high-potential program but who have no understanding about how or why they were selected or what they should expect to gain by participating in the experience. Succession planning processes are often characterized by similar shrouds of secrecy. Many employees do not know if there is a company succession plan, and, if there is one, whether they are on it. This lack of transparency has generally led to frustrated employees and has contributed to lower engagement and higher turnover (Korn Ferry Institute, 2015). Leaders and leadership development practices must become more transparent.

Purpose Shaping

Today's leaders need to be attuned to social and demographic shifts that are influencing the attitudes and performance of the growing numbers of millennials and centennials in the workforce. Goffee and Jones (2006) found that organizational members had four key expectations for leaders:

- *Sense of Community.* Followers long for a sense of belonging and to feel part of something bigger. They long for leaders who are culture and community builders, who help people connect with one another as well as the overarching purpose of the organization.
- *Sense of Significance.* Followers want to believe their efforts matter. Leaders need to recognize their contributions in a meaningful way, with highly personalized feedback. Similarly, they want to believe their organization is making a difference – that it is making positive contributions to society.
- *Sense of Excitement.* Followers are looking for leaders who demonstrate passion, energy, and enthusiasm for the organization, its work, and its people. They expect their leaders to be a source of energy and pride.
- *Authenticity.* Followers seek to be led by people who are not afraid to acknowledge their personal differences, weaknesses, and strengths, thereby inspiring employees to develop their own talents.

These expectations point to the need for leaders to revisit the essence of leadership, what Vicere (2002b) referred to as 'the three Ls.' First, leaders help organizations to improve the quality of 'life' for employees, customers, and stakeholders at all levels. Second, they create an environment of 'love,' a culture in which employees feel appreciated, involved, and that they are doing important work. Third, they help contribute to their organization's 'legacy,' passing a fully functioning, thriving organization to the next generation of leaders. That means ensuring that the organization remains relevant in a constantly changing environment.

The commitment to life, love, and legacy frames the essence of leadership. It is not about building a better life only for the leader, or gaining the adulation of the media as a celebrity CEO, or building a personal financial legacy to pass along to one's children. It is about creating organizations that have meaning and purpose, and making a positive impact on every individual who encounters the organization whether that person be an employee, a customer, a community member, or a stakeholder at any level. It is about positioning the organization for the long term and ensuring that the organization not only gets better at what it does, but also is able to evolve to stay relevant in a constantly changing world (Vicere, 2010; Montgomery, 2012; Laloux, 2015).

LEADERSHIP DEVELOPMENT PRACTICES

The need for mastery of these seven leadership capabilities is putting pressure on senior leaders and leadership development experts to devise new and different approaches for identifying and cultivating leaders who will be ready for the future of work. Organizations are experimenting with unconventional leadership development practices, doubling down on initiatives that seem to be working, and abandoning efforts that are no longer relevant or effective for today's and tomorrow's leadership needs. We see three clusters of leadership development practices getting attention and traction.

Differentiated

Leadership development will by necessity become more on demand, bite-sized, in the moment, customized, and focused on specific learning needs and interests of the leader at a particular point in time. More importantly, demand will be defined and controlled by the learner's needs and interests, rather than by the organization's more generic preference for what leaders should learn.

Marketing-related principles such as differentiation, mass customization, personalization, and segmentation are all very familiar concepts in the marketing profession. Leadership development is headed this direction too.

> Organizations can no longer afford to spread learning and development practices and programs across broad swaths of their leadership and employee populations. Instead, we can expect to see more targeted development aimed at pivotal talent in pivotal roles, those people and positions most critical to organizations delivering on their strategy and winning in the marketplace. (Ziskin and Leone McLaughlin, 2016)

This increased orientation toward differentiation will also permeate succession planning processes and how we define and identify high-potential leaders. Rather than finding and developing 'ready now' leaders, people who are thought to be ready to step into bigger and more complex roles now, organizations will need to shift their succession processes to identify and develop 'ready able' leaders. These ready able leaders will be assessed and developed based on their agility, flexibility, capacity to learn, ability to connect dots and see trends emerging, and their comfort with quickly shifting strategies and actions to accommodate rapidly changing business conditions.

As part of this growing emphasis on developing ready able leaders, we expect to see more companies send their best and brightest leaders to another company, in perhaps a completely different industry, for a differentiated leadership development experience that they could not get in their own company. This practice encourages and enables select leaders to leave the nest for a specified period, and then return to their home company at some later pre-determined time, after their eyes have been opened to new and different ways of thinking about solving a specific problem.

For example, if your company is weak in supply chain management, but becoming world class in that area is pivotal to execution of your business strategy, would it be more powerful to send one of your best executives to learn about supply chain management at a one-week university leadership program, or to second them for 18 months to another company that is a world leader in supply chain management? Could they become ready able to transform your supply management function by having a differentiated leadership development experience designed specifically for them, but at another company?

Historically, the 'ready now' label within the traditional talent pipeline suggests people are judged to be ready based on what made incumbents successful in the past. Ready now candidates generally are thought to have similar skills, experiences, and leadership capabilities as successful past incumbents. This approach has been tried and true for generations of succession planning processes, and will still be valid – but only if we have confidence in what made incumbents successful in the past will be equally relevant in the future.

But what if past conditions, challenges, required capabilities, and success models are made irrelevant by new business challenges, competitive constraints, and disruptive forces? It is becoming more and more difficult to determine who is 'ready now' vs. 'ready for what used to be.' Instead, we need to determine whether potential successors can get ready quickly and morph to new states of readiness as conditions and requirements rapidly change. Using this new definition of 'ready able' as a filter, the specific leaders who we identify as high-potential and high-performing successors will undoubtedly change. The lens we use to assess readiness also will change the way we evaluate specific candidates. And the leadership development approaches and tools we use to get these leaders ready able must also transform. 'To be truly agile and future-ready in your talent pipeline, your company should wield a human capital management system that possesses social, mobile, analytics, and cloud capabilities. This can be a strong backbone for a successful talent pipeline built for future growth' (Sason, 2017).

Digitized

Learning for all people, including leaders, has gone digital. There are more options that are online, platform-based, virtually available, accessible 24 hours a day/7 days a week, global in reach, low-cost or free, and being distributed to the broadest audience of interested users imaginable – all enabled by rapidly advancing technology. Face-to-face, multi-day leadership development programs are not going away, but they will compete for time, attention, and resources with shorter, digitally enabled, just-in-time, more virtual resources such as podcasts, coaching in the moment, peer-to-peer networks, and other platforms. 'There's an app for that' is not only a popular expression, but a leadership development reality (Freifeld, 2013).

Conventional leadership development programs and practices are being challenged, redesigned, shortened, cost-reduced, and in some cases eliminated because of competition from digitized and virtual alternatives that can be distributed anywhere, anytime, faster, more conveniently, and more cost-effectively to a much broader audience. As Leaman (2016) reported: 'Best-in-class companies are 76 percent more likely to incorporate modern techniques that make learning more engaging and effective for multiple generations. These techniques mimic real-world applications like Google, Facebook and YouTube.' Digital technology is not a complete substitute for face-to-face interaction leadership development, but it is a compelling alternative that is increasingly being utilized by individual leaders and the organizations looking to develop future-readiness (Jesuthasan and Holmstrom, 2017).

Digitalization impacts the delivery of leadership development initiatives in other ways. Harward and Taylor (2017) noted:

> As the classroom size continues to shrink, the role of the instructor is changing from a facilitator for a large audience to a personal coach or tutor. Instructors must move beyond traditional facilitation skills to encompass a range of storytelling and coaching skills to personalize the learning experience. Learners do not want a regurgitation of facts and information from required pre-work; they

want stories that make the content relatable to them. Learners want to be at the center of the story and the training experience.

Disruptive

The term 'disruptive,' in the leadership development context, has a dual meaning. First, it suggests that the other Ds above, including differentiated and digitized, are themselves disrupting the processes for leadership development. Second, and equally important, the term indicates that leaders are being taught the what, why, and how of disruption as part of their learning and preparation to become more future-ready leaders.

Companies are using accelerated leadership development programs to speed up the readiness of leaders to assume bigger and more complex roles (Aberdeen Group, 2013). This concept, while not new, is becoming more aggressive and organizations are becoming more accepting of taking risks with candidates who in the past might not be considered ready for bigger jobs by more traditional and conservative standards. Accelerated development programs have been a popular concept for years to advance high potentials. They are now being used to accelerate diversity of leadership teams and boards of directors (London, 2017).

Shortages of females, minorities, and CEO candidates – as well as concerns about identifying leaders who are savvy about the emerging business trends and challenges discussed earlier in this chapter – are also encouraging some companies to completely skip over generations or layers of executives to identify candidates and put them in bigger jobs faster than ever before. Organizations looking to dramatically improve diversity in their senior leadership and board ranks have determined that business as usual in succession planning and other leadership development efforts will produce barely noticeable improvements in diversity over the next 15–20 years unless more aggressive, perhaps riskier steps are taken.

> For the first time in eight years, the percentage of women on U.S. corporate boards declined last year. Despite more evidence about the benefits of increasing the number of women on boards (such as better decision making), and mounting pressure from groups like State Street Global Advisers and Blackrock to do so, the data suggest it will take until the end of 2055 to have board parity in the U.S., if we continue at the current rate. (Johnson and Davis, 2017)

Companies that want tech-smart, externally focused, multidisciplinary, fast-moving change agents are often finding those leaders several layers down in the organization rather than from the more typical ranks of leaders they have focused on in the past.

While experiential learning including simulations and various adventure-based learning experiences have also been available for quite some time, these tools are now being used to truly differentiate among leaders who make the cut and those who do not. As one highly experienced former Chief Talent Officer shared with us:

> It's about bringing the challenge into the classroom, in what I call 'reality learning.' The challenge for today's learning and business leaders is to bring the real world into the classroom … bringing real customers, real partners, and real issues into the leadership development space and having these worked on in real time with leaders who can facilitate the right insights and judgment calls. How else do you teach judgment?

Coaching is another practice that is not new but is changing in acceptance and application. It is increasingly being used, not only to help leaders with more effective leadership style and behavior, but also to help them prepare for and transition into bigger and more complex jobs (Sabatier, 2015). Ten years ago, and still today in some organizations, coaching suggested that you had personal issues that needed to be resolved. No longer. Similarly, more aggressive and comprehensive leadership onboarding and transition strategies are being used by companies to best ensure success as leaders move into new jobs and, in some cases, new organizations. (Byford, Watkins, and Triantogiannis, 2017).

On the leadership learning side, leaders are being taught to examine current organizational concepts, practices, traditions, and ways of thinking and to radically rethink them. Design thinking, crowdsourcing, action learning, lean principles and six sigma processes, and internal venture capital or 'Shark Tank' concepts have evolved to increasingly emphasize a crucial but as yet unresolved leadership development challenge – how to identify and develop those leaders who are capable of preserving and protecting what made our organizations successful in the past, while at the same time challenging and remaking them to be competitive in the future? This disruptive capability is perhaps the ultimate leadership paradox for the next 10–15 years and beyond.

CONCLUSION

The world, work, workforce, and workplace are all changing in exciting but unpredictable ways. The leadership capabilities required for success are being redefined and reimagined. Leadership development practices and processes designed to prepare leaders are being rethought and reconfigured.

Are leaders ready for and relevant to the transformational changes that will be taking place over the next 10–15 years and beyond? Are organizations prepared to disrupt and reshape the way they define and cultivate great leadership talent? Future-readiness will be found in the shift from 'ready now' to 'ready able' leadership development.

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12

Understanding Performance Appraisal: Supervisory and Employee Perspectives

Michelle Brown

INTRODUCTION

Job performance is important in both organizational research and practice. The most common method for measuring performance is a supervisory rating which is 'one of the most important, time-consuming, and unpopular tasks in management' (Cappelli & Conyon, 2018, p. 88). Performance ratings are part of a performance appraisal. Performance appraisal refers to a formal process in which the performance of an individual is evaluated by the supervisor over a period of time, traditionally one year. The supervisor evaluates the employee along a set of dimensions (e.g. problem-solving, conflict management) and assigns a score to that dimension, which are then summed to generate the employees' overall performance rating. There may or may not be any formal developmental feedback (DeNisi & Murphy, 2017; DeNisi & Smith, 2014).

Fletcher (2001) notes that the process for evaluating employee performance has expanded to encompass activities 'through which organisations seek to assess employees and develop their competence, enhance performance and distribute rewards' (p. 473). This wider process is referred to as performance management. Performance management programmes begin with performance appraisals but also include feedback, goal-setting and training, as well as reward systems with the intention of improving individual performance in a way that is consistent with strategic goals and with the ultimate goal of improving firm performance. Performance management 'is a continuing process of identifying, measuring, and developing the performance of individuals and teams and aligning performance with the strategic goals of the organization' (Aguinis, 2013, p. 2). The focus of this chapter is on performance appraisals.

Numerous surveys have demonstrated dissatisfaction with performance appraisal systems (Pulakos, Hanson, Arad, & Moye, 2015). Employees are expressing dissatisfaction:

CEB (2016) reports that 59% of employees feel performance reviews are not worth the time invested. People IQ (quoted in Elicker, Levy, & Hall, 2006) reported that only 13% of employees believe that their organization's current performance appraisal process is useful. Holland (2006) reported that only three in 10 employees believe that their company's performance review system actually helped them improve their performance. People IQ (quoted in Elicker et al., 2006) reported that only 6% of CEOs believe that their organization's current performance appraisal process is useful, while CEB (2016) reported that 95% of managers are dissatisfied with their performance management system. In 2017, Hay Consulting released survey data indicating that 67% of managers in Australia would like to ditch the annual performance review (Pash, 2017). Associated with this dissatisfaction, a number of high-profile organizations (e.g. Abode, Accenture and Deloitte) have dropped or substantially altered their performance management systems (Buckingham & Goodall, 2015; Cappelli & Tavis, 2016). Other observers believe that it is not the performance appraisal system but the participants that determine the effectiveness of appraisals (Cappelli & Tavis, 2016).

One of the most important outcomes of a performance appraisal system is the performance rating (DeNisi & Smith, 2014). For supervisors, the rating can have an impact on the quality of their relationship with their employees. For employees, the rating can influence a range of decisions including a pay increase, training and development opportunities, promotions, and employment terminations. Further, much of the organizational discussions about the future of appraisals is about whether to eliminate performance ratings. As Adler et al. (2016) observe, rating systems encourage supervisors and employees to focus on rating outcomes rather than improving effectiveness on the job.

In the next section we review the literature that assesses the capacity of supervisors to make an accurate assessment of an employee's performance. We examine both situational and individual factors affecting supervisory rating behaviour. We then turn our attention to tactics that employees use to improve the chances of getting a higher rating.

SUPERVISORS AND PERFORMANCE APPRAISAL

Supervisors are key to the performance management process and the way in which supervisors implement their appraisal responsibilities can determine the effectiveness of the organization's PA system (den Hartog, Boselie, & Paauwe, 2004). Supervisors establish the performance goals with (or for) the employee as well as assess the extent to which the goals have been achieved at the end of the performance cycle. In other words, the supervisor is defining what constitutes good performance and also assessing whether it has been demonstrated. Further supervisors direct employees as to which tasks to perform and how to carry them out, impacting on the capacity of the employees to achieve their performance goals (Cappelli & Tavis, 2016).

Assessing performance is not a simple task. Supervisors have to make their assessment often in a complex and demanding environment (DeNisi & Murphy, 2017). Supervisors need to collect data on which to make an assessment of an employee's performance but the data may not be consistent (e.g. gets to work on time but is rude to customers). Employees perform well at some times and not at others. Supervisors typically do not watch their employees throughout the work day as managing employee performance is one of many responsibilities. Hence, the sample of employee performance may be unrepresentative. Supervisors must also exclude from their assessment irrelevant information about the employee and any other judgements that may have been made about the employee in the past, and they must suspend any biases or tendencies they possess while making this judgement (Adler et al., 2016). Further, some employees engage in activities that are designed to create a positive impression of them (Bolino, Long, & Turnely, 2016), further complicating a supervisor's assessment process.

Motivation

Early research commonly assumed that supervisors aimed to rate employee performance accurately, and that accuracy in performance ratings was a function of the supervisor's cognitive capability (Milkovich & Wigdor, 1991). However, Murphy and Cleveland (1995) argue that rather than being incapable of rating accurately, inaccuracies in ratings were likely to be due to the supervisor's motivation to provide accurate ratings. A number of situational and personal factors contribute to a supervisor's motivation. We will review these lines of research.

Situational Determinants

Organizational Climate and Organizational Commitment

Organizational climate and organizational commitment play an important role in shaping a supervisor's motivation when conducting appraisals. A participative organizational climate was found to impact supervisors' motivation to provide accurate ratings and helpful performance feedback (Tziner, Murphy, & Cleveland, 2001). Characteristics of a participative organizational climate include cooperative relationships, individual responsibility, trust and communication. A participative organization is likely to reduce supervisor–subordinate conflict and political distortion of ratings. Similarly, supervisors who had higher levels of attitudinal commitment to the organization provided more accurate ratings (Tziner & Murphy, 1999).

Trust and Confidence in the Performance Appraisal System

The perceptions supervisors hold about the system also has implications for their motivation. Harris (1994) argues that low levels of trust in the appraisal system will adversely affect the supervisor's motivation to rate accurately. Supervisors with trust in the appraisal system believe that the performance data will be utilized in a fair and objective manner. If a supervisor has low levels of trust in the appraisal system, he or she is likely to rate leniently rather than accurately due to the likelihood of negative outcomes for the employee. Tziner, Murphy, Cleveland, Beaudin, and Marchand (1998) found that supervisors who had lower levels of trust in the appraisal system provided higher ratings compared to supervisors with higher levels of trust.

Similarly, a supervisor's confidence in the organization's appraisal system can also impact rating behaviour. Supervisors who have confidence in the appraisal system perceive it to be a credible activity that provides accurate and useful information about individual employee performance (Tziner & Murphy, 1999). Confidence in the appraisal system is influenced by whether political factors generally play a role in the formulation of ratings. Perceptions that performance ratings are largely used for political purposes in an organization (e.g. Longenecker, Gioia, & Sims, 1987) will reduce a supervisor's confidence in the appraisal system. Consequently, if rating inflation or distortion is the norm in the organization, supervisors are also likely to provide inaccurate ratings. Tziner and Murphy's (1999) study found that supervisors with low levels of confidence in the performance appraisal system were more likely to give elevated ratings.

Supervisory experience conducting appraisals can influence rating behaviour. A few studies (e.g. Barnes-Farrell, L'Heureux-Barrett, & Conway, 1991; Ostroff & Ilgen, 1992) have reported that the greater the level of appraisal experience, the more accurate a supervisor's performance ratings.

Performance Appraisal Purpose

The performance appraisal purpose refers to the ultimate use of an organizational performance appraisal process (Cleveland, Murphy, & Williams, 1989). An organization's appraisal system may serve administrative and/or developmental purposes. When the purpose of the performance appraisal is administrative, ratings of employee performance are used to determine important human resource decisions such as pay and promotion. In contrast, when performance appraisals serves a developmental purpose, the focus is on identifying the employee's strengths and weaknesses for training needs and feedback (Jawahar & Williams, 1997; Taylor & Wherry, 1951).

The purpose of the appraisal can influence supervisor intentions and goals (Murphy & Cleveland, 1995). Employees tend to receive higher performance ratings when there are administrative consequences, rather than when ratings are assigned for developmental purposes (Ellington & Wilson, 2017; Jawahar & Williams, 1997). Supervisors bias ratings upwards in an administrative appraisal system to avoid providing negative feedback and to avoid negative consequences associated with low ratings (e.g., no pay increase) for employees. When ratings are used for employee development purposes, ratings are more stringent as managers are motivated to help employees accurately identify and correct performance deficiencies. The purpose of the rating also has implications for employee proactive behaviour. Qiu, Hu, Zhang, and Li (2015) report that an administrative performance appraisal had a negative influence on the employees' proactive behaviour, whereas a developmental performance appraisal had a positive influence.

Some organizations use performance appraisal for both administrative and developmental purposes but this can lead to conflicting goals for appraisal (Cleveland et al., 1989). Murphy and Cleveland (1995) suggest that uses of performance appraisal to highlight differences between people (e.g. salary, promotion, validation) are fundamentally at odds with uses of appraisal to highlight differences within persons (e.g. identifying developmental strengths and weaknesses). Employees are less willing to share information about their needs for development as it might lead to a lower performance rating and subsequent pay increase.

Supervisor Accountability

Supervisors are often reluctant to conduct appraisals. In response, organizations have set up mechanisms to encourage supervisors to take their appraisal responsibilities seriously. Accountability refers to the amount of pressure on the supervisors to justify their rating to others (Harris, 1994): upwards to supervisors or downwards to employees. According to accountability theory, holding an individual accountable for the decisions he or she makes will impact the individual's motivational state, and consequently highlight the significance of the task at hand as well as prompting behaviour that leads towards task accomplishment (Mero, Motowidlo, & Anna, 2003).

The 'audience' to whom supervisors are accountable to plays an important role in shaping rating behaviour. Upward accountability (when supervisors are accountable to *their* superiors) results in supervisors being *less* lenient (Curtis, Harvey, & Davden, 2005). Curtis et al. (2005) argue that if the supervisor's superior is likely to check the ratings and could potentially change them, accountability is increased. Supervisors are motivated to appear competent to their superiors and hence rate less leniently. In contrast, when supervisors are held accountable to their employees (downward accountability), they are more likely to inflate their ratings (Curtis et al., 2005; Klimoski & Inks, 1990; Roch, 2005; Shore & Tashchian, 2002; 2003). This is especially likely when supervisors anticipate a face-to-face meeting with employees who are poor performers (Klimoski & Inks, 1990; Yun, Donahue, Dudley, & McFarland, 2005). Another explanation for rating inflation in the context of downward accountability is that when supervisors are aware of the employee's views, they are likely to provide ratings that are similar to that of the employee's expectation. Employees often have an unrealistically positive view of their own performance and are likely to rate themselves highly (Meyer, 1980). For supervisors, adopting an employee's rating expectation involves the least amount of cognitive effort in information processing (Mero & Motowidlo, 1995).

Personal Determinants

Role of Liking

Researchers have examined the role of supervisor liking of their subordinates and its impact on performance ratings. Liking involves an emotional response directed towards a particular person or object (DeNisi & Sonesh, 2011; K. Murphy, 2008). According to Sutton, Baldwin, Wood, and Hoffman (2013), supervisory liking overlaps substantially with performance ratings, sharing an average of 60% of the variance with performance ratings. One explanation for the positive liking–performance rating relationship is a supervisory preference for high-performing employees.

A second explanation is supervisor rating bias: that liking has a pervasive influence on the supervisory perception of employees, which results in both unintentional and intentional bias in evaluations (Cardy & Dobbins, 1986). Under the bias explanation, supervisors tend to recall positive performance information for liked employees and negative performance information for employees they dislike. When supervisors recall negative information about a liked employee, they are likely to ascribe these episodes of lowered performance to external factors that are outside the employee's control (e.g. equipment failures). Alternatively, poor performance on the part of a disliked employee is attributed to internal factors (e.g. employee did not put in sufficient work effort). The net result of these cognitive distortions is that supervisors will evaluate those they like more positively than those they dislike. Researchers are yet to determine if the strong positive relationship between liking and performance is due to a supervisory preference for high-performing employees or supervisory bias, but as an employee it is good to be liked by the supervisor!

Supervisor Personality and Idiosyncrasies

An employee's performance rating should reflect the level of the employee's performance, though research suggests that a supervisor's personality and other idiosyncrasies are reflected in his or her performance ratings.

Personality traits reflect one's propensities to behave in characteristic ways in response to situational demands (e.g. Mischel & Shoda, 1995) and personality traits guide behaviours in contexts that are relevant for trait expression. Harari, Rudolph, and Laginess (2015) meta-analysed the relationship between the Big Five personality traits (Agreeableness, Extraversion, Conscientiousness, Openness to experience, and Emotional stability) and performance ratings. Cumulatively, the Big Five accounted for up to 22% of the variance in performance ratings. Focusing on individual personality traits, agreeable supervisors tended to inflate performance ratings as they tend to favour positive social relationships and to avoid conflict. Extroverted supervisors also tend to inflate performance ratings: they form favourable relationships with their employees and favourable supervisor–employee relationships are associated with elevated performance ratings. Supervisors low in emotional stability (neuroticism) tended to deflate performance ratings. Neuroticism encompasses traits such as anxiety and depression and is associated with a tendency to become easily angered and frustrated by others. Neurotic supervisors are likely to have poor relationships with their employees, resulting in lower performance ratings. Conscientiousness and openness to experience were not significantly related to performance ratings.

Scullen, Mount, and Goff (2000) studied factors postulated to influence performance ratings, with a particular focus on the role of employee performance and the supervisor's idiosyncratic rating tendencies. Idiosyncratic tendencies refer to performance rating variance that is systematic within an individual supervisor but is not associated with the actual performance of the employee. Scullen et al. (2000) found that idiosyncratic supervisor effects accounted for over half of the rating variance in their two data sets. The effects of employee performance were less than half the size of the idiosyncratic supervisor effects.

Other researchers have suggested that the context in which supervisor's rate has a greater influence on rating distributions than idiosyncratic supervisor effects. Waldman, Yammarino, and Avolio (1990) reported that an average of 10% of the variance in performance ratings was associated with departments, providing some evidence that supervisors' rating behaviour may be influenced by the intra-organizational contexts in which they work. Ellington and Wilson (2017) sought to quantify the effect of context on performance rating. They found that 28% of the variation in ratings is due to contextual variation and 17% reflects supervisor variance, leading them to conclude that while supervisor 'variance still represents a large portion of rating variability, our findings indicate that an even greater proportion may be due to aspects of the work environment that influence the rating behaviour of the supervisors in those contexts' (p. 95).

Performance Appraisal Discomfort

Supervisors are uncomfortable about monitoring employee performance, rating performance and communicating feedback (Murphy & Cleveland, 1995). Leniency is a way that supervisors deal with the complexity of evaluating others while, at the same time, protecting themselves from criticisms (Tziner & Murphy, 1999). Supervisors that report high levels of discomfort also tended to rate more leniently (Tziner & Murphy, 1999; Tziner et al., 2001; Villanova, Bernadin, Dahmus, & Sims, 1993). Leniency therefore alters the accuracy of the appraisal, which impacts the effectiveness of the many decisions based on appraisal results, such as promotion or compensation (Kane, Bernardin, Villanova, & Peyrefitte, 1995), as well as affecting employees' perception of the fairness of the appraisal process.

Smith, Harrington, and Houghton (2000) found that supervisors who perceive that performance appraisal is associated with important outcomes (e.g. pay increases) experience higher levels of discomfort. While Saffie-Robertson and Brutus (2014) found that supervisors with higher levels of interdependence (individuals define and evaluate themselves in relation to significant others) experience higher levels of discomfort with performance appraisal and that this discomfort matters in terms of how they evaluate others. Interdependent supervisors appear to be sensitive to the social implications of evaluating others, leading to them to inflate their evaluations.

EMPLOYEES AND PERFORMANCE APPRAISAL

Employees are often regarded as passive participants in the performance appraisal process: employees working under a well-designed system with an appropriately trained supervisor will respond with high levels of performance. This section looks at employee motivations and tactics in a performance appraisal system.

Motivation

Appraisals have at their core a desire to maximize the performance of employees to order to further organizational performance

(Cardy & Dobbins, 1994). The assumption is that employees are motivated by the desire for a high performance rating in order to access the financial and non-financial rewards (e.g. merit bonuses, promotional opportunities and access to training and development programmes). A theoretical basis for this assumption derives from expectancy theory (Vroom, 1964), which predicts that job motivation is improved when employees link job performance and organizational rewards. The anticipation of rewards can motivate people to a higher level of performance (Heneman, 1992). It is often thought that if an organization could effectively improve the performance of individual employees, this would generate improvements in firm-level performance as well. DeNisi and Smith (2014) conclude that this link has never really been established in a direct way.

Appraisal systems assume that employees want to have their performance rated. Equity theory (Adams, 1963) and social comparison theory (Festinger, 1954) suggest that employees do compare themselves with others. But as Adler et al. (2016) observe, 'this doesn't mean that people want to be compared with others by third parties' (p. 230). As Barankay (2011) showed, a majority (75%) of people say they want to know how they are rated, but when given the opportunity to choose between a job where their performance was rated against others and one where it was not, most choose the work without ratings.

There is a sizeable body of research that has examined the impact of performance ratings on employees. The rating can be a valued outcome as it represents an assessment of the employee's worth to the organization and can be important in maintaining self-esteem (Folger, 1987). An employee's self-esteem is affected by performance ratings because research has shown that employees usually rate themselves higher than their supervisors do (Meyer & Walker, 1961). Further, self-enhancement theory (Schrauger, 1975) suggests that individuals will react more positively to higher ratings than to lower ratings. Positive evaluations are seen as more accurate, are valued more, and are better accepted than negative ratings. Positive ratings elicit positive reactions towards the appraisal system (Kacmar, Wayne, & Wright, 1996). This line of research suggests that employees are motivated to pursue higher ratings. Jackman and Strober (2003) challenge this research by suggesting that employees are motivated to *avoid* a low rating.

Impression Management

Employees can engage in activities to try and influence their performance rating. Impression management

> refers to the process by which individuals try to influence the impressions others have of them … a person's overarching goals when engaging in impression management is to create a desired image in the minds of others which can be achieved by using a variety of tactics. (Harris, Kacmar, Zivnuska, & Shaw, 2007, p. 278)

Jones and Pittman (1982) identified five impression management tactics, which were then developed into a measure by Bolino and Turnley (1999) that has been used in subsequent studies of the impact on impression management on performance rating. The five impression management tactics are:

1. *self-promotion* involves exaggerating or highlighting one's accomplishments and abilities so as to be seen as competent by the supervisor;
2. *ingratiation* involves doing favours or giving flattery in the hopes of being seen as likable by the supervisor;
3. *intimidation* involves acting threateningly or intimidatingly to colleagues so they will view you as forceful or dangerous;
4. *supplication* involves broadcasting one's shortcomings in an attempt to be viewed as needy; and
5. *exemplification* involves making others perceive your actions as exemplary and worthy of serving as a role model, going above and beyond what is expected to be seen as dedicated by the supervisor.

Not all employees make use of impression management tactics (Bolino & Turnley, 2003b). On the whole, women are less inclined to use impression management than men and tend to think that doing a good job should be sufficient to achieve success (Singh, Kumra, & Vinnicombe, 2002). Men tend to use impression management more frequently and aggressively than women (Bolino & Turnley, 2003b) and also utilize a wider range of impression management tactics (Guadagno & Cialdini, 2007).

Impression management tactics have an impact on an employee's performance rating. Higgins, Judge, and Ferris (2003) found ingratiation positively impacted supervisor performance assessments, while self-promotion is negatively related to supervisor–performance assessments. Employees who use ingratiation tend to point out the positive aspects of their supervisor while self-promoters draw attention to important aspects of themselves or their jobs. It appears that supervisors provide higher ratings in response to positive employee statements about their supervisor and lower ratings when employees make positive statements about themselves.

When employees use the supplication impression management tactic, they are attempting to make the supervisor provide resources or overlook the shortcomings and weaknesses of the employee. Supplication is a risky tactics for employees as it can lead to lower performance ratings (Harris et al., 2007). Another way employees create negative impressions is through intimidation. Harris et al. (2007) find no direct effect of intimidation on performance ratings while Bolino and Turnley (2003b) report a negative relationship between intimidation and performance ratings for female employees and a positive relationship for male employees. Similarly, the exemplification tactic has been associated with inconsistent findings regarding its impact on performance ratings (Bolino, 1999; Bolino, Varela, Bande, & Turnley, 2006; Wayne & Liden, 1995).

Attention has now turned to how impression management tactics *work*. Harris et al. (2007) found that individuals who use impression management tactics and were high in political skill were more likely to be rated as higher performers. Individuals low in political skill who engaged in impression management tactics received lower performance ratings. The explanation for these findings is that those employees with a high level of political skills were able to use the range of impression management tactics more effectively, as they tailored their use based on their knowledge of their supervisor.

Quality of Relationship with the Supervisor

The nature of the relationship between an employee and his or her supervisor has been shown to be critical in assessments of employee performance. Leader–member exchange (LMX) captures the quality of the relationship between the employee and his or her supervisor (Liden, Sparrowe, & Wayne, 1997). High-quality relationships with supervisors provide employees with instrumental and emotional support (Breevaart, Bakker, Demerouti, & van den Heuvel, 2015), including access to information (Liden et al., 1997) and greater decision-making latitude (Breevart et al., 2015). An employee with a supportive supervisor will be able to locate other resources such as tools and equipment and information on organizational customs and practices that will help the employee achieve his or her work goals. Such positive contributions create obligations for the subordinates to reciprocate, which they do by performing more effectively (Chen, Lam, & Zhong, 2007). In other words, a high-quality relationship between an employee and his or her supervisor typically results in a higher performance rating.

Allied to LMX is employee reputation. Employees who have developed a more favourable reputation are seen as 'more legitimate, competent and trustworthy and typically enjoy the benefits of being viewed as possessing a higher level of status' (Hochwarter, Ferris, Zinko, Arnell, & James, 2007, p. 568).

Further, 'individuals perceived as reputable are progressively more prone to be afforded the benefit of the doubt.' Hochwarter et al. (2007) found that reputation moderated the relationship between job performance and political behaviour, such that those with a high reputation were more likely to have higher supervisor reported performance.

Feedback and Performance Appraisal

Feedback is the exchange of information about the status and quality of work products. Supervisors use feedback to motivate, support, direct, correct and regulate employee work efforts and outcomes. For supervisors, feedback provides an opportunity to give direction to employee behaviours and stimulate employee effort, while feedback for employees satisfies a need for information about how they are doing at work (Jawahar, 2006). Kluger and DeNisi (1996), however, found that while feedback typically improved employee performance, in just over a third of the studies feedback *lowered* employee performance.

Feedback Seeking

Feedback seeking is a proactive employee behaviour typically seen as an 'explicit verbal request for information on work behaviour and work performance' (Lam, Huang, & Snape, 2007, p. 349). Feedback seeking is a more proactive behaviour focused on solving specific problems. It involves the 'search for another to provide assistance and relief' (Lee, 1997, p. 338). There are many obstacles to help seeking behaviour including: acknowledging incompetence and increasing dependence on others, which can negatively impact an employees' public image.

Researchers have identified some conditions under which employees are likely to be proactive in seeking feedback. Sometimes employee feedback seeking is driven by the desire to reduce uncertainty, protect the ego, manage one's image or call attention to one's accomplishments (e.g. Levy, Cober, & Miller, 2002; Morrison & Bies, 1991; Tuckey, Brewer, & Williamson, 2002). Other research has examined the quality of relations with the supervisor and colleagues: Barner-Rasmussen (2003) demonstrated that perceived trust and frequent interaction with supervisors were determinants of the feedback-seeking behaviour of subordinates. Chen et al. (2007) found that a better relationship between the employee and supervisor encourages subordinates to seek negative feedback from their immediate supervisor more frequently. Anseel, Beatty, Shen, Lievens, and Sackett (2015) found that a high-quality relationship with a leader was positively associated with feedback-seeking behaviour.

Some employees avoid seeking feedback. Ashford and Cummings (1983) found that poor performers refrain from seeking feedback to avoid revealing damaging information to their supervisors. Northcraft and Ashford (1990) found that participants who believed that their task results were poor were less likely to enquire about their performance. Jackman and Strober (2003) pointed out that some employees avoid feedback for fear that it will result in 'impossible demands' (p. 101). Information and clarity of expectations will ensure employees realise the full extent of their supervisor's performance expectations. This fear of feedback is partly based on a view that supervisors focus on the negatives in performance, the product of an appraisal scheme design that requires supervisors to identify improvements.

Supervisors may interpret employee feedback seeking as a desire to improve performance ('performance enhancement motive') or to create a positive impression with the supervisor ('impression management motive'). Researchers have found a positive relationship between employee feedback seeking and 'objective work performance when supervisors interpreted the feedback seeking behaviour as being driven more by performance enhancement motives and less by impression management motives' (Lam et al., 2007, p. 348). When supervisors view employee feedback seeking driven by a 'performance enhancement motive' they regard the employee as 'achievement focused and intending to meet a high standard in accomplishing work tasks' (Lam et al., 2007, p. 350).

The impact of employee feedback seeking on performance ratings is unclear. Lee and Son (1999) reported that employees who seek supervisory help tend to have higher performance evaluations, while Anseel et al. (2015) reported a non-significant relationship between feedback seeking and performance ratings. Anseel et al. (2015) did, however, find that employees who seek feedback are more satisfied with their jobs.

Negative Feedback

Employees expect their manager to deal with poor performers. Sujansky (2007) reports that only 31% of respondents to a survey agreed with the statement that 'my manager confronts poor performance'.

Employees, however, do not like to be the recipients of negative performance feedback. Negative feedback can be in the form of a low performance rating or a rating lower than the employee was anticipating. By the time an employee receives the supervisor's performance rating the employee has already formed some idea of how well or poorly he or she have performed in their jobs. The feedback that employees receive from their manager, however, may be lower than their own evaluation (Harris & Schaubroeck, 1988). Differences between self- and supervisory ratings reflects the way we understand our own behaviour versus the behaviour of others. Fundamental attribution error (Ross, 1977) means employees are likely to attribute success to internal factors (e.g. skill, effort) and failure to external factors (e.g. lack of opportunity), but supervisors make the opposite attributions when their employees succeed or fail.

Some employees do not like negative feedback as they believe it is based on unjust interpersonal treatment (Leung, Su, & Morris, 2001) or because it may cause the employee to lose face or damage his or her self-image (Bernichon, Cook, & Brown, 2003). Some employees have positive self-perception biases that can cause them to view negative feedback as inaccurate (Cannon & Witherspoon, 2005). Employees also vary in their feedback orientation, which involves a tendency to seek feedback, devote adequate attention to feedback, and value feedback. Individuals with a strong feedback orientation are concerned with how others view them and with using the feedback. Feedback is unlikely to have a significant impact if an employee is not receptive to feedback. Evidence suggests that negative feedback is more effective when people have a learning goal orientation, meaning that they focus on learning instead of trying to appear competent (Silverman, Pogson, & Cobei, 2005).

Sometimes employees cry during a performance review meeting with their supervisor. As Grote (2002) notes, 'no manager should begin a performance appraisal discussion without a box of tissues handy' (p. 133). Motro and Ellis (2017) investigated supervisor reactions when *male* employees cried. When men cry, such employees were labelled as atypical, which has consequences for how others evaluate them at work, leading to lower performance evaluations.

Geddes and Baron (1997) found that 98% of managers experienced some form of aggression by employees as a result of providing negative feedback. Employees tend to display aggressive behaviours that are verbal and passive. Verbal aggression can include giving the manager the 'silent treatment', talking about the manager behind his or her back, ignoring the manager, and spreading unkind rumours about him or her. Passive aggression can include higher levels of absenteeism, refusal to perform job duties as instructed, and reduced levels of productivity.

CONCLUSION

A key issue in the debates about the future of performance appraisal systems is the role of performance ratings. Some commentators suggest that performance ratings are an essential tool for human resource management decision-making (e.g. pay, promotions, terminations and development; Adler et al., 2016). What this chapter demonstrates is that supervisors are not perfectly calibrated performance-rating machines – they make mistakes and have their own views about who should receive a high or low performance rating. Further, when supervisors provide accurate appraisals they tend to make subordinates unhappy and demotivated, and can make their employees look bad. When a supervisor wants to get the most from his or her subordinates, Murphy and Cleveland (1995) suggest a smart supervisor will subvert and ignore the appraisal system.

This chapter also demonstrates that employees do not always respond to an appraisal in the way that organizations intend (i.e. higher performance), nor are they passive participants in the appraisal process. Some employees use impression management tactics, which can have a positive impact on an employee's performance rating. The capacity to use impression management tactics is not evenly spread throughout the workforce so some employees are getting ratings higher than their actual performance warrants.

Therefore, in order to operate an effective performance management system, human resource professionals need to consider not only the design of the system but also the way supervisors and employees work within the appraisal system and interact with one another.

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13

Compensation

Barry Gerhart and Ingo Weller

INTRODUCTION

Employee compensation or remuneration is a major cost, often the single largest operating cost for organizations (Blinder, 1990).[1] Thus, to be successful, an organization must effectively manage not only what it spends on compensation, but also what it gets in return. Contextual factors serve to place some limits on compensation decisions. Legal, institutional, cultural, and market factors vary across and often within countries, meaning that the degree of discretion an organization has in managing compensation decisions will also vary. Nevertheless, organizations typically have at least some discretion in compensation design.[2] This choice can have a major impact at every level of the organization: on decisions made by individuals (through its incentive effects), as well as who those individuals are (through its sorting or self-selection and selection effects). In other words, compensation is a major factor in successfully executing an organization's strategy.

Compensation can be defined and studied in terms of its key decision/design areas, which include (Gerhart & Milkovich, 1992; Newman, Gerhart, & Milkovich, 2017): how pay varies across (and sometimes within) organizations according to its *level* (how much?), *form* (what share is paid in cash versus benefits?), *structure* (how do pay differentials depend on job content, individual performance and competencies, job level/promotion, and business unit?), *basis or mix* (what is the share of base pay relative to variable pay and what criteria determine payouts?), and *administration* (who makes, communicates, and administers pay decisions?).[3]

We focus here primarily on the pay basis/mix and, to a lesser extent, the pay-level dimensions: the 'how to pay?' and 'how much to pay?' decisions (Gerhart & Milkovich, 1992; Gerhart & Rynes, 2003). The reason for the greater focus on the 'how to pay' decision is that it may be the more strategic of the two in terms of the degree to which an organization can differentiate itself from others (Gerhart & Milkovich, 1990). Further, in organizations that differentiate from competitors and that are successful over time (in competitive markets), their pay levels may not be independent of how they pay. For example, an organization with a strong pay for performance (PFP) plan is more likely to have a higher pay level when performance is strong.

We begin with a brief review of theoretical perspectives that help in understanding the potential consequences of different how to and how much to pay decisions. As part of this, we highlight key intervening processes. Finally, we address potential pitfalls in using PFP and how contextual factors may influence compensation strategy and effectiveness.[4]

EFFECTS OF PAY

Theoretical mechanisms: The role of pay and its effect on the level and direction of motivation in the workplace has sometimes been debated and sometimes ignored in the applied psychological literature on motivation. However, the facts are that in developed economies, monetary rewards are (a) ubiquitous, (b) a major cost in most organizations, and (c) as this chapter will help make clear, can have a major impact (positive or negative) on employee attitudes, choices, and behaviors. Accordingly, in some streams of this literature, it has been recognized that 'Money is the crucial incentive' (Locke, Feren, McCaleb, Shaw & Denny, 1980, p. 379) and that 'the one issue that should be considered by all organization theories is the relationship between pay and performance' (Lawler, 1971, p. 273).

From a psychological perspective, Campbell and Pritchard (1976) observe that motivation can be defined in terms of its intensity, direction, and persistence. (Together with ability and situational constraints/opportunities, motivation contributes to observed behavior.) Thus, to fully evaluate the impact of pay on motivation, one must look not only at (enduring) effort level, but also at the degree to which effort is directed toward desired objectives.

As Lawler (1971) demonstrates, theories such as reinforcement, expectancy, and equity have deep roots in psychology. Although compensation research using these theories (with the possible exception of equity theory) is no longer very active, their core ideas provide much of the basis for how scholars and many practitioners think of the impact of compensation on employees. A brief review of these theories, as well as the more economics-based agency and efficiency wage theories, follows below. (For a more complete review, see Gerhart & Rynes, 2003.)

Reinforcement theory (e.g., Skinner, 1953) is based on Thorndike's 'Law of Effect,' which states that a response followed by a reward is more likely to recur in the future, and a response not followed by a reward is less likely to recur in the future. These two phenomena are reinforcement and extinction, respectively. A notable feature of Skinner's perspective was his adamant avoidance of cognitive processes in explaining motivation. In Skinner's view, cognitions were byproducts of the central driver of motivation, reinforcement contingencies in the environment, and so were not necessary or useful in building a science of behavior.

Subsequently, however, the field of psychology went through its 'cognitive revolution,' which departed from reinforcement theory by focusing on cognitions such as self-reports of attitudes, goals, subjective probabilities, and values. Later theories such as goal-setting (e.g., Locke & Latham, 2002), expectancy (e.g., Vroom, 1964), and equity (Adams, 1963), all give cognitions a central explanatory role. At the same time, they also continue to recognize the importance of reinforcement processes as drivers of those cognitions and later behavior. The potential value of studying cognitions as mediators is that factors other than compensation may influence goal choice, effort choice, and behaviors. Measuring cognitions and self-reports may be helpful in understanding why compensation does or does not work in a particular situation.

In expectancy theory (Campbell & Pritchard, 1976; Vroom, 1964), behavior is seen as a function of ability and motivation. In turn, motivation (also referred to as effort or force) is viewed as a function of beliefs regarding expectancy, instrumentality, and valence. Expectancy is the perceived link between effort and performance. Instrumentality is the perceived link between performance and outcomes, and valence is the expected value (positive or negative) of those outcomes. There is often a focus on compensation's effect on instrumentality. For example, a strong PFP program is likely to generate stronger beliefs that performance leads to high pay than would a weak PFP program or a seniority-based pay system. However, motivation can be undermined not only by weak instrumentality (e.g., weak PFP), but also by weak expectancy (e.g., because of inadequate selection or job design) or valence (outcomes that are negatively or not sufficiently positively valued).

The unique contribution of equity theory (Adams, 1963) to motivation is its focus on social comparison processes. In essence, it states that how an employee evaluates his/her outcomes from work depends on an assessment of how his/her ratio of outcomes (e.g., perceived compensation) to inputs (e.g., perceived effort, qualifications, or performance) compares to a comparison standard (e.g., a co-worker in the same or a peer in another organization). When the ratios are perceived to be equal, equity is perceived and no action (cognitive or behavioral) is taken to change the situation. However, to the extent the ratios are not perceived as equal, there is perceived inequity, and action (behavioral or cognitive) is hypothesized to be taken to restore equity or balance, especially if the inequity is under-reward inequity for the focal person (Lawler, 1971).

One reason for focusing on the role of (in) equity is that so many of its potential behavioral consequences (e.g., effort withholding, turnover, theft, collective action, legal action, renegotiation of terms) are undesirable to many or all employers. As a practical matter, many employers use attitude surveys to monitor employee equity perceptions in hopes of finding any problems in compensation or other areas early enough to head off undesired consequences. Not surprisingly then, leading textbooks in compensation management (e.g., Newman, Gerhart, & Milkovich, 2017) give a central role to the various aspects of pay equity in helping managers understand how employees react to compensation decisions.

Agency theory starts from the observation that once an entrepreneur hires his/her first employee, there is separation of ownership and control (Jensen & Meckling, 1976). The entrepreneur (and/or others having ownership stakes, as in a larger firm) retains ownership, but now must deal with an agency relationship, under which the owner (i.e., principal) contracts with one or more employees (i.e., agents) 'to perform some service on their behalf which involves delegating some decision making authority to the agent' (Jensen & Meckling, p. 308). The challenge in an agency relationship is that the agent does not necessarily act in the best interests of the principal, giving rise to agency costs, which specifically arise from goal incongruence (the principal and agent have different goals) and information asymmetry (the principal has less information than the agent regarding the agent's attributes and behaviors).

To control agency costs, the principal must choose a contracting scheme that is behavior-based (pay based on observation of behaviors) and/or outcome-based (pay based on outcomes/results such as profits, productivity, shareholder return). The choice depends on factors such as the relative cost of monitoring behaviors versus outcomes, their relative incentive effects, and the degree of risk aversion among agents. A key issue is the hypothesized trade-off between incentive intensity and risk. Generally, it is assumed that incentive intensity can be stronger under outcome-based contracts because they are more objective, and thus less subject to measurement error (Milgrom & Roberts, 1992). On the other hand, employees, who generally rely on their job as their predominant source of income, are risk averse. Greater incentive intensity is associated, on average, with greater performance outcome variability (which also may not be entirely under the agent's control) and thus greater compensation risk. Therefore, a compensating differential (a 'risk premium') to the agent for taking on the greater risk of an outcome-based contract is expected. An implication is that strong incentives increase labor cost, meaning that the incentives must drive higher performance to be cost-effective.

The question is: which contract will maximize the gains from incentives while controlling the costs of shifting risk to workers (Prendergast, 1999)? Consistent with agency theory, companies having more financial risk tend to have less risk-sharing/incentive intensity in their compensation for managers and executives (Aggarwal & Samwick, 1999; Bloom & Milkovich, 1998; Garen, 1994), whereas there is also some evidence that risk-sharing is least likely in very low or very high financial risk situations (Miller, Wiseman, & Gomez-Mejia, 2002). Also consistent with agency theory, as information asymmetries increase, outcome-based contracts are more likely to be used (Eisenhardt, 1988; Makri, Lane, & Gomez-Mejia, 2006; Milkovich, Gerhart, & Hannon, 1991).

Although it has been argued that the trade-off between risk and incentives is the main focus of agency theory (e.g., Aggarwal & Samwick, 1999; Prendergast, 1999), the contracting focus also suggests that performance, whether results-based or behavior-based or both, plays a key role in determining compensation. In economics, while recognizing that agency costs can compromise the pay–performance relationship, the existence of substantial pay for performance among executives is generally taken as a given, at least in a country like the United States, where stock plans are the source of most executive wealth creation (Murphy, 1999). However, in other fields (e.g., management), there is greater skepticism regarding the degree to which executive compensation and performance are related, with a greater role for power and politics generally being seen. A review and empirical study by Nyberg, Fulmer, Gerhart, and Carpenter (2010) suggests that the management literature has underestimated the role of performance, and thus the applicability of agency theory, in determining executive compensation. (Also see articles by Bebchuk & Fried, 2006; Conyon, 2006; Devers et al., 2007.)

Efficiency wage theory seeks to provide a rational explanation for why there is unemployment in efficient labor markets, and for why firms have different pay levels.[5] The essential argument is that firms pay high wages either because some aspect of their technology and/or human resource system requires higher than average quality workers or because monitoring performance is more difficult due to information asymmetry (Krueger & Summers, 1988; Yellen, 1984). Paying a higher than average wage may discourage shirking because the worker at the high-wage firm does not want to risk losing his/her wage premium (Cappelli & Chauvin, 1991). This effect is expected to be magnified to the degree that the risk of job loss increases. By paying wages above the market clearing (i.e., equilibrium) wage, employers generate some unemployment. The unemployment rate, in turn, is one indicator of risk of job loss, and Yellen (1984) states that: 'Unemployment plays a valuable role in creating work incentives.'[6] Another implication of efficiency wage theory is that supervision and efficiency wages may be substitutes for one another (Groshen & Krueger, 1990; Neal, 1993).

In other words, shirking can be controlled either by having many supervisors closely monitoring behaviors or by having fewer supervisors but a higher potential wage penalty if shirking is observed. Lazear (1979, p. 1266) states that without an appropriate pay system, workers would have an 'incentive to cheat, shirk, and engage in malfeasant behavior.'

Theoretical Themes and Intervening Processes: Incentive and Sorting Effects

To greatly simplify, one can say that, in the above theories, pay operates on motivation and performance in two general ways (Gerhart & Fang, 2014; Gerhart & Milkovich, 1992; Gerhart & Rynes, 2003; Lazear, 1986). First, there is the potential for an *incentive effect*, defined as the impact of pay on current employees' motivational state. The incentive effect is how pay influences individual and aggregate motivation, holding the attributes of the workforce constant, and it has been the focus of the great majority of theory and research in compensation, especially outside of economics.

Second, there is the potential for a *sorting effect*, which we define as the impact of pay on performance via its impact on the composition of the workforce (Gerhart & Fang, 2014; Lazear, 2000; Shaw, 2014). Different types of pay systems may cause different types of people to apply to and stay with an organization (self-select) and these different people may have different levels of ability or trait-like motivation, or different levels of alternative attributes (e.g., team skills) that enhance effectiveness more in some organizations than in others. Organizations too may differentially select and retain employees, depending on the nature of their pay level and/or PFP strategies. The self-selection and selection aspects of sorting and their application to the effects of pay are based primarily on work in economics (e.g., Lazear, 1986), but the idea is consistent with Schneider's (1987) attraction–selection–attrition (ASA) idea in the applied psychology literature. Evidence suggests that the magnitude of ASA processes can be substantial (Schneider, Smith, Taylor, & Fleenor, 1998).

Together, the sorting and incentive ideas provide one broad conceptual framework for thinking about intervening processes in studying the effects of compensation. Another is the ability–motivation–opportunity to contribute (AMO) framework (Appelbaum, Bailey, Berg, & Kalleberg, 2000; Batt, 2001; Boxall & Purcell, 2003; Gerhart, 2007; Jiang, Lepak, Han, Hong, Kim, & Winkler, 2012; Jiang, Lepak, Hu, & Baer, 2012). Compensation seems most likely to influence workforce ability (i.e., through its sorting effect) and motivation (i.e., through its incentive effect), but is less likely to come into play in the 'O' component, which has more to do with job design and participation in decisions. (As noted later, however, the 'O' component and the AMO dimensions in general are quite relevant in addressing horizontal alignment in HR and compensation.) Pay effects on ability and motivation are not independent. For example, some forms of compensation (such as skill-based or competency-based pay) have incentive effects but can also directly influence ability. Management development over time via different job assignments and experiences (especially those involving upward mobility) is also typically supported by compensation systems through promotion incentives (sometimes described as tournament systems). (For a discussion of how pay and matching processes interact, see Oyer & Schaefer, 2011; Weller, Hymer, Nyberg, & Ebert, 2019.)

Gerhart and Milkovich (1992) called for compensation research to include intervening variables (and) at 'multiple levels' of analysis in studying compensation and performance, because 'if a link is found … possible mediating mechanisms can be examined to help establish why the link exists and whether (or which) causal interpretation is warranted' (p. 533). Beyond the general mediating mechanisms discussed above, more detailed intervening variables might include employee attitudes, individual performance and/or competencies, and employee turnover (broken out by performance levels; Trevor, Gerhart, & Boudreau, 1997). Other relevant mediators, depending on the particular goals of the unit or organization, would be citizenship behavior, teamwork, climate for innovation, motivation, and engagement. Note that while HR practices such as compensation might be thought of as operating at the level of the organization or work unit, the mediators discussed here are often conceptualized as individual-level processes. Therefore, models (e.g., hierarchical linear modeling; Raudenbush & Bryk, 2002) designed to handle multiple levels may prove useful in empirical work addressing this type of mediation, although the most critical step, that of aggregation from the individual to work unit or organization, requires a more complex modeling approach.

A final mediator that is perhaps obvious, but nevertheless sometimes ignored in research (as opposed to practice), is cost. Higher pay levels and/or higher staffing levels drive up labor costs. In addition, according to agency theory, incentive intensity, because it shifts risk to workers, is also expected to drive up pay level by requiring a compensating differential for risk. We address the cost issue more fully below.

EFFECTS OF PAY LEVEL

Although competitive pressures drive firms to minimize costs and maximize benefits, the cost side means that, in the absence of higher productivity, quality, superior product development, customer responsiveness, and so forth, firms must keep total labor costs in line with those of competitors by controlling total compensation per employee and/or by controlling employee headcount. In a global world, cost control includes an ongoing search for the lowest cost location for production, all else equal (e.g., proximity to customers and suppliers, worker skill levels) which is to varying degrees, depending on the product, technology, and work organization, a partial function of labor costs. As Exhibit 13.1 makes clear, labor costs differ significantly across the world. (What Exhibit 13.1 does not show is that labor costs also vary across companies within many countries.)

As noted previously, efficiency wage theory suggests that higher wages may have

Exhibit 13.1 Average hourly labor costs for manufacturing production workers, by country (US dollars), 2005 and 2015

	2005	*2015*
Germany	33	42
United States	24	38
Canada	24	31
Japan	26	24
Korea	15	23
Czech Republic	7	10
Mexico	5	6
China	1	5[a]

Notes: Wage rates rounded to nearest dollar.

[a] Most recent Conference Board data were $4.12 (in 2013) for China. The 2015 estimate for China was obtained by inflating the Conference Board estimates based on wage inflation data from the National Bureau of Statistics of China.

Sources: Data for 2005 are from the Bureau of Labor Statistics, US Department of Labor, 'International Comparisons of Hourly Compensation Costs in Manufacturing,' various years. Data for 2015 are from the Conference Board, 'International Comparisons of Hourly Compensation Costs in Manufacturing, 2015,' December 2016.

positive sorting and incentive effects. More specifically, the observable benefits of higher wages may include (Gerhart & Rynes, 2003): higher pay satisfaction (Currall, Towler, Judge, & Kohn, 2005; Williams, McDaniel, & Nguyen, 2006; for a review, see Heneman & Judge, 2000), improved attraction and retention of employees (for a review, see Barber & Bretz, 2000), and higher quality, effort, and/or performance (e.g., Klaas & McClendon, 1996; Yellen, 1984).

In discussing pay level from a public policy perspective, a distinction is sometimes made between 'low-road' (low pay level) versus 'high-road' (high pay level) HR systems (Gerhart, 2007).[7] Using the AMO model, a 'high-road' policy typically combines higher ('efficiency') wages with high levels of worker responsibility and autonomy and often team-based work (O), all of which may require a higher quality workforce (A) (Bartling, Fehr, & Schmidt, 2012). To the extent that the high-road HR system is costly due to not only high wages, but also high investment in AMO areas broadly, it may not align typically as well with a cost leadership business strategy as would a less costly low-road strategy. Historically, this is perhaps most readily seen in the way that firms often move low-skill work offshore to locations where it can be done much more cheaply. More recently, there has been a great deal of attention given to the movement of skilled work offshore to less expensive locations (e.g., writing computer code, tax preparation, or generally jobs that can easily be outsourced to independent contractors, as in the gig economy; Cappelli & Keller, 2013; Kuhn, 2016). We return later to the question of under what circumstances a high-road, high-pay-level strategy is most likely effective.

Cost is an outcome that has been explicitly recognized and quantified in cost–benefit models such as utility analysis (Brogden, 1949; Boudreau, 1991), and alternative human capital valuation principles (Fulmer & Ployhart, 2014), but the application of utility analysis and related methodologies to compensation, with explicit attention to not only its benefits, but also the costs of pay programs, has been surprisingly rare (Gerhart & Rynes, 2003; Klaas & McClendon, 1996; Sturman, Trevor, Boudreau, & Gerhart, 2003). This is ironic because, inside of organizations, it often seems to be cost that gets the lion's share of attention. Cappelli and Neumark (2001) observe this same omission in much of the broader literature on the effectiveness of HR systems. Indeed, they interpret their findings as indicating that high-road HR systems 'raise labor costs … but the net effect on overall profitability is unclear' (p. 766).

We conclude the discussion of pay level at this point because the pay-level decision is one that is (or should be) made in tandem with the how to pay decision (Gerhart & Rynes, 2003). Any organization operating in a competitive market will have difficulty being successful over time with a high pay level that is not paired with high performance at the individual and organizational level.

EFFECTS OF PAY FOR PERFORMANCE (PFP)

Types of PFP programs include profit sharing, stock plans, gainsharing, individual incentives, sales commissions, and merit pay (Newman, Gerhart, & Milkovich, 2017). As Exhibit 13.2 shows, these programs can be classified on two dimensions (Milkovich & Wigdor, 1991): level of measurement of performance (e.g., individual, plant, organization) and type of performance measure (results-oriented or behavior-oriented). It is important to note that, in practice, many employees are covered by hybrid pay programs (e.g., a combination of merit pay and profit sharing).

US companies well known for their use of PFP include Lincoln Electric, Nucor Steel, Whole Foods, Hewlett Packard, Southwest Airlines, and General Electric, to name just a few. Each uses a different form of PFP, with

Exhibit 13.2 Pay for performance (PFP) programs, by level and type of performance measure

Type of performance measure	*Level of performance measure*			
	Individual	Facility/plant	Organization	Multiple levels
Behavior-based	Merit pay		Merit pay for executives	Hybrid
Results-based	Individual incentives; sales commission	Gainsharing	Profit sharing; stock plans	Hybrid
Results-based and behavior-based	Hybrid	Hybrid	Hybrid	Hybrid

varying degrees of relative emphasis on individual, group/unit, and/or organization-level performance. Outside the United States, in countries with less of a tradition of PFP, there appears to be a movement in some cases (e.g., Japan, Korea) toward greater emphasis on PFP at all organization levels. It has sometimes been claimed that PFP is not widely used. For example, Larkin, Pierce, and Gino (2012, p. 1196) report an 'infrequent use of individual performance-based pay for non-executives,' and cite evidence according to which only a minority of workers receives pay tied to performance at any level (individual, team, firm), and the PFP portion (relative to fixed pay) is generally small.

However, a good deal of evidence indicates that PFP is pervasive in the private sector (Gerhart, 2017; Gerhart & Fang, 2014), and especially merit pay (behavior-based) programs are broadly applicable and widely used in practice (Gerhart, 2017). Evidence also suggests that the magnitude of merit pay can be substantial, especially when the effects of merit/performance on promotion to higher pay levels (at the same or different companies) is included. WorldatWork (2016) reports that the average annual merit increase pool (i.e., within pay-grade base pay increases) is 3%; that top performers receive between 1.5 to 2 times larger increases than average performers; and that low performers receive smaller increases. Following Gerhart (2017), adjusted for inflation and over 20 years of a career, a low performer may experience 0.0% real salary growth, compared to 164% real salary growth for a high performer.[8] Note that the differential is based on merit pay increases alone, and neglects any variable pay (where pay depends at least partly on results-based measures) and/or merit bonuses (Nyberg, Pieper, & Trevor, 2016), which have grown greatly in use of late (Gerhart & Fang, 2014; Newman et al., 2017). Such variable pay/merit bonus plans are especially important (i.e., payouts are larger) as job level increases. Also, as noted above, such estimates do not include the substantial career earnings payoff employees receive through benefits from performance-related internal promotions and external career mobility. (For more details, see Gerhart, 2017.) In sum, the evidence supports the view that PFP is both pervasive and contributes to substantial career earnings differences between employees having different career performance levels.

Incentive Effects

The term 'incentive' can be used to describe in general terms either one of the two main general pay mechanisms (the 'incentive effect' defined above), or a specific PFP plan, individual incentives, which, as Exhibit 13.2 indicates, is a plan based on results-based, individual performance measures. Here, we briefly review evidence on individual incentives, which provides the most direct test of the general incentive effect. In a meta-analysis of potential productivity-enhancing interventions in actual work settings, Locke et al. (1980) found that the introduction of individual incentives increased productivity by an average of 30%.[9] This finding was based on studies that were conducted in real organizations (as opposed to laboratories), used either control groups or before-and-after designs, and measured performance via 'hard' criteria (e.g., physical output) rather than supervisory ratings.

Subsequent research also supports the powerful effects of incentives. A meta-analysis by Guzzo, Jette, and Katzell (1985) found that financial incentives had a large mean effect on productivity (d = 2.12).[10] More recent meta-analyses (Jenkins, Mitra, Gupta, & Shaw, 1998; Judiesch, 1994; Stajkovic & Luthans, 1997) likewise provide strong support for a significant positive relationship between financial rewards (i.e., individual incentives) and performance. Of course, most of the studies included in such meta-analyses involve simple, highly structured, repetitive, and individualistic/independent tasks, which are increasingly rare in advanced economies. (However, the notion that more and more tasks in the gig economy are outsourced to independent contractors shows that there are many such jobs left.) In fact, Gerhart (2017), using data from the US Bureau of Labor Statistics (Barkume & Moehrle, 2001), estimates that less than 4% of US employees in non-sales jobs are covered by individual incentive plans. As such, although this stream of research is valuable for demonstrating the potential strength of incentive effects under PFP, it does not directly inform us about the effectiveness of PFP programs (e.g., merit pay and merit bonuses) that are much more widely used in the workplace (Rynes, Gerhart, & Parks-Leduc, 2005; Gerhart, 2017). This continues to be a major gap in the literature on PFP.

There has also been research on plans using collective performance, including gainsharing, profit sharing, and stock plans. (For reviews, see Gerhart & Milkovich, 1992; Gerhart & Rynes, 2003.) Without delving into the specific findings of this literature, a few general observations are in order. First, whereas most of the individual-level research follows the same people over time, thus probably yielding what are essentially incentive effects, studies of plans using collective performance as the dependent variable do not usually hold the workforce constant as the design often involves between-company and/or longitudinal tracking of companies. Thus, it is difficult to separate incentive and sorting effects. Second, the set of relevant determinants of collective performance (e.g., profitability) is perhaps larger than in the typical study of individual incentive plans. Again, this makes it more of a challenge to isolate the drivers and impact of compensation relative to other factors.

In studies of executives, keeping in mind that some of these same challenges apply (given that performance is usually defined as firm-level performance), evidence suggests that PFP plan design (in particular the mix of short- vs. long-term incentives relative to fixed pay components) may influence a wide range of strategic decisions (Gerhart, 2000), including staffing patterns, diversification, research and development investment, capital investment, corporate social responsibility, and reaction to takeover attempts. Likewise, over time, organizational strategy is more likely to change when (executive) pay strategy changes (Carpenter, 2000). Thus, there is consistent evidence that pay strategy does influence managerial goal choice.

Sorting Effects

After reading the studies reviewed above, the reader would be well aware of the incentive mechanism, but quite possibly unaware of the sorting mechanism as a possible explanation for the observed effects. As noted, to the extent the above studies track the same individuals before and after the intervention and remaining with the same organization, they do indeed estimate incentive effects.

However, to the degree the individuals making up the workforce changed in response to a pay intervention, then at least some of the improvement in performance might be due to a sorting effect. Lazear (2000), for example, reported a 44% increase in productivity when a car glass installation company switched from salaries to individual incentives. Of this increase, roughly 50% was due to existing workers increasing their productivity, while the other 50% was attributable to less productive workers quitting and being replaced by more productive workers over time (also see Ichniowski & Shaw, 2013).

Cadsby, Song, and Tapon (2007) likewise found that both incentive and sorting effects explained the positive impact of PFP on productivity. Their study, set in the laboratory, was designed so that subjects went through multiple rounds. In some rounds, subjects were assigned to a PFP plan, while in other rounds they were assigned to work under a fixed salary plan. In yet other rounds, they were asked to choose either the fixed salary or the PFP plan to work under (i.e., they were asked to self-select). The authors found that by the last rounds in their experiment, the PFP condition generated 38% higher performance than the fixed salary condition and that the sorting effect (less risk-averse and more productive subjects being more likely to select the PFP condition) was actually about twice as large as the incentive effect in accounting for this 38% difference. In explaining why they found a sorting effect that was larger than that found by Lazear (which was also substantial), Cadsby et al. (2007) observe that, in the Lazear study, few employees chose to leave the organization, presumably because there was no downside risk to the PFP plan implemented there. Thus, most of the sorting effect in the Lazear study was probably attributable to new hires being more productive than current employees on average, without much of the sorting effect being due to lower performing employees leaving the organization.

Evidence suggests that PFP is more attractive to higher performers than to lower performers (Cadsby et al., 2007; Dohmen & Falk, 2011; Lazear, 2000). In addition, Trank, Rynes, and Bretz (2002) found that the highest achieving college students place considerably more importance on being paid for performance than do their lesser achieving counterparts. Likewise, persons with higher need for achievement (Bretz, Ash, & Dreher, 1989; Turban & Keon, 1993) and lower risk aversion (Cadsby et al., 2007; Cable & Judge, 1994) also prefer jobs where pay is linked more closely to performance. Since these are all characteristics that some or most employers desire (admittedly, though, too much risk-seeking behavior may in turn create other problems; Webb, 2009), such individual differences are important for employers to keep in mind. Other research shows that high performers are most likely to quit and seek other employment if their performance is not sufficiently recognized with financial rewards (Salamin & Hom, 2005; Shaw, 2014; Shaw, Dineen, Fang, & Vellella, 2009; Shaw & Gupta, 2007; Trevor, Gerhart & Boudreau, 1997) and move to employers that have stronger PFP (Trevor, Reilly, & Gerhart, 2012). Given evidence that many quits are not dissatisfaction-driven, but rather come about due to unsolicited job offers (Lee, Gerhart, Weller, & Trevor, 2008) to those not searching for a different job, high performers, especially those with visible performance (Allen & Griffeth, 2001; Trevor et al., 1997; Trevor et al., 2012), may be increasingly at risk of being identified, recruited, and rewarded by competitors. Conversely, low performers are more likely to stay with an employer when pay–performance relationships are weaker (Harrison, Virick, & William, 1996).

Finally, to the degree that sorting effects are important, they may make it appear as though the relationship between pay and performance is weaker than it really is (Gerhart & Rynes, 2003). For example, to the degree that organizations are selective and valid in their decisions regarding who to hire and who to retain, the remaining group of employees will be unrepresentative in that their average performance level should increase as selectivity and validity increase (Boudreau & Berger, 1985). So, even if there is little observed variance in performance and/or pay within this group (i.e., there is range restriction), this selected group of employees may have above-market pay and above-market performance. Thus, in this example, there is no (observed) relationship between pay and performance within the firm, but there would be a significant relationship between pay and performance between firms. Similarly, on the employee side of the decision, it may be that high performers self-select such that they are more likely to join and remain with organizations that have PFP. In summary, even when there is little observed variance in performance ratings and/or pay within an organization, it may nevertheless be the case that PFP, via sorting effects, has resulted in major differences in performance between organizations.

The Challenge of Defining and Measuring Performance

A limitation of the meta-analytic evidence reviewed earlier on the effects of PFP is that in most of the included studies, physical output measures of performance (e.g., number of index cards sorted, number of trees planted) were available, and (related to this) tasks were simple and individual contributions were usually separable (Gerhart & Rynes, 2003). In contrast, in many jobs, some or all of these three characteristics do not apply (Lawler, 1971). The widespread use of merit pay and its subjective performance measures is, to an extent, a result of this fact (Milkovich & Wigdor, 1991). While this mismatch is recognized in the applied psychology literature, there remains little work that uses strong research designs to study more widely used individual-oriented PFP plans such as merit pay (Heneman, 1992) or hybrids of different PFP programs (Gerhart & Rynes, 2003). The economics literature is also coming to grips with the performance measurement challenge, acknowledging that there has been a tendency in discussions of incentives to assume that performance can be 'easily measured' (Gibbons, 1998, p. 118) and that, as a result, 'economists have tended to place excessive focus on the contracts of workers for whom output measures are easily observed' despite the fact that 'most people don't work in jobs like these' (Prendergast, 1999, p. 57).

Returning to Exhibit 13.2, recall that performance measures vary in at least two respects. First, as emphasized in agency theory, they can be results-oriented (e.g., number of units produced) or behavior-oriented (e.g., supervisory evaluations of effort or quality). Second, performance can focus on individual or collective contributions.

Among the potential advantages of behavior-oriented measures are that they (Gerhart, 2000) can be used for any type of job, and permit the rater to factor in variables that are not under the employee's control (but that nevertheless influence performance), thus reducing the risk-sharing concerns identified in agency theory. They also allow a focus on whether results are achieved using acceptable means and behaviors, carry less risk of measurement deficiency, or the possibility that employees will focus only on explicitly measured tasks or results at the expense of other objectives. On the other hand, the subjectivity/measurement error of behavior-oriented measures (for a review, see Viswesvaran et al., 1996) can make it more difficult for organizations to justify differentiating between employees (Milkovich & Wigdor, 1991) using stronger incentive intensity (Milgrom & Roberts, 1992), unless steps are taken to improve reliability and credibility. One step is to use multiple raters (Viswesvaran et al., 1996). Another is to use the most reliable measurement format. For example, managers may have disincentives to differentiate (Marchegiani, Reggiani, & Rizzolli, 2016; Murphy & Cleveland, 1995), and using rankings (e.g., forced rankings) instead of ratings may help avoid pitfalls like a leniency bias. However, rankings also have problems, and some major firms and consulting trendsetters have recently announced that 'Forced ranking is dead' (Deloitte *CIO Journal*, 2014). However, the use of PFP requires that an organization differentiate among its employees to some degree, both to achieve positive incentive (and sorting) effects and to adhere to finite compensation budgets. Thus, although differentiation taken to the level of pure forced ranking systems is rare (and sometimes used in some cases as a temporary first step in moving an organization toward a stronger focus on differentiation), any organization that executes a PFP strategy must achieve some degree of differentiation by some means.

Results-oriented measures (e.g., productivity, sales volume, shareholder return, profitability, patents) are more objective and thus often more credible to employees as a basis for differentiation, and they are also more typically used to provide more powerful incentives. The value of results-oriented measures is nicely demonstrated by Manthei and Sliwka (2013). The authors conducted a field experiment in a German retail bank and found positive effort and financial performance effects when some branches of the bank switched from subjective to results-oriented performance appraisals. The effect was primarily driven by larger branches, consistent with the idea that managers in larger branches find it more difficult to monitor all of their employees' behaviors. Further, the effect came from increased sales of non-core products, consistent with the multitasking model (Holmström & Milgrom, 1991) where agents allocate effort to activities that are instrumental for them (i.e., to core products when performance is evaluated by a supervisor with limited monitoring resources, and to all products when objective sales figures count).

Although results-oriented measures can be used to generate strong positive incentive and sorting effects, they also have potential drawbacks. As noted, relevant objective measures are not available for most jobs, especially at the individual level. For jobs where results-based performance measures are available, there is a risk of unintended, sometimes serious negative consequences. We return to this issue later. Performance measures also vary according to whether they emphasize individual or group (or collective) performance. Incentive effects (in terms of instrumentality perceptions) are generally stronger under individual performance plans (Schwab, 1973). Also, positive sorting effects may be realized as the most productive and achievement-oriented employees appear to prefer or gravitate to such plans (e.g., Bretz, Ash, & Dreher, 1989; Lazear, 1986; Trank et al., 2002; Trevor et al., 1997).

On the other hand, too much focus on individual performance may undermine cooperation and teamwork, which are widely viewed as increasingly important in gaining competitive advantage through people (Deming, 1986; Pfeffer, 1998). Using group-based incentives creates other challenges, though, not only with respect to sorting effects, but also to incentive effects, especially in anything but small groups: 'Indeed, unless the number of individuals in a group is quite small, or unless there is coercion or some other special device to make individuals act in their common interest, *rational, self-interested individuals will not act to achieve their common or group interests*' (Olson, 1965, p. 2, emphasis in the original). Theory and research across fields (e.g., variously described as the common-resource, public-goods, free-rider, or social loafing problem) have identified a fundamental challenge in using group incentives (Gerhart & Rynes, 2003; Kidwell & Bennett, 1993): when people share the obligation to provide a resource (e.g., effort), it will be undersupplied because the residual returns (e.g., profit-sharing payouts) to the effort are often shared relatively equally, rather than distributed in proportion to contributions.

Typically, incentives have the largest impact when they are closely linked to (individual) performance (Trevor et al., 2012).

When (subjective or objective) performance measures are biased, or when firms strategically prefer to decouple pay from performance (e.g., when they run contests with fewer prizes than competitors, or use excessive rewards to stimulate risky behaviors; Giarratana, Mariani, & Weller, 2018), two challenges arise: some low-performance contributions are rewarded ('false positives'); and some high-performance contributions are overlooked ('false negatives'). Economic theory predicts that both errors are equally detrimental to effort and performance, but some preliminary evidence suggests differential effects (Giarratana et al., 2018; Marchegiani et al., 2016), leaving room for future research.

In summary, performance measures must have a meaningful link to what the organization is trying to accomplish, be sufficiently inclusive of key aspects of performance, balance sometimes competing objectives, and be seen as fair and credible by employees. Organizations often attempt to achieve these goals by using multiple measures of performance, aggregate and individual, results and behavior-oriented (e.g., as in a Balanced Scorecard), and adjusting incentive intensity, to an important extent, based on the degree to which valid and credible performance measurement is believed to be achievable. The main constraint on using multiple measures is the complexity introduced and the risk that this will work against employees' understanding of the plan and thus their motivation (Englmaier, Roider, & Sunde, 2017). Indeed, even among executives, understanding the value of stock options appears to diverge from that provided by standard financial models (Devers et al., 2007).

CAUTIONS AND PITFALLS

Any discussion of PFP 'must consider whether the potential for impressive gains in performance' from such plans is 'likely to outweigh the potential problems, which can be serious' (Gerhart, 2001, p. 222).

Of course, there are risks in choosing a high pay level as well, especially if it is not linked to high performance. In a global world, contracts (implicit or explicit) between organizations and employees that were once good for both may no longer be viable for one or both parties. This change may occur over time (e.g., the automobile industry in the United States and Europe), leading to either changes in the employment contract (lower wages/benefits and/or more productivity/flexibility in tasks/hours) or a change in the location of production to a lower cost part of the country or the world. In the absence of either or both changes in response to changing competitive conditions, market share and profitability, and ultimately survival, are put at risk.

Returning to the risks in using PFP, several issues can come into play. First, agency theory emphasizes that results-based plans (e.g., individual incentives, gainsharing, profit sharing) increase risk bearing among employees (Gibbons, 1998; Maltarich, Nyberg, Reilly, Abdulsalam, & Martin, 2017). Poor performance on such measures (and thus decreasing or disappearing payouts), especially if attributed to factors employees see as beyond their own control (e.g., poor decisions by top executives), tends to result in negative employee reactions, often resulting in pressure either to revise the plan in a way that weakens incentives (Gerhart, 2001) or to abandon the plan (e.g., Petty et al., 1992).

Second, especially in the case of merit pay, even when employees feel performance is under their control, PFP may not be implemented with sufficient strength to motivate them (Gneezy & Rustichini, 2000). It may exist as a stated policy, but not as a meaningful practice experienced by employees. Even where (e.g., in the United States) most private sector organizations tend to claim that they have PFP policies (or researchers claim that they are studying PFP policies), there is, in fact, sometimes little meaningful empirical relationship between pay and performance

(Gerhart & Milkovich, 1992; Gerhart & Rynes, 2003; Giarratana et al., 2018; Trevor et al., 1997). In the case of merit pay, for example, two factors that often weaken its strength are lack of differentiation in performance ratings and lack of differentiation in pay increases even when performance ratings do vary. Not surprisingly then, when employees are asked about how much PFP there is in their own organizations, a significant share say 'not very much.' For example, in a 2011 Mercer survey of nearly 30,000 employees in 17 countries, only 40% of employees agreed with the statement, 'When I do a good job, my performance is rewarded.'

A third potential problem, somewhat ironically, is that the implementation of PFP may sometimes work too well. Here, the danger, especially when using results-based performance measures, is that a PFP program can act as a blunt instrument that may result in unintended and harmful consequences. Successful organizations must balance multiple objectives (e.g., customer relationships and long-term earnings against short-term opportunistic earnings). In designing an incentive plan to support this balance, it must be kept in mind that people tend to do what is rewarded and objectives not rewarded tend to be ignored. Lawler (1971, p. 171) warned that 'it is quite difficult to establish criteria that are both measurable quantitatively and inclusive of all the important job behaviors,' and 'if an employee is not evaluated in terms of an activity, he will not be motivated to perform it.' Based on their laboratory study, Wright, George, Farnsworth, and McMahan (1993) concluded that: 'When individuals are committed to difficult goals, they may strive to achieve these goals at the expense of the performance of other behaviors that are necessary for organizational effectiveness' (p. 129). Prendergast (1999, p. 8) likewise argues that 'Contracts offering incentives can give rise to dysfunctional behavioral responses, whereby agents emphasize only those aspects of performance that are rewarded.' Milgrom and Roberts (1992, p. 228) refer to this 'multitasking' challenge (see the discussion above) as the equal compensation principle:

> If an employee's allocation of time or attention between two different activities cannot be monitored by the employer, then either the marginal rates of return to the employee must be equal, or the activity with the lower marginal rate of return receives no time or attention.

Other scholars too (e.g., Kerr, 1975; Kohn, 1993; Lawler, 1971; Milgrom & Roberts, 1992; Pfeffer, 1998; Roy, 1952; Sanders & Hambrick, 2007) have identified a host of unintended, negative potential consequences, in addition to concerns related to the equal compensation principle/multitasking concerns (too little or too much attention given to certain performance measures) above, including (Gerhart & Fang, 2015, p. 490): achieving performance using unacceptable means (e.g., manipulating profits to drive up the stock price), excessive risk taking, and excessive competition within the firm. As such, it has been observed that (Gerhart, Rynes, & Fulmer, 2009): 'PFP is of special interest because when it "works", it seems capable of producing spectacularly good results and when it does not work, it can likewise produce spectacularly bad results.' Thus, PFP that relies on results-based performance measures has been described as a 'high risk and high return' strategy (Gerhart, Trevor, & Graham, 1996, p. 145).

Two final concerns with PFP have, in our view at least, less evidence to support them (Gerhart & Fang, 2014). One concern is that PFP undermines intrinsic motivation (Deci, Koestner, & Ryan, 1999; Deci, Olafsen, & Ryan, 2017) and harms performance, especially in roles where creativity is necessary (Pink, 2009).[11] Recent evidence (Fang & Gerhart, 2012), including two major meta-analyses (Byron & Khazanchi, 2012; Cerasoli, Nicklin, & Ford, 2014), does not support such claims. Additionally, recent literature reviews (Amabile & Pratt, 2016; Gerhart & Fang, 2015), based on these and other studies, as well as conceptual analysis of theory and practice, argue, in contrast to longstanding arguments by Deci, Ryan, and colleagues, that PFP is unlikely to cause such problems in workplace settings and is instead very likely necessary to achieve meaningful positive levels of employee motivation, performance, and creativity. Related concerns have to do with 'crowding out' theory from economics. Very briefly, we would note that there is again no empirical work (to our knowledge) on crowding-out theory in a workplace setting. More typical is research in non-work settings such as volunteering (e.g., blood donations, fundraising) where the effect is studied of introducing payment for a behavior for which there is not necessarily a norm or necessity of payment (Gerhart & Fang, 2015). In fact, Frey & Jegen (2001, p. 590) state that crowding out occurs 'when a previously non-monetary relationship is transformed into an explicitly monetary one.'

A second concern is that PFP only works in the United States and/or advanced 'Western' economies. We refer the reader to a literature that challenges that assumption (Bloom & Milkovich, 1999; Fischer & Smith, 2003; Gerhart, 2009; Gerhart & Fang, 2005; Rabl, Jayasinghe, Gerhart, & Kühlmann, 2014). In a nutshell, key arguments against a country being a major constraint are that the within-country (between-person) variance in employee attributes (e.g., cultural values, personality, abilities, work preferences) far exceeds the between-country variation and that due to the operation of attraction–selection–attrition (ASA; Schneider, 1987) processes, organizations and employees do not match in a random fashion, but rather in a decidedly non-random fashion based on congruence between organization and employee attributes. These two factors, taken together, suggest that an organization can often find employees congruent with its requirements, even if the national mean of employee attributes (e.g., cultural values) in some countries is not congruent.

How long a PFP plan remains in place is sometimes used as a measure of its success. While a short-term gain in performance from a pay plan that does not last long should not be dismissed, it is nevertheless useful to keep in mind that in a fair number of cases, such plans do not last long (Gerhart, Trevor, & Graham, 1996). For example, Beer and Cannon's analysis (2004) of 13 PFP 'experiments' conducted at Hewlett Packard in the mid-1990s found that in 12 of the 13 cases, the program did not survive.

All else equal, a plan that generates longer term performance gains is preferred and changing plans too often can result in a counterproductive 'flavor-of-the-month' perception among employees (Beer & Cannon, 2004). Data on survival rates is also important for drawing statistical conclusions (Gerhart et al., 1996). Plans that survive for short periods are more likely to be excluded from studies of pay plan effectiveness, thus resulting in the plans included in the sample looking more effective than they really are in the full population.

While the risks of PFP programs must be acknowledged and understood, the 'high reward' aspect of 'high risk, high reward' means that not making sufficient use of PFP can put an organization at risk in a different way – in terms of its competitiveness. Second, PFP programs can be one critical piece in a strategy to change the culture of an organization, especially if there is sufficient hiring and turnover to allow sorting effects to change workforce composition. In the case of a start-up company or location, PFP and other aspects of compensation and HR can be used to set the cultural tone and achieve fit from the beginning.

ALIGNMENT AND CONTEXTUAL FACTORS

In view of the challenges in designing and implementing PFP plans, it is useful to consider how contextual factors might affect whether a PFP plan is likely to be successful.

The preceding discussion regarding challenges in measuring performance has begun to take us down that path. A further discussion of contextual factors and alignment follows below.

Alignment

Terms such as alignment, synergy, fit, and complementarity describe the idea that the effects of two or more factors are non-additive and/or dependent on contextual factors (Chadwick, 2010; Milgrom & Roberts, 1992).[12] An example given by Gerhart and Rynes (2003) is where a gainsharing program alone results in an average performance increase of 10%, while a suggestion system alone results in an average performance increase of 10%. However, when used in combination, their total effect is not additive (i.e., 20%), but bigger (e.g., 30%).

Our earlier discussion of sorting effects highlighted some relevant person/individual-level factors (e.g., risk aversion, need for achievement, academic performance, performance) that predict preference for PFP. In addition, person characteristics may also predict preferences for particular types of PFP (Wowak & Hambrick, 2010). For example, Cable and Judge (1994) found that individual-based PFP was preferred, on average, by those with high self-efficacy, but as might be expected, less preferred, on average, by those scoring high on collectivism.

There are three key aspects of pay strategy alignment or fit that focus on the situation or environmental context (Gerhart, 2000; Gerhart & Rynes, 2003): horizontal alignment (between pay strategy and other dimensions of HR management, as in the gainsharing example above), vertical alignment with organizational strategy (i.e., corporate and business strategy), and internal alignment between different dimensions of pay strategy (e.g., pay level and pay basis). Only a brief review is provided here. (For more detail, see Gerhart, 2000; Gerhart & Rynes, 2003; Gomez-Mejia & Balkin, 1992; Milkovich, 1988).

The primary focus of the pay strategy literature has been on vertical alignment. Aspects of corporate strategy such as diversification (Gomez-Mejia & Balkin, 1992; Kerr, 1975; Pitts, 1976) and the firm's life cycle (e.g., growth, maintenance; Ellig, 1981) are associated with different compensation strategies (Gomez-Mejia & Balkin, 1992; Kroumova & Sesis, 2006; Yanadori & Marler, 2006). Evidence also suggests performance differences based on fit such that growth firms perform better with an incentive-based strategy (Balkin & Gomez-Mejia, 1987). Alignment of pay strategy with corporate and/or business strategy (e.g., Gomez-Mejia & Balkin, 1992; Porter, 1985; Miles & Snow, 1978) may also have performance consequences (e.g., Rajagopolan, 1996). Another stream of work on non-executives at the business unit level focuses on the alignment between pay strategy and manufacturing strategy (Shaw, Gupta, & Delery, 2002; Snell & Dean, 1994). Finally, as noted previously, and consistent with agency theory, companies having more financial risk tend to have less risk sharing in their compensation for managers and executives (Aggarwal & Samwick, 1999; Bloom & Milkovich, 1998; Garen, 1994). Thus, both the risk aversion of the individual and risk properties of the situation are relevant (Wiseman, Gomez-Mejia, & Fugate, 2000).

Turning to the role of pay level in vertical alignment, higher pay levels, either for the organization as a whole or for critical jobs, may be well suited to particular strategies, such as higher value-added customer segments. The key work recognizing that firms differ in their choice of low-road versus high-road HR systems, even within narrow industries, has been conducted by Hunter (2000) in health care and Batt (2001) in telecommunications. Batt, for example, reported that firms having a focus on large-business customers paid 68% higher than firms without a dominant customer focus and that most of this higher pay was due to hiring workers with higher levels of human capital. Similarly, evidence suggests that organizations making greater use of so-called high-performance work practices (teams, quality circles, total quality management, job rotation, etc.) also pay higher wages (Osterman, 2006).

Another important type of vertical alignment is that between pay strategy and country (also see the brief discussion above). Countries differ on a multitude of dimensions that can affect management practice, including the regulatory and institutional environment, and cultural values (e.g., Hofstede, 1980; 2001; Rabl et al., 2014). As such, a good deal of attention has been devoted to the constraints that organizations face when it comes to choosing which HR and pay strategies (a) can be implemented, and (b) if able to be implemented, will be effective. Thus, organizations must decide how best to balance standardization and localization in designing HR and pay practices.

While practices that are effective in one country are not necessarily going to be effective (or even feasible) in another country due, for example, to legal or strong institutionalized traditions, one should be careful about giving too much weight to contingency factors generally, including country. (An overview of arguments is given in Gerhart & Fang, 2005; Rabl et al., 2014). Also, country norms can and do change. One example is executive compensation. Countries like Germany, South Korea, and Japan changed from essentially no use of long-term incentives (e.g., stock options, stock grants) for top executives in 1998 to substantial use by 2005 (Towers Perrin, 2006). Another example is the significant change in South Korea (Choi, 2004) and in Japan (Jung & Cheon, 2006; Morris, Hassard, McCann, 2006; Robinson & Shimizu, 2006) away from seniority-based pay toward PFP. A third example is the dramatic decline in private sector unionism in the United States, and the decentralization (e.g., from industry to firm or plant level) of collective bargaining in many parts of the world (Katz, Lee, & Lee, 2004). Finally, Katz and Darbishire (2002) highlight what they call 'converging divergences,' to indicate that there is a set of multiple employment/HR system models shared across countries, with the multiple and different models existing in each country to varying degrees.

Thus, it is important to recognize not only institutional pressures toward conformity in a country, but also that, depending on the country, the timeframe, and the particular policy, there is room to be unique. The strategy literature tells us that being the same as everyone else is unlikely to generate anything more than competitive parity, whereas being different, while perhaps taking more risk, has the potential to generate sustained competitive advantage (e.g., Barney, 1991; Barney & Wright, 1998; Colbert, 2004). However, beyond Gerhart et al. (1996), there has not been much application of resource-based strategy theory to pay strategy.

In contrast to the work on vertical alignment, horizontal alignment of pay strategy with other employment practices has been studied mostly using non-executive employees and in the context of HR systems (Posthuma, Campion, Masimova, & Campion, 2013). The effect of an HR system on effectiveness is thought to operate via the intervening variables of ability, motivation, and opportunity, or AMO (see the discussion above). One problem with studying horizontal fit, however, is that the hypothesized role of pay and/or PFP, as well as the way these constructs are operationalized, tend to differ across studies, making it difficult to draw robust conclusions about what other HR strategy elements work best with particular pay and PFP approaches (Becker & Gerhart, 1996; Gerhart & Rynes, 2003).

Nevertheless, certain potential areas of (mis)fit can be identified (Gerhart & Rynes, 2003; Rynes et al., 2005). For instance, with respect to the 'O' component, it seems likely that group-based incentive plans (e.g., gainsharing, profit sharing, stock options) will be more effective in smaller groups (Kaufman, 1992; Kruse, 1993) than in larger groups or organizations. In addition, in situations where work is more interdependent, it may be that some shift in emphasis from individual performance to group performance will be more effective (e.g., Shaw et al., 2002). Nevertheless, it must be kept in mind that even where tasks are interdependent, if there are individual differences in ability and/or performance that are important, then placing too little weight on individual performance in compensation can lead to undesired sorting effects, such that high performers may not join or remain with the group or organization (Shaw, 2014; Trevor et al., 2012).

The issue of horizontal alignment can also be approached more broadly. Although compensation is extremely important in motivation and effectiveness, it is important to continue to keep in mind that compensation is part of a broader employment relationship, broader than some of the contract notions we have discussed, which center on the compensation aspect. The literature on HR systems conveys this broader view as does work on psychological contracts (e.g., Rousseau & Ho, 2000; Tsui, Pearce, Porter, & Tripoli, 1997). Likewise, earlier work by Simon (1957) and March and Simon (1958), for example, viewed employment as a relationship where mutual (longer term) obligations on the part of the employee and employer could be efficient. The hope is that an organization will obtain the 'consummate cooperation' of employees, 'an affirmative job attitude [that] includes the use of judgment, filling gaps, and taking initiative' (Williamson, Wachter, & Harris, 1975, p. 266). Organizations often seek to support this objective through employee ownership. For example, more than one-half of the publicly traded companies on the 100 Best Companies to Work For list offer stock options to all or nearly all employees (Levering & Moskowitz, 2000).

The third area of fit, internal alignment, has been the least studied. The work of Gomez-Mejia and Balkin (1992) has sought to identify overarching compensation strategies, but more work is needed to document which aspects of pay tend to cluster together in organizations and whether certain clusters are more effective and/or what contingency factors are most important. In any event, the modest evidence that exists concerning the degree of actual alignment between pay and other HR strategy dimensions suggests that there is less alignment than one might wish (Wright, McMahan, Snell, & Gerhart, 2001; Wright & Sherman, 1999).

Turning to methodology, a challenge in studying fit is that if only firms and units that achieve some minimal level of alignment survive (Hannan & Freeman, 1977), alignment may be so important that it is almost impossible for the researcher to observe substantial departures from alignment (Gerhart et al., 1996; Gerhart & Rynes, 2003). In this case, restricted range in alignment would reduce the statistical power available to observe a relationship between alignment and performance. This may help explain why the idea of fit, while often thought to be critical, has not received as strong support as might be expected in HR research broadly and in the area of compensation specifically (Gerhart et al., 1996; Gerhart, 2007).

Finally, although fit is typically seen as an important goal, this should perhaps be tempered by the possibility that fit can be a double-edged sword. Gerhart et al. (1996) pointed out that the HR system (and resulting workforce) that fits the current business strategy may quickly become a poor fit if the business strategy changes. A less tightly aligned set of HR practices, where bets were hedged, might make a successful adaptation more likely. As Boxall and Purcell (2003, p. 56) put it: 'In a changing environment, there is always a strategic tension between performing in the present context and preparing for the future.' Perhaps in recognition of the limitations of static vertical fit, some work on HR systems emphasizes the importance of agility (Dyer & Shafer, 1999) and, relatedly, of flexibility (Wright & Snell, 1998). Some examples of compensation programs that are seen as promoting flexibility are skill-based and competency-based pay, as well as broad bands (in place of more detailed pay grades).

CONCLUSION

Today, examples of the importance of pay and compensation are omnipresent, whether in social movements protesting income inequality (e.g., Occupy Wall Street; Berrett, 2011; Levitin, 2015), fights for higher wages, such as the ‘Fight for $15’ (an effort to obtain a minimum wage of $15 city by city and state by state, which compares to a current federal minimum wage of $7.25; Greenhouse, 2016), debates around pay transparency (Zenger, 2017), and the gender pay gap in the gig economy (Cook, Diamond, Hall, List, & Oyer, 2018). As we have seen, compensation involves decisions in multiple areas. Our focus in this chapter has been on PFP and, to a lesser extent, pay level. We provided an overview of some of the most important theoretical approaches in understanding the potential impact of compensation decisions on performance. We have highlighted the potential for well-designed PFP plans to make a substantial contribution to organization performance through effects on intervening mechanisms such as incentives and sorting. We have also noted the potential for PFP plans to cause serious problems, often as a result of unintended consequences. To an important extent, these unintended consequences stem from the difficulty in specifying and measuring performance, a challenge that is perhaps often overlooked and/or underestimated in the literature on PFP (but well known in the practice of PFP; Buckingham & Goodall, 2015).

We suggested that the probability of success of PFP plans might be improved by effective alignment with contextual factors such as organization and human resource strategy. However, no matter how well thought-out and planned, the fact remains that the stronger the incentive intensity, the greater not only their potential positive impact, but also their potential to have a negative impact. At the same time, the risk of having strong incentives must be balanced against the risk that using weaker incentives will miss the opportunity for stronger performance. In closing, we note that firms achieve success by taking different paths, which vary in terms of both how much they pay and how they pay.

Notes

1 In a 2015 PwC survey of 435 companies across industries where modal revenue was between $1 billion and $10 billion per year, the median ratio of labor cost to revenue was 30%. The ratio of labor cost/total operating cost is typically larger than the ratio of labor cost/revenue for a company with positive operating income. For example, over a recent three-year period, at Goldman Sachs, its annual report shows that labor cost/operating cost averaged 55%, whereas labor cost/revenue averaged 37%. Similarly, at Southwest Airlines, its annual report shows that over a recent three-year period, labor costs/operating costs averaged 35%, whereas labor costs/revenue averaged 30%. At both companies, labor cost was the single largest operating cost. At Goldman Sachs, the next largest expense (‘Other expenses’) averaged less than one-third of the amount of labor cost over the three-year period. At Southwest, the next largest expense over the three-year period was fuel, which was 87 percent as large as labor cost. A final indicator of the magnitude of labor cost is the labor share, defined as ‘the fraction of economic output that accrues to workers as compensation’ (Giandrea & Sprague, 2017, p. 1), which, in the last decade in the nonfarm business sector, has fallen in the range of 58 to 60% in the United States. Of the largest economies for which data are available, the labor share is similar in Japan and somewhat larger in Germany and the United Kingdom (Unit Labour Costs – Annual Indicators: Labour Income Share Ratios. stats.oecd.org).

2 Even in an environment where there is little discretion in compensation policy and practice (e.g., because of legal and institutional forces within a particular country), an organization can often obtain greater discretion by expanding its business in a different environment (e.g., a different industry, a different country, etc.) that permits greater discretion in policy and practice.

3 Benefits represent a substantial share of compensation cost to employers in the United States, for example, given that many (especially larger) com-

panies fund retirement and health care for employees. Overall, benefits amount to about 30% of compensation expenses (US Bureau of Labor Statistics, 2018), and, again, the shares of directly paid benefits (e.g., for time not worked, like holidays) and employer social insurance expenditures and labor-related taxes vary broadly across countries.

4 Compensation can be defined to include nonmonetary rewards as well. Both monetary and nonmonetary rewards are important in the workplace. For a review of the importance of monetary and nonmonetary rewards in the workplace, see Rynes, Gerhart, and Minette (2004). However, monetary compensation is unique among rewards in the following respects (Gerhart & Rynes, 2003; Lawler, 1971; Rottenberg, 1956). First, compensation is one of the most visible aspects of a job to both current employees and job seekers. Second, unlike some other job characteristics (e.g., job responsibility, working in teams), most people prefer more money to less. Third, money can be instrumental for meeting a wide array of needs, including economic consumption, self-esteem, status, and feedback regarding achievement (von Neumann & Morgenstern, 1953). Given the central importance of monetary compensation, as well as limits on what can be covered in a single chapter, the main focus here is on pay or monetary rewards.

5 A strict traditional, neoclassical economics view would find the notion that employers (at least within a particular market) have a choice when it comes to pay level to be misguided, because the forces of supply and demand yield, in the long run, a single going/market wage that all employers must pay to avoid too high costs in the product market on the one hand, and the inability to attract and retain a sufficient quantity and quality of workers in the labor market on the other. The only way that an employer could pay higher wages than other employers would be if better quality workers were hired. In that case, the ratio of worker quality to cost would be unchanged, meaning both that the apparent difference in pay levels was not real, disappearing upon appropriate adjustment for worker quality, and that employers would not necessarily realize any advantage from using a high-wage/high-worker-quality strategy. However, evidence of persistent and arguably nonillusory differences in compensation levels (see Gerhart & Rynes, 2003, for a review) between companies operating in the same market has resulted in greater attention to why such differences exist and more general acknowledgment, including in economics (Boyer & Smith, 2001), that employers have some discretion in their choice of pay level. In response, efficiency wage theory provides an economics-based rationale for why some firms may benefit from higher (lower) wages.

6 This idea is similar to Karl Marx's concept of the 'reserve army' of unemployed being used by employers to keep their workforces in line.

7 This section draws freely on Gerhart (2007).

8 However, some caveats may apply. For example, performance appraisals based on a single rater are often unreliable (Viswesvaran, Ones, & Schmidt, 1996), such that identical merit increases over extended periods of time are unlikely. However, random errors would not affect the difference in average performance rating (and thus the difference in career earnings) over the course of a career. With more raters (at a point in time and/or over the course of a career), the effect of random error on performance assessment and career earnings growth is reduced.

9 This section draws freely on Gerhart (2001) and Gerhart and Rynes (2003).

10 The *d* statistic is defined as the difference between the dependent variable mean for Group A versus Group B, divided by the pooled standard deviation of Groups A and B. Thus, it gives the difference between Group A and B in terms of standard deviation units.

11 See Gagné and Deci (2005) for a more thoughtful and nuanced view of the role of PFP in workplace motivation, creativity, and performance.

12 This section draws freely on Gerhart and Rynes (2003).

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14

HRM, Equality and Diversity

Anne-Marie Greene

INTRODUCTION

This chapter considers equality and diversity issues within HRM research and practice. It begins by providing some background context in which the central theme is the move in thought from liberal approaches to equality based on ‘sameness’, to diversity approaches founded on ‘difference’. The chapter is structured around issues representing some key themes within the HRM literature: that is, the gap between rhetoric and ‘reality’ of theory and practice and the problems of making a business case; moving towards ‘best fit’ or contextualised policies and practices; and looking at who should have responsibility for diversity within organisations. Reflecting the nature of academic and practitioner research in the field of equality and diversity, this chapter will largely be from an Anglo-American perspective.

FROM EQUALITY TO DIVERSITY

Over the last 20 years, there has been significant debate about terminology in the field of equality and diversity. Examining ‘diversity’ as a concept, Prasad et al. state that it has ‘multiple, overlapping and conflicting meanings’ (2006: 1) such that it becomes a ‘literal and literary quagmire for scholars and practitioners alike’ (2006: 4). Nearly a decade on, a concern with the various different ways that the ‘diversity’ term is used and interpreted is also the subject of Qin et al.’s (2013) analysis. The version of this chapter 10 years ago needed a section where the variety of different terms used across the world was discussed (e.g. equal opportunities, equal employment opportunity, affirmative action (AA), positive action, equity policies, to name but a few). However, today, the ‘diversity’ term is now used fairly ubiquitously throughout most of the industrialised world (Kirton and Greene, 2015: 126), although even here there is still some variation – for example, the use of 'managing diversity', 'diversity management', or the most recent iteration, 'diversity and inclusion' (Greene and Kirton, 2016).

It is useful to spend some time considering the shift in thought that accompanied the emergence of diversity in the late 1980s. Key features of the diversity approach that are worth highlighting as having implications for HRM theory, policy and practice are: (i) consideration of a broader range of individual and social group-based differences; (ii) the importance of the business case, rather than legal compulsion or the social justice case; (iii) that diversity issues are the responsibility of the whole organisation, not just the HR function (Kandola and Fullerton, 1998; Kersten, 2000; Kirton, 2008).

Looking at (i), a diversity approach involved a move away from traditional liberal and radical conceptions of equality (Jewson and Mason, 1986) based around treating everyone the same – a 'sameness' approach – towards approaches based on recognising and valuing people's differences – a 'difference' or 'diversity' approach (Liff, 1997). An area of further debate is about whether differences should be narrowly conceived as concerned with social groups (often those characteristics protected by anti-discrimination legislation), or broadened to encompass a greater variety of individual differences (Qin et al., 2013; Prasad et al., 2006: 2; Kirton, 2008).

With regard to (ii), the rise of the business case as the primary rationale for equality and diversity action is perhaps the most important aspect of the diversity approach. Traditional equality approaches aimed to redress discrimination and historical injustices faced by certain groups in the workforce (e.g. especially women and black and minority ethnic people) underpinned by legislation. However, diversity approaches start from a position that sees human differences as a resource, the utilisation of which is crucial for competitiveness and improving organisational performance. Diversity policies are introduced specifically in order to meet organisational goals; in this sense the concept or model is business-driven, rather than underpinned by broader notions of social justice (Kirton and Greene, 2015). Noon and Ogbonna (2001) argue that this is the key analytical differentiation between equality and diversity approaches: that they are underpinned by two different rationales, the former by the social justice (or moral) case and the latter by the business case. However, arguably this difference is overstated and what has actually occurred is a shift in *emphasis* rather than a fundamental re-conceptualisation (Cornelius, 2002; Greene and Kirton, 2009; Kirton, 2008). In other words, while equality policies may have utilised business rationales, they did so in order to achieve moral or social justice ends. In contrast, diversity policies are generally seen to have a more exclusive focus on the business case.

Litvin (1997; 2006) provides a useful summary of the historical development of the diversity approach, tracing its origins to the USA in the late 1980s. This begins with the publication of the Workforce 2000 report (Johnston and Packer, 1987), and its predictions of dramatic demographic changes, leading to an increasingly diverse workforce (increasingly minority ethnic, feminised and ageing). As Litvin states, 'it is difficult to overstate the influence of the demographic predictions attributed to Workforce 2000 in the construction of the business case for diversity' (2006: 81). Thus, businesses needed to meet the challenges and threats of the diverse workforce but also needed to capitalise on it. Common benefits cited include: taking advantage of diversity in the labour market; maximising employee potential; managing across borders and cultures; creating business opportunities and enhancing creativity (see summary in Kirton and Greene, 2015: 231).

Finally, looking at (iii), the diversity approach advocates the moving of the locus of responsibility for diversity issues within organisations away from being exclusively the HR department's to being 'everyone's responsibility' (Greene and Kirton, 2009).

Shifting from an approach based on legislative compliance to one around organisational transformation arguably requires more distributed responsibility. For example, Kandola and Fullerton (1998), widely credited with the dissemination of the diversity concept in the UK, specifically highlight the 'crucial' role of line managers. Having diversity at the heart of the line management role is felt to overcome a significant criticism of the traditional equality approach: that it was largely seen as a specialist, peripheral activity (predominantly the concern of personnel or HR functions), and had little to do with core business concerns (Ross and Schneider, 1992; see summary discussion in Maxwell et al., 2001). This of course echoes wider debates within the HRM field more broadly about the crucial role of line managers in delivering HRM practices (Purcell and Hutchinson, 2007).

A major academic preoccupation has been whether diversity management is simply a name change or an entirely new policy approach, delivering significantly different outcomes. This echoes the older debates about the differences in theory and practice between personnel management and HRM (Purcell, 2001; Hoque and Noon, 2001). As will be discussed later, it is debatable whether or not the move to diversity really means any deep changes in the substantive content of organisational policies (Greene and Kirton, 2009). However, as Kirton (2008) states, it is still useful to characterise the two approaches as indicating different, and perhaps competing, emphases as this provides a conceptual map to locate organisational policies (Noon and Ogbonna, 2001).

IMPORTANCE OF EQUALITY AND DIVERSITY FOR HRM

Looking at diversity policy and practice within the field of HRM is important because, first, the HR function is where responsibility for equality and diversity policies normally lies. Whatever terminology is used and despite the various critiques, equality and/or diversity issues have without doubt become increasingly important within the HRM field over the last 30 years. In contrast to the early to mid-1990s, most quality HRM texts and practitioner guides now have at least one chapter on equality or diversity issues. Scan the websites of practitioner organisations like the Chartered Institute of Personnel and Development (CIPD) in the UK (www.cipd.co.uk), or the Society for HRM (SHRM) in the USA (www.shrm.org) and it is clear that diversity has become an essential part of HRM practice and arguably is increasing in profile. Over 60% of respondents to a CIPD survey considered that diversity and inclusion had become more important to employers over the previous five years (CIPD, 2012).

Moreover, there is still a need for attention to equality and diversity issues within HRM practice. A cursory glance at any demographic statistics or workforce surveys the world over indicates that despite years of anti-discrimination legislation and equality action, there is still much work to be done to improve the situation of women, minority ethnic, disabled, lesbian and gay, and older and younger people in the workplace (see summary in Kirton and Greene, 2015).

However, despite the rhetoric of equality and diversity being central to HRM policy, practice does not always seem to match up. Motivated by frustration at the limited progress, equality and diversity issues have become part of a wider critique of HRM (Greene and Kirton, 2009; Kamenou and Fearfull, 2006), with some writers consistently arguing that HRM theory, policy and practice may be at odds with the promotion of equal opportunities (Benschop, 2001; Dickens, 1998a; Kirton and Greene, 2015; Zanoni and Janssens, 2003). Such writers point to the fact that equality and diversity issues are still often absent from mainstream HRM debate, where theory, policy and practice tend to assume the generic universal employee (Benschop, 2001; Dickens,1998a; 1998b).

It is interesting for example to consider the place of diversity issues within this *Handbook* on HRM: is this specific chapter the only place that diversity issues come up?

What Does Diversity Mean for HRM Theory, Policy and Practice?

In 1998, at the height of the debates about the shift from personnel management to HRM, Linda Dickens wrote an article in the *Human Resource Management Journal* addressing the question of 'What HRM means for gender equality'. In this, she looked at a number of key features of HRM and asserted that the 'soft' model of HRM may actually be problematic for women and gender equality. Some of her arguments will be drawn on in this chapter; however, I intend to ask a slightly different but related question of 'What diversity means for HRM'; in other words, what the move to difference or diversity approaches means for practitioners (most commonly in HR) dealing with equality and diversity issues.

It has already been established that a central feature of diversity management is the primacy of the business case. Indeed, Litvin goes so far as to see the business case as the 'mega discourse' of diversity (2006: 85), meaning that the achievement of organisational economic goals becomes the overriding guiding principle and explanatory device for those tasked with equality and diversity policy in organisations. This is arguably in contrast to those working within a traditional equality paradigm, where the emphasis was the social justice case aimed at redressing inequalities, often underpinned by a legislative regulatory imperative (Kirton and Greene, 2015). So, for HR practitioners, perhaps the most significant legacy of the move towards diversity approaches is that the pressure is on to demonstrate the 'diversity return on investment' (DROI) (Hubbard, 1999, cited in Litvin, 2006: 84). This is reminiscent of the preoccupation with the link between HRM and performance: 'the holy grail of establishing a causal relationship between HRM and performance' (Legge, 2001: 23, in Harley, 2015). However, just as with HRM practice more broadly, the link between diversity and performance outcomes is far from conclusive, and the direct benefits highly contested (see summary in Kirton and Greene, 2015: Chapter 9). Litvin's conclusion, that 'despite their efforts, researchers have failed to generate solid, unequivocal support for the proposition that engaging in diversity initiatives is a good investment' (2006: 78), is still very salient a decade on. For every study that appears to show some positive correlation (Backes-Gellner and Veen, 2013; Herring, 2009; Richard, 2000), there is one that appears to show the opposite or a negligible effect (Kochan et al., 2003).

Many of the explanations for the difficulties in making the DROI link relates to the types of research carried out and their methodologies, or how to separate out the myriad of variables that could affect organisational outcomes from those specific to diversity (BIS, 2013; Kirton and Greene, 2015: 237–239). These arguments have been rehearsed many times in relation to wider HRM research (for a review see Boxall and Purcell, 2000; Harley, 2015; Legge 2001). However, there are some explanations that have more specific relevance to the theory and practice of diversity management in particular.

Problems with the Business Case

It would be naive to write off completely the need for organisations to have some business-related rationale for equality and diversity policies, particularly given the amounts of money often involved in diversity programmes. In addition, traditional equality approaches have always made some use of the business case, at the very least in order to avoid litigation costs (Kirton and Greene, 2015: 131). Some commentators talk about the social justice and business cases coinciding and that increased social justice can lead to organisational benefits, for example the marketing potential and enhanced reputation associated with being an ethical business, or being an 'employer of choice' (Dickens, 1999; Gagnon and Cornelius, 2002; Liff and Dickens, 2000). However, if there is no complementary recourse to a broader social justice or moral case beyond direct and quantifiable organisational benefits, then critics claim that the diversity approach may ignore deep-seated societal discrimination and patterns of disadvantage (Greene and Kirton, 2009; Liff, 1997; Webb, 1997). Moreover, it is argued that the business case focus could lead to employees being exploited as organisational resources (Jones, 2004; Litvin, 2006; Noon, 2007). Kirton (2008) outlines what she terms the 'dilemma of the business case'. Business case arguments are inevitably 'contingent, variable, selective and partial' (Dickens, 2006: 299) and depend on economic premises, which means that action is only encouraged when diversity and business needs coincide. There is always the danger that a business case can be marshalled as justification for not taking action on equality and diversity (Dickens, 1999) or where a business case can be made for the exploitation of certain employees. Kirton (2008) cites a number of international examples (including Walmart and Coca-Cola) illustrating this. Subeliani and Tsogas's (2005) case study in the Netherlands finds that the economic imperative to increase customer service ratings saw diversity initiatives used to increase the number of minority customers, while leaving the disadvantaged work situation of ethnic employees within the company untouched. In other words, there is no necessary connection between having a diverse workforce and practising equality.

Lack of Conceptual Clarity Means Confusion in Practice

A further question relates to whether diversity is 'do-able' (Prasad and Mills, 1997), and the difficulties faced by practitioners when they try to develop and implement diversity policies. Part of the 'do-ability' relates to whether practitioners understand what diversity policies are for and how to implement them. An understanding of how different actors in organisations understand equality and diversity helps us to appreciate how and why actual policy and practice are formulated, implemented, resisted and challenged. However, research findings indicate that if there are conceptual misunderstandings and lack of clarity by scholars in this area, this is only exacerbated for practitioners within organisations.

An example of how conceptual confusion impacts on policy and practice concerns whether policies should be based on the principles of 'sameness' or 'difference' – that is, is the aim of an equality and diversity policy to treat everyone the same or to respond to people's different needs? In her study of equal opportunities policy and practice in the 1980s in the UK, Cockburn (1989) found that people interpreted equality policies in workplaces differently depending on what was expected and desired from them in their various roles. She identified the interests of the shareholder who has a strong personal commitment to equality, the executive team who see equality as a profit-making policy relating to marketing technique and customer orientation, the lawyers who want equality initiatives to avoid employment tribunal cases of discrimination, the personnel managers who see equality as part of wider management trends, and the line managers who are only concerned with equality if it does not conflict with maintaining work discipline and cost budgeting.

Foster and Harris's (2005) study of diversity management in the UK retail industry, ironically entitled 'Easy to say, difficult to do', identified the 'analytical muddle' faced by line managers with responsibility for diversity. Different understandings of the rationale for and the way in which policies should be approached, led to significant problems in implementation. Similarly, Nentwich's (2006) study finds equality officers in Switzerland using confusing and contradictory rationales for policy interventions. Qualitative findings from a UK study across a number of industrial sectors uncover real confusion among equality and diversity practitioners about what the terms mean and what organisational policies are actually striving to achieve (Greene and Kirton, 2009). More recent research involving diversity and inclusion consultants reveals perceptions of considerable confusion from organisational stakeholders about what diversity means, what it should cover, and how it should be implemented (Greene and Kirton, 2016).

The issue is that conceptual confusion can lead to policy confusion. Kirton and Greene (2015: 208–225) outline a summary of mainstream policy in the UK and find a mixture of sameness and difference approaches. Indeed, overall the view from most researchers is that the rhetoric of diversity has not led to any fundamental difference in organisational policy – the overall picture is of continuity in practice with older equality approaches (Greene and Kirton, 2009). This means the overall policy aim is not always clear: it may be to ensure people are treated equally, achieve equality of outcome, or recognise and value people's difference. For example, the difficulties of coming up with a policy that responds to employees' needs and desires to be treated differently and the same as each other simultaneously – for instance, to be treated the same during recruitment and selection, or having different needs as a parent requiring flexible working to be recognised (Foster and Harris, 2005: 12).

Critics of equality approaches (e.g. Kandola and Fullerton, 1998) argue that an individualised diversity approach that embraces all differences has the advantage of avoiding backlash, resistance and hostility from 'majority' groups. However, linking to the previous section, it is questionable whether an individualised business case for diversity can be made effectively and whether effective policies can be devised around individual differences. How are managers, to whom diversity policy implementation is devolved, expected to respond to a myriad of individual differences, especially given the range of possibilities? Woodhams and Danieli (2000) clearly illustrate the difficulty of the business case for diversity in the case of disabled employees. The exact nature of an impairment, and the extent to which it is disabling, are particular to each person, and thus disability is perhaps the dimension of diversity where individual differences are most salient. Woodhams and Danieli argue that it would be hard to justify diversity policies in purely business case terms because of this level of individuality, which would inevitably lead to increased costs. Therefore, the argument follows that disability equality policy has to have some underpinning, collective group focus imperative (probably supported by law). Woodhams and Danieli's analysis is important in touching on the inherent contradiction within the rhetoric of diversity. While the business case for recognising diversity is prioritised, if the approach is conceptualised solely as concerned with individual differences, identified and dealt with on an individual basis, then it becomes very difficult to make a viable business case.

The Need for Contextualised Policies: Best Fit Approaches?

Another preoccupation in academic and practitioner research involves the debate over whether organisations should take a best practice or best fit approach to HRM. There are a plethora of academic writing and a large number of models and typologies (for a useful international review, see Boxall and Purcell, 2000). As is often the case in such polarised debates, a common path through is to establish a preference for a middle ground, thus for example Boxall and Purcell (2000: 193) talk of 'unique fit' and 'exclusive practice' so that best practices are situated appropriately in context. A similar situation has evolved within the literature on diversity and the business case. First, rather than seeing diversity as an alternative to equality, a commonly cited position is to ensure that social-group-based approaches underpin any diversity intervention (Kirton and Greene, 2015: 300) so that diversity management is more of a shift, rather than a departure from equal opportunities or affirmative action policies, not least because laws and regulations impose certain requirements on employers (Kirton, 2008).

Second, if there is to be a focus on the business case, then better to have a business case specific to the particular organisational context. As Kirton (2008) points out, the most common position taken by organisations is to put forward very generic, 'best practice' business case arguments. This is despite the fact that the dominant view in mainstream HRM writing is that the focus should be on 'best fit'. A number of writers highlight the importance of contextualised approaches to diversity management (Benschop, 2001; Dass and Parker, 1999; Janssens and Zanoni, 2005; Kamenou and Fearfull, 2006). A common thread running through the many studies trying to demonstrate the link between diversity and organisational performance is that a firm's economic and organisational context is crucial in determining how diversity policy might produce business benefits (Kirton and Greene, 2015: 240). Those practitioners responsible for equality and diversity issues within organisations need to be aware of how the wider political, legal and economic context affects policy, so that different kinds of difference are likely to have greater salience in some places and certain moments (Prasad et al., 2006: 3). Thus, for example, implementing individualised policies in the UK, where there is a strong legal framework based around social groups, becomes extremely difficult (Foster and Harris, 2005; Lorbiecki and Jack, 2000: S28). Linehan and Hanappi-Egger (2005) identify the different concerns and targets for policy between different EU countries. In addition, diversity policies should be tailored to the specific organisational context. Thus, Dass and Parker (1999) claim that an organisation's diversity approach will depend on the degree of pressure for diversity action, the types of diversity in question, and managerial attitudes to diversity. Janssens and Zanoni (2005) identify the role of the customer and profile of customer service as key determinants on the types of diversity policy and approach that are implemented. That the approach and policy should be tailored to the specific organisational context seems a very common-sense notion which for practitioners should lead to a 'more contextually informed and organisationally realistic view of diversity management than is all too often suggested by the equality literature' (Foster and Harris, 2005: 14).

However, it is worthwhile adding a note of caution. Indeed, linking to the discussion above about the contingent nature of the business case, it is clear that the specific organisational context may also be a convenient way of not dealing with diversity issues (Kirton, 2008). For example, Dass and Parker (1999) provide a typology of four perspectives and four responses to diversity that one could imagine would be very attractive to practitioners struggling with implementing effective diversity practices. However, beyond its function as a descriptive typology of ideal types, Dass and Parker specifically state that their typology can be used by practitioners 'to examine their internal and external environments to adopt an approach to implementation that matches their particular context … suggest[ing] opportunities for achieving fit, but … also an argument for purposefully choosing an approach to managing diversity' (1999: 78). While at the one extreme this offers practitioners the 'choice' to adopt a proactive, long-term transformative approach to diversity (their 'Learning Perspective'), the problem at the other end of the spectrum is the 'Resistance Perspective' where diversity is viewed as a threat and where unfair discriminatory practice appears to be an approach that is seen to 'fit' with a particular type of organisational context.

The Inequality Embedded in HRM Practices and Structures

Part of the academic critique of HRM also relates to the ways in which HRM structures and practices can themselves be detrimental to the progress of equality and diversity within organisations. With regard to action on gender, Dickens (1998a) looks at a number of key features of HRM (e.g. 'commitment', 'flexibility', 'selection appraisal' and 'reward') and asserts that the 'soft' model of HRM may actually be more problematic for women and gender equality than is generally acknowledged. Thus, she argues that the concept of 'commitment' is itself gendered, while the requirement within 'flexibility' for numerically and functionally flexible employees may actually reinforce the disadvantage faced by women. Koene and Van Riemsdijk (2005) support Dickens' findings with regard to the treatment of 'non-standard' employees in their study of temporary employees in the Netherlands. They highlight the way in which the mainstream literature on strategic HRM calls for managers to distinguish between different types of employee in a way which leads to the detrimental treatment of those on temporary employment contracts. Also in the Netherlands, Benschop's (2001) study identifies the way in which HRM strategies and activities mediate the performance effects of diversity, where a very traditional HRM approach means that any potential beneficial effects of diversity were missed out on. Overall, Dickens states: 'those in organisations with a commitment to equality need to develop a sensitivity to the way in which apparently gender neutral HRM techniques may contribute to the gendering process' (1998a: 35).

Overall, given the difficulties in actually managing diversity in practice, it is not so surprising that in most cases there is a large gap between the rhetoric of diversity policy and diversity practices which in reality tend to have more continuity with traditional equality approaches (Greene and Kirton, 2009; Kossek et al., 2006). Core components of workplace equality and diversity policies still reflect a focus on the social groups protected within anti-discrimination legislation (Kirton and Greene, 2015: 209; see also Van Wanrooy et al., 2013: 116). A CIPD report indicates that while some progress has been made beyond this, a significant driver for policy within organisations is still legislative compliance (2012: 9). Given the difficulty of generating policy based around individual differences, it is perhaps to be expected that diversity policies are usually targeted at social groups, namely women, black and minority ethnic people and disabled people, much as equality policies were. In this case, regarding the question of what diversity means for HRM, it is tempting to answer that it means very little in practice, except for increased confusion for practitioners.

Who Is Responsible for Diversity Within Organisations?

The quote from Dickens above leads us to another question to consider what diversity means for HRM: that is, who is or should be responsible for diversity within an organisation? Does the diversity approach mean anything different to practitioners in this area? It should be noted that there is relatively little research on the roles and activities of diversity practitioners themselves (see the summary in Kirton and Greene, 2015: 201–207). Within the mainstream HRM literature, there are two associated developments that are relevant. First, that HRM should play a much more strategic role in organisations and there should be devolution of responsibility for HRM beyond the HR function.

Looking at this development, the level to which HRM is integrated within business strategy (Guest, 1987) is one of the key aspects of difference that is identified between HRM and personnel management – that people management issues are brought into the remit of strategic decision-making (Hoque and Noon, 2001: 7). However, the effectiveness of integration depends on the role of the HR function within the organisation, which often does not hold a powerful position in comparison, for example, to marketing, production, finance or sales (Cattaneo et al., 1994). Paradoxically, longitudinal evidence from the Workplace Employment Relations Survey in the UK does not indicate an increasingly strategic role for HR. There is now a plateau after a steady decline in the presence of those with HR responsibilities on company boards of directors, standing at only 56% of workplaces in 2011 (Cully et al., 1999; Kersley et al., 2005; Van Wanrooy et al., 2013).

Add diversity to the mix and it seems that it often plays even less of an important role than other aspects of HRM. Only 33% of UK workplaces had a strategic plan on employee diversity, for example (Van Wanrooy et al., 2013). Gooch and Ledwith (1996) provide a detailed analysis of the way in which equality issues become constrained and controlled when they are anchored within the powerless personnel or HR function. In the UK context, survey data shows that responsibility for diversity policy is still very much in the hands of senior HR employees (CIPD, 2012). Greene and Kirton (2009) found that most organisational diversity practitioners were found at junior or lower ranking middle-management levels. Few organisations have specialist diversity or equality managers and 70% of respondent organisations to the latest available CIPD survey on this did not even have a designated budget for equality and diversity issues (CIPD, 2007: 17). Given that the people who have to develop and implement policy have such limited access to legitimacy, resources and power, it is perhaps not so surprising that highly successful policies are not necessarily forthcoming.

Furthermore, diversity policies cannot stand alone but must be supported within the wider HRM portfolio. This has links to the need for horizontal integration of HRM ensuring that the HR policies form a coherent entity, for example that payment systems and work organisation complement each other. Hoque and Noon's (2004) analysis of the UK Workplace Employment Relations data set from 1998 finds that while most companies have formal equality policies in place, these tend to be 'empty shells', with only 50% of workplaces adopting any back-up support policies, and 16% having no support policies at all. Moving this forward to the 2011 data set, while 99% of public sector and 74% of private sector organisations have a formal equality and/or diversity policy in place, the vast majority of workplaces took no further action on monitoring recruitment and selection, promotion decisions, or relative pay rates by demographic characteristics (Van Wanrooy et al., 2013: 34). These wider supports for equality and diversity policy are seen as crucial to effective equality outcomes, and, in line with the HRM rhetoric, policies would need to be part of an integrated and coherent system. Kossek et al.'s (2003) research endorses the need for horizontally integrated support policies for diversity initiatives. In their study in the USA, they found that the aim of increasing workforce diversity through hiring policy could have negative consequences for group/team cohesion, and could lead to detriment for the 'minority' groups recruited (whether these be women, black and minority ethnic workers, disabled workers, etc.) if the hiring policy is not supported by additional HR policies. Such policies would need to ensure that sufficient numbers of 'minority' individuals were recruited to avoid their isolation and that they were provided with the resources (training, functional, information) to allow them to enter workgroups on an equal footing. Research in Ireland by Armstrong et al. (2010) found that it is the combination of 'good' HRM in the form of a high-performance work system (consisting of a series of 'best' HR practices), with a diversity and equality management system (consisting of diversity training, a formal diversity policy and workforce monitoring), that leads to performance benefits (here higher labour productivity and workforce innovation).

The second relevant development in HRM is the view that people management issues should not be the exclusive concern of the HR function. The idea here is that the HR function should devolve HR responsibilities and activities, such that line managers are directly empowered to take responsibility for managing people (see the summary in Cornelius et al., 2001). A similar argument is made for diversity policies (Kandola and Fullerton, 1998) so that the primary diversity constituency in organisations becomes line managers (Kirton and Greene, 2006). This can be linked directly to the business case rationale, where it is felt that diversity will become more embedded in everyday organisational practices if it is taken up by those directly involved at the front line of the business.

In some respects, line managers have always played a role in diversity policy implementation, being involved in day-to-day HR activities with clear diversity significance such as recruitment and selection. An interesting finding of the 2004 Workplace Employment Relations Survey data set (Kersley et al., 2005) was that equality issues were an area that managers considered they had little autonomy over. This situation changed in the 2011 data set (Van Wanrooy et al., 2013: 52) with equality and diversity being an area that saw a statistically significant increase in autonomy. However, 57% of workplace managers would consult managers elsewhere before taking action over a diversity issue. This seems to be backed up by other UK survey data: indeed a substantial proportion of line managers were either 'not confident' (25%) or had 'variable confidence' (41%) when discussing diversity issues, with a failure to understand how diversity affects business performance being a key part in this lack of confidence (CIPD, 2012: 10).

The discussion above indicates that devolution to the line is neither easy nor necessarily advantageous from a diversity point of view. Implicit within the strategic integration or 'mainstreaming' of HR issues within HRM is the idea that HR/personnel specialists should 'give away' some of their power and responsibility as professionals to other management functions (Cornelius et al., 2001; Gooch and Blackburn, 2002). Guest (1987: 519) discusses the difficulty that line managers have in accepting such an abdication of responsibility. Gooch and Blackburn (2002: 145) summarise research suggesting that line managers are selective about which aspects of HRM they choose to be involved with and indeed tend to choose those that involve the setting of short-term business targets (Leach, 1995). A short-term approach is unlikely to do much to advance the equality and diversity project. Foster and Harris (2005) clearly indicate how line managers in their study saw the implementation of diversity initiatives as unattractive when faced with the monitoring of their own performance against operational targets that usually do not include diversity dimensions. Indeed, CIPD survey data finds that diversity as a performance criterion is used only in 19% of organisations, and is only included in the performance appraisals of managers in 16% of organisations (CIPD, 2006). Dickens (1998a) alerts us to the fact that devolution to line managers is not necessarily good news where equality and diversity issues are concerned, not only because of the context in which line managers operate, but also because it represents a shift away from expertise in equality issues within organisations. Thus, despite the rhetoric, equality and diversity issues remain firmly established within the realms of the HR function.

Within the devolution debate it is also argued that responsibility for the implementation of diversity policy should move beyond line management to everyone in the organisation. Greene and Kirton (2009) found in the UK that the majority of diversity practitioners believed that 'leadership' of equality and diversity issues had to come from all levels of the organisation. Lack of wider 'buy-in' and ingrained negative attitudes from non-managerial employees were seen as serious barriers to valuing diversity. Despite a widespread rhetorical commitment to wider involvement, however, in practice only a very small group of organisations had integrated, multi-channel forms of communication and consultation that genuinely seemed to engage employees proactively in the diversity agenda. Most non-managerial employees had little idea about what policies existed, and, importantly, did not understand the rationale for these policies or how they were supposed to be involved. Similar findings emerged from a study of 200 companies in four EU countries (EC, 2003) where this 'awareness gap' (p. 7) was identified as a major obstacle limiting the scale of investment in diversity, largely because it led to a 'fear of change'. A report by the CIPD (2012) found that the most common method of involving non-managerial employees in the diversity agenda was through an employee engagement survey, although 55% of respondents indicated that their organisation used an employee forum.

A significant problem with diversity policy and implementation is the limited extent of stakeholder involvement (Konrad et al., 2006). Trade union involvement in diversity management is rarely considered, not least because trade unions (particularly in the UK) have been critical of diversity approaches (Greene and Kirton, 2009; Kirton and Greene, 2017). Trade unions in the UK and USA have not been automatic organisational partners within diversity policy, a situation compounded by falling membership rates and declining levels of collective-bargaining coverage. In contrast, evidence from Sweden (Dehrenz et al., 2002) and the Netherlands, Denmark and New Zealand (Rasmussen et al., 2004) illustrates the strength and positive outcomes that arise out of policies that are negotiated with wider stakeholders such as trade unions. This suggests that if organisations genuinely want all organisational members to 'own' diversity policy, then they need to open up channels of consultation and communication at an early stage in the development of initiatives.

CONCLUSION

This chapter aims to consider the question of what diversity means for HRM, in particular tracing moves in thought from sameness to difference approaches. The discussion has identified a large 'rhetoric/reality gap' in that while key tenets of a diversity approach encourage policy based around individual differences, sharing of responsibility among a wider group of stakeholders and directly linking diversity to organisational outcomes, the reality is that much policy still looks very much the same as it did under older equality approaches. Policy still seems to be based around the key social groups facing disadvantage, while legal compliance still seems to be a major motivator for action in this area. In addition, policy development and implementation still seems to be firmly situated within the HR function, where the status and resources available to equality and diversity still appear to be extremely limited.

Moreover, while there is no doubt that diversity has some significant theoretical advantages, moves to diversity approaches seem to have made policy and practice in this area significantly more complicated. The foregoing discussion has highlighted the conceptual confusion experienced by practitioners both with regard to what diversity means and the difficulty of making policy based around individual differences or in demonstrating the business case.

The polarisation of the academic debate about equality and diversity, often couched in 'either/or' terms, is not particularly helpful for practitioners struggling to develop and implement policy. In thinking about ways that academics and practitioners might move forward, it might be better to look at ways in which the two approaches can be better integrated. Part of this is an exercise in raising awareness and understanding. Reflecting on the conceptual confusion, Foster and Harris state that:

> conducting an audit that includes all parties in the employment relationship, and addresses basic

> questions as 'where are we now?', 'where do we want to be?', and 'what do we need to do to get there?', is a useful starting point for employers seeking to develop appropriate and achievable diversity practices. (2005: 14)

This exercise would be useful for both academics trying to understand how diversity is understood in organisations (but would require sufficiently qualitative research designs) and for practitioners trying to work out what approaches and policies might be most appropriate.

Ensuring that the widest group of organisational stakeholders (importantly including non-managerial employees) is informed and involved in the development and implementation of equality and diversity policies is also a priority that must be addressed. With regard to academic research that has the potential to be most useful to practitioners, it is therefore important that research designs involve methodologies that include the widest variety of organisational stakeholders, particularly employees and their representatives. For HR practitioners, collective equality bargaining by trade unions could underpin and generalise employers' diversity initiatives, while the law could generalise and underpin both of these. It is important that in taking up some of the diversity approaches, the support and protection offered by legislation and formalised procedures are not lost and are still fought for. Diversity approaches potentially offer appropriate and much needed challenges to organisational cultures, but doubtlessly need to be underpinned by more social justice concerns and legislative protection.

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15

Creating and Sustaining Involvement and Participation in the Workplace

Adrian Wilkinson and Paula Mowbray

The notion of having employees determining, or at least influencing, work activities and organisational decision-making is not a new idea. In their classic review of the literature, Glew et al. (1995) cite Hugo Munsterberg's *Psychology and Industrial Efficiency* (1913) and the Hawthorne studies from the mid-1930s (Mayo, 1933), while Ivancevic (1979: 253–254) acknowledges the work of Argyris, Coch and French, Likert, McGregor and Mulder as later influences on the development of our understanding of 'employee involvement and participation' (hereafter 'EIP'). Thus EIP is a longstanding and enduring issue. It is also a multi-dimensional idea, with a daunting number of issues to consider. These include the ongoing debate over what constitutes all of the possible manifestations of EIP (e.g. 'involvement', 'participation', 'voice' and 'empowerment'), what distinguishes them from each other and how each should be operationalised. Cotton (1993), Heller et al. (1998), Kaufman (2015) and Wilkinson et al. (2010; 2014) have all addressed the definition debate.

The history of EIP in general terms is also worth considering, as is the history of particular techniques, and analyses of the contemporary context-shaping EIP research. Abrahamson (1996; 1997) and Kaufman (2014) have provided overviews of the history of the idea, while Heller et al. (1998), Strauss (2006) Budd et al. (2010) and Wilkinson et al. (2010 and 2014)) have examined the contemporary context. Finally, perhaps the ultimate question – the effect of EIP schemes on organisational performance and employee well-being indicators – also demands attention. There have been several meta-analyses and reviews (see Handel and Levine, 2004; Locke and Schweiger, 1979; Miller and Monge, 1986; Wagner, 1994).

Rather less explored are the factors that distinguish effective schemes from ineffective ones. This is our focus. Rather than go over familiar ground on definition, context and outcomes we explore 'the conditions in which policies and practices are introduced [that] can influence outcomes', and 'the processes' of engagement among participants (Kessler & Purcell, 1996: 668). We begin with a short summary of the definitional debate over EIP before setting EIP within the wider strategic HRM agenda. Next, we expand upon Glew and colleagues' 1995 framework for understanding the factors impacting upon EIP schemes, to help us order the literature in a coherent fashion and to advance the idea that EIP schemes can be studied according to life-cycle effects. Accordingly, the remainder of the chapter covers the factors that determine the 'birth', early development, final design, longevity and the ultimate effectiveness of EIP schemes.

DEFINITIONS

The literature remains bedevilled by imprecise definitions of EIP even 40 years on from early attempts at synthesis (see Dachler and Wilpert, 1978; Locke and Schweiger, 1979; Wilkinson and Fay, 2011). This is partly due to the myriad possible schemes that fall under the broad category of involvement/participation/empowerment/voice (Sashkin, 1976) – see Table 15.1 – and to the 're-branding' of old schemes. Even today, scholars might disagree on basic definitions, and fail to recognise a given scheme as falling under the category assigned to it by another scholar, because authors are imposing value judgements and/or using disciplinary conventions not shared by other schools of thought on EIP (Dundon and Wilkinson, 2016; Morrison, 2011). In contemporary research, we also see a shift in the definition of EIP in response to changing conditions, such as declining unionisation and an increased use of direct voice. (Wilkinson et al., 2004). While Strauss (2006) previously recognised that informal EIP, which includes face-to-face dialogue at the workplace level, may provide employees with some level of influence, it is only in recent times that informal EIP has been included in empirical EIP studies (Marchington and Suter, 2013). Thus, the boundaries of the EIP definition and its application to studies have changed to reflect organisational realities.

Seeking precise definitions, Vandervelde (1979, cited in Glew et al., 1995: 400) called for schemes to be defined precisely according to their 'who, what, where and how aspects'. Locke and Schweiger's (1979) widely cited definition presents 'participative decision-making' as 'joint decision-making or influence sharing between hierarchical superiors and their subordinates'. Glew and colleagues (1995: 401) also see a hierarchical dimension, with people working higher up the organisation bestowing 'opportunities' for input to their subordinates – a view held similarly by Tjosvold (1987: 739), who defines 'participation' as joint decision-making arrangements whereby 'employees are invited to help solve organisational problems'. This hierarchical dimension is too restrictive for definitional purposes, however. Some schemes may not feature a hierarchical split and may comprise horizontal relationships instead, such as self-managing teams. Moreover, the Glew et al. agenda – confined solely to improving organisational performance – is in our view

Table 15.1 Possible EIP schemes

Attitude surveys	Quality circles
Continuous improvement groups	Suggestion schemes
European Works Councils	Self-managing teams
Job enrichment/re-design	T-groups
Joint management–staff committees	Teamworking
Joint working parties	Works Councils
'Kaizen'	Team Briefings

too narrow (cf. Barry and Wilkinson, 2015). What is true, however, of all EIP schemes is that they seek to push influence, and even responsibility for decisions, down the organisational hierarchy, unlike the employee voice agenda which may incorporate these elements but also includes more dilute voice, which can be no more than expressing an opinion or making a suggestion for improvement. So voice is not the same as participation, as it does not signify that employees are necessarily empowered to participate in decision-making or that there is a mutuality of interests (Mowbray et al., 2015). Certainly, the organisational behaviour literature on employee voice demonstrates that managers may be reluctant to solicit voice from their employees (Fast et al., 2014). Therefore, EIP represents a more deliberate strategic intent on the part of the organisation to provide the means and opportunities for employees to engage in decision-making.

Glew and colleagues' (1995) other criteria for EIP schemes are that they involve more than one person – participation is not an individual endeavour – in a manner that is visible to others. Further, EIP schemes are often seen as 'extra-role' or 'role-expanding' for those involved. While voice and EIP are conceptually different, the crucial defining characteristic of participation is the presence of a voice opportunity for participants, where voice refers to 'any vehicle through which an individual has increased impact on some element of the organisation … without voice, there can be no enactment of participation' (Glew et al., 1995: 402; see also Kaufman, 2003: 178). The Glew et al. view could be seen as rather starry eyed about voice in that it is quite possible that voice takes place without any discernible impact as employers adopt deaf-ear syndrome (Harlos, 2001). This final distinguishing feature allows us to concentrate in this chapter only on those schemes that provide employees with an active input into decision-making (Strauss, 2006: 779). Accordingly, we do not discuss information-sharing devices such as newsletters, team briefings and attitude surveys, though these devices may indirectly provide bottom-up employee voice. We also intend to isolate the EIP component from broader programmes such as 'high-performance work systems' (cf. Huselid, 1995) as the content of such systems extends far beyond EIP.

In sum, our working definition of EIP is:

> Employer-sanctioned schemes that extend to employees collectively a 'voice' in organisational decision-making in a manner that allows employees to exercise significant influence over the processes and outcomes of decision making.

This definition incorporates both 'substantive' and 'consultative' forms of participation (cf. Levine and Tyson, 1990), where the former equates to shared decision-making on the job, while the latter resembles more of a consultation exercise.

Such schemes can be categorised along a variety of dimensions (see Wilkinson et al., 2013a), including:

- Purpose: why the scheme was initiated, to serve what and whose ends?
- Level: at what level of the organisational hierarchy does the scheme operate: team, workplace, divisional, strategic?
- Scope of the agenda: which subjects, and which decisions, are dealt with by the scheme (e.g. Hespe and Wall's (1976) three categories: 'local' (i.e. workplace and task concerns), 'medium' (i.e. workplace policies) and 'distant' (i.e. organisational strategy matters)? These may vary due to context (e.g. Connor (1992) identified nine different decision agendas that were relevant within nursing homes).
- Direct or indirect: whether the scheme involves individual employees themselves (direct), or representatives of employees (indirect).
- Depth: the extent of employees' influence over the final decision, ranging from 'hardly any', through serving in an 'advisory' capacity, to 'joint decision-making' and up to full 'employee control'; alternative categories are 'suggestion involvement', 'job involvement' and 'high involvement' in employers' strategy and policy (Bowen & Lawler, 1992); 'setting goals', 'decision-making', 'solving problems' and 'designing and implementing change' (Sashkin, 1976).

EIP AND HRM

The necessity for some form of EIP appears in most HRM models, such as Pfeffer's (1998) set of seven universal 'best practices' used in better performing firms. Many authors draw upon human capital theory (Becker, 1964) arguing that harnessing employees' skills and knowledge can add economic value to the firm (see Riordan et al., 2005: 474). EIP schemes enhance decision-making by tapping employees' direct knowledge of possible solutions to organisational problems and their initiative. This links with the claim from the resource-based view of the firm (Barney, 1991) that employees' skills and knowledge are one source of *unique* sustainable competitive advantage.

EIP is also a cornerstone of the 'AMO' model (Appelbaum et al., 2000), in which the 'A' stands for enhancing employees' abilities, the 'M' for enhancing their motivation, and the 'O' for 'opportunities' for employees to participate, or utilise their abilities and motivation. EIP not only provides these opportunities but, in so doing, arguably increases employee motivation (Miller and Monge, 1986) and allows employees to use their abilities more than if no EIP opportunities existed. The theory is that this should increase performance levels.

Another performance-driven rationale for EIP is that employees' participation in them equates to additional, or discretionary, effort expended on behalf of the organisation 'beyond contract' (Fox, 1974). Higher levels of organisational citizenship behaviours (OCB) (Cappelli and Rogovsky, 1998; Kehoe and Wright, 2013) should improve firm performance (Glew et al., 1995; Spreitzer and Mishra, 1999). By inducing employee compliance with organisational goals, firms can anticipate extra discretionary effort, and also reduce costly monitoring of employee behaviour (Spreitzer and Mishra, 1999: 162). Yet such behaviours are sometimes interpreted by unions and academic sceptics as work intensification (Harley, 2014), especially when participation is *expected* as an everyday work activity. EIP schemes may also be seen as creating organisational commitment and reducing union commitment, with negative consequences for active union participation as employees' hearts and minds are won over to the organisation's agenda (Gollan et al., 2014).

In empirical studies of the link between HRM practices and firm performance, EIP schemes also feature prominently in operationalisations of HRM. In a sample of 104 empirical studies from 1995 to 2004, Boselie et al. (2005) found that 39 studies included measures of *direct* EIP, including seminal studies from Cooke (1994), Guthrie (2001), Huselid (1995) and MacDuffie (1995) while 11 studies included *indirect* forms, including key work from Batt et al. (2002), Delery and Doty (1996) and Ichniowski et al. (1997). High-involvement mechanisms are often attributed to improving performance (Boxall and Purcell, 2011; Wood, 2011; Wood et al., 2012), as Posthuma et al.'s (2013) meta-analysis of 193 High performance Work Systems (HPWS) empirical and conceptual articles published during 1992–2011 demonstrates. For example, these authors found that project teams were included in 82 articles, self-managed teams in 40 articles, and employee input and suggestion processes in 44 of the articles. While Harley (2014) is cautious in inferring a direct link to performance from the direct involvement mechanisms that form part of an HPWS due to issues of disentangling from other HR practices, he does note that several studies infer a relationship (Ehrnrooth and Björkman, 2012; Takeuchi et al., 2007).

There is a 'democratic humanism' (Wilkinson, 1998) or 'affective' (Miller and Monge, 1986) argument in favour of EIP. This views employee engagement in decisions as a good thing in and of itself, regardless of any effect on organisational performance metrics. In voice research, Rees et al. (2013) found that employee perceptions of voice behaviour aimed at improving the workgroup had a direct and indirect impact on fostering engagement. Indeed Adler's (1993) study in the celebrated NUMMI factory in Fremont, California, showed that even when lean production methods constrain work tasks, NUMMI employees put up with this as they had EIP as a counterweight to the dispiriting aspects of daily work.

In sum, EIP in whatever form is widely believed to improve firm performance and enhance employees' well-being. However, as we shall demonstrate, securing that added value is by no means a straightforward task.

ESTABLISHING AND RUNNING EIP SCHEMES

Glew and colleagues' (1995) holistic framework (see Figure 15.1) depicts each component of the process of establishing and running an EIP scheme. Their 'starting point' for any scheme is that managers see the potential to improve organisational performance and these managerial motives have 'a direct effect on the programs that organisations and managers intend to implement' (Glew et al., 1995: 404). Thus, understanding these managerial motives as the catalyst for the scheme is a requirement of any research into such schemes.

Second, managers may design the EIP scheme in most cases (Glew et al., 1995: 397). However, case study evidence attests that the intended design and the actual scheme implemented rarely resemble each other (Johnstone and Wilkinson, 2016; Kaufman, 2003; Labianca et al., 2000; Mowbray et al., 2018). Third, 'an at-present unspecified set of *organisational* and *individual* factors may act as obstacles while other organisational and individual factors may serve as facilitators' (Glew et al., 1995: 397). This corresponds to a contingency model of participation (Heller et al., 1998). Finally, the scheme will have its outcomes, for the participants themselves, for the workplace and/or organisation as a whole and for trade unions, where present. Here, we extend the 'outcomes' debate to consider the fate of the EIP scheme itself. Glew et al.'s framework has the merit of including the influence of broader organisational and external contexts, and the impact that the history of setting the scheme up has on process and outcomes. Moreover, it does not restrict attention to the content of practices or to outcomes. Most importantly, it is sensitive to the perceptions, and enthusiasm and capacities, of managers involved in the

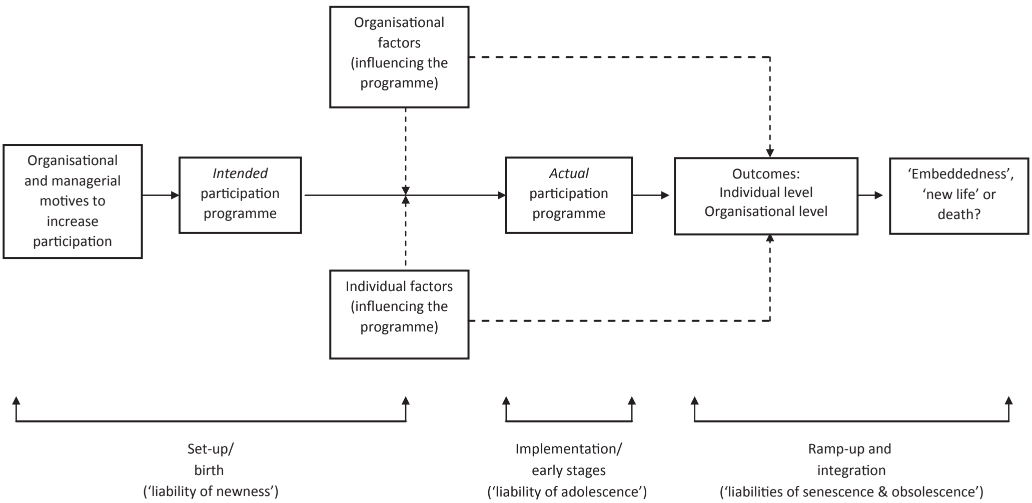

Figure 15.1 Glew and colleagues' (1995) framework of the participation process – adapted

design and implementation (including possible reshaping) of the scheme, and employees on its receiving end.

A further theoretical framework which we can use to gather, order and analyse the literature on EIP comes from models of the adoption of work practices (Strauss, 2006). Lesure et al.'s (2004) model shows that EIP schemes may be thought of as evolving over a typical 'life cycle' of a new working practice.

In Lesure et al.'s summary a variety of issues determines the adoption decision, after which the scheme passes through four more 'overlapping' stages (2004: 2, 32): set-up ('the decision to proceed'), implementation ('the mere launch of the programme'), ramp-up (the immediate usage phase, during which problems are anticipated and addressed, and initial organisational learning begins), and integration (once the scheme has been routinised and embedded into organisational practice – 'entrenched', to use Zeitz et al.'s (1999) term). The overlaps between Lesure et al. and Glew et al. are readily apparent: 'managerial motives' equates to 'adoption decision', while 'intended and actual participation programme' equates to 'set-up' and 'implementation'. However, the Lesure et al. model extends the process to depict the scheme's future prospects (the 'integration' stage), which have been hitherto neglected (Zeitz et al., 1999: 742). Recognising the often-truncated lifetime of these schemes (Kaufman, 2003), we therefore extend both frameworks a stage further to include the 'fate' of the scheme: whether it becomes embedded, evolves into something else, or fails to survive and 'dies off'.

Analogies with population ecology models of firm survival are helpful (Hannan and Freeman, 1984). Borrowing from these models, we see that at each stage of the scheme's life cycle, it may be threatened by a particular 'liability'. At set-up, the 'liability of newness' militates against new schemes which are often rejected due to preferences for older, 'more reliable' EIP practices: 'it is easier to continue existing routines than to create or borrow new ones' (Henderson, 1999: 282). In this scenario, the scheme never gets initiated (Strauss, 2006). The second liability, 'the liability of adolescence', afflicts the formative 'birth pangs' period of launch and implementation. An analogy here is of a 'honeymoon period' (cf. Heller et al., 1998) during which EIP schemes may survive for a short period on the initial assets (e.g. participants' enthusiasm, budget resources, senior management support and training), but should these run out, schemes struggle without them. The third and fourth liabilities affect the mature phase of the scheme (i.e. beyond integration): the 'liability of senescence' materialises when schemes become inefficient, unproductive and unresponsive, and no longer fit for purpose, while the 'liability of obsolescence' means that the scheme can be seen as no longer fit for purpose because it is outdated, and cannot be adapted to serve 'new organisational realities'. But why do schemes suffer from particular liabilities over the course of their life cycle, and what factors can inoculate the scheme against these threats?

The following sections present the findings from selected EIP studies that have looked into each component of Glew and colleagues' framework, drawing for the most part upon work published *since* their 1995 article. We also locate studies within our 'life-cycle' model.

THE 'BIRTH': MANAGERIAL MOTIVES AND RATIONALES FOR EIP

The Glew et al. framework posits a direct effect from managerial motives for the scheme on the programme that managers intend to design and implement. Yet, surprisingly, they could find little research examining managers' thought-processes when setting up such schemes. For Lesure et al. (2004), there are powerful 'institutional pushes' (such as regulatory requirements and what is deemed professional 'best practice') and 'need pulls' (such as competitive pressures) that urge firms to adopt new practices, including EIP. An alternative thesis is that managers' awareness of, and concerns regarding, a performance gap between what they would like and what they have creates a socio-psychological anxiety or cognitive dissonance (Festinger, 1957) that can be alleviated by adopting the lauded management techniques of their day (such as ready-made variants of EIP). Most managers wish to be seen to be complying with prevailing norms of rationality and progressiveness, and they can do so efficiently by adopting the latest management techniques (see Abrahamson and Fairchild, 1999). A related argument is that managers follow 'high-fashion' organisations (Marchington et al., 1993). One of the most important managerial motivators for the introduction of EIP is a desire by managers to be noticed internally and to engage in impression management (Bolino et al., 2016; Dutton and Ashford, 1993) through the creation of new schemes. Mowbray et al. (2018) find that middle managers needing to pursue organisational goals linked to HPWS create their own EIP structures and that these can occur outside of those designed by the senior levels of the organisation or the HR department. Thus, adoption of EIP may have much to do with simple 'mimetic isomorphism' (cf. DiMaggio and Powell, 1983), or managers' self-interest, driven by macro-level 'management fashions'.

ORGANISATIONAL FACTORS INFLUENCING EIP SCHEME DESIGN AND IMPLEMENTATION

EIP schemes in a given organisation appear to reflect its particular external and internal circumstances, notably size, task complexity, strategy, workforce profile, and 'participation climate'. Miller and Monge's (1986) meta-analysis reported that working in a strong participation-oriented climate had a strong positive effect on employee satisfaction. Yet, as Riordan et al. (2005) concede, the planned creation of a climate is formidably difficult. In their study of Employee invlovement (EI) climate's effect on organisational performance, they measured EI climate along four dimensions: *power* (employees have sufficient influence over the final decision), *information* (parties have sufficient information to make effective decisions), *training* (parties are trained in the skills and knowledge necessary to make the scheme work) and *reward* (any performance benefits for the organisation will be shared with participants). Their multi-level study of employees in 92 North American insurance companies confirmed positive effects for EI climate on financial performance and turnover, with commitment serving as a mediator. In a study conducted within a UK hospital setting, Bosak et al. (2017) found that the EI climate enhances employee attitudes and organisational performance, including increased job satisfaction and commitment. Climate research in organisational behaviour in general is developing rapidly (Schneider et al., 2013), and further studies would be a valuable contribution to a fuller understanding of EI climate research.

A related variable to 'climate' is the degree of embeddedness of EIP schemes in the internal running of the organisation (Marchington, 2015). For Cox et al., 'the degree of embeddedness reflects the centrality of EIP to the workplace and will thus affect the strength of its impact' (2006: 252). The latter group of researchers conceptualise embeddedness along two dimensions: *breadth* (how many EIP schemes were operating in the workplace) and *depth* (the scope and relevance of the agenda, and the regularity of the meetings). Using nationally representative UK data, Cox et al. found that additive combinations of practices on both dimensions showed consistently positive associations with employee organisational commitment and job satisfaction. Thus, employees' attitudes to EIP are dependent, inter alia, upon the prior experiences of EIP and work in general, management approaches to employee relations, and the recent and projected organisational performance.

Missing from the Glew et al. framework is the influence of national culture. The influence of national culture norms has been explored in several studies, and the evidence casts doubt on the universal applicability of schemes extending to employees influence over their work (Pyman et al., 2017). For example, McFarlin et al. (1992) reported hostility among British, Dutch and Spanish managers to their American multinational parent's attempt to 'export' an American variant of EIP. Welsh et al.'s (1993) study inside a textiles factory in Russia found that a US-made participation programme clashed with Russian norms of solidarity and support for one's leader (which the scheme potentially undermined). Consequently, workers withheld suggestions on improvements and deliberately reduced their performance levels. An understanding of how cultural factors influence employee attitudes and behaviours to EIP is thus important. For example, in a study conducted in China, employees who held central positions in the formal, workflow network in the team were more likely to speak up with ideas and suggestions, suggesting that social networks and organisational configurations may be important factors to consider in different cultural settings (Venkataramani et al., 2016). Studies on leadership behaviours also show that traditional Asian constructs, such as paternalistic leadership, can facilitate or hinder employee voice (Zhang et al., 2015), while Hsiung and Tsai's (2017) study in Taiwan showed the influence of power distance over employees' desire to express voice.

INDIVIDUAL EMPLOYEE FACTORS INFLUENCING EIP SCHEME DESIGN AND IMPLEMENTATION

Lam et al. (2002) suggest that 'researchers should look beyond situational and methodological moderators and examine psychological pre-dispositions' to learn more about the factors likely to influence EIP schemes' effectiveness. Thus, the *pre-dispositions* and *self-interests* of those involved – supervisors, managers, workers – are pertinent.

Managers' and Supervisors' Dispositions, Motivators and Needs

One of the most widely observed factors hampering EIP is management scepticism or even outright hostility towards implementing the scheme in the manner intended. Soliciting employees' input into organisational activities that were previously the exclusive domain of supervisors and/or managers shifts the balance of power in the standard employee–manager relationship, however modestly (Batt, 2004). Managers and supervisors can perceive this as an unacceptable encroachment on their 'prerogative' (Glew et al., 1995: 410). Many managers see redistribution of influence as a 'zero-sum game': 'It can only diminish their own [control and influence]' (Fenton O'Creevy, 1998: 71), and may involve perceived risk to the manager (Spreitzer and Mishra, 1999). Thus, studying the perspective of those most likely to be charged with the design and implementation of the schemes is critical to understanding what determines effectiveness.

The theme of resistance is 'remarkably constant' in the literature. In his study of 155 UK organisations, Fenton-O'Creevy (1998) found lack of senior management support to be the strongest contributor to middle management resistance, as well as the absence of any incentives for managers to comply. A 'trickle-down' effect appears to be in operation here with middle managers managing their direct reports in the way they themselves are managed. A perceived threat to job security or promotion opportunities was also influential, as are threats to status and personal identity. Examining empowerment initiatives in a Veterans Health Administration, Stewart et al. (2017) found that those managers who were physicians with high status were the least likely to be successful in implementing team-based empowerment due to the threat to their professional identity, compared with those managers who were non-physicians and considered lower status. The practical implication is that middle management resistance is, unsurprisingly, linked to lower reported benefits from the scheme for the organisation.

By contrast, Vallas's (2003: 244) study of teamwork and continuous improvement programmes inside four paper mills in the USA found that middle managers might *embrace* EIP as a means of '*expanding* their authority in ways that they had not previously enjoyed' (emphasis in the original), principally by making EIP participants under their charge feel like 'a band apart' from the rest of the workforce in a manner that bolsters managers' own authority (2003: 237).

If an organisation accepts the rationale behind EIP and anticipates the performance benefits, then planned steps to overcome managerial scepticism is an organisational imperative. Yet Fenton-O'Creevy argued that middle management resistance 'may be a symptom of a wider failure to set up employee involvement initiatives properly' (1998: 80). The variance in middle management resistance and scheme effectiveness may be explained by organisation-level variables, such as reward systems, training, EI climate and senior management support. Procter and Benders (2014: 302) suggest that one of the difficulties associated with managers implementing team-based voice is in the 'transition from supervisor to team leader [that] involves a change of style from "cop" to "coach"'.

Employee Dispositions, Capacities, Motivations and Needs

Coyle-Shapiro and Morrow (2003: 321) note that 'the consistent emphasis on the role of top management as the key driver for change downplays the role of individual differences' when it comes to whether *employees* adopt a favourable orientation towards EIP schemes. Riordan et al. (2005: 472) echo this point by noting how EIP programmes 'will be meaningless unless employees behave in ways that are supportive of EI'. Thus, while understanding the perspective of the instigators and coordinators of EIP schemes is crucial, so too is awareness of the factors that shape the level of engagement of the recipients and enactors of such schemes – the employees themselves.

Neumann (1989, cited in Glew et al., 1995) proposed three categories of explanations as to why individuals might choose not to engage in EIP schemes. Each reflects disposition and motivation in different ways:

1 Structural: the awareness that the real decisions are made outside the EIP scheme, so why bother?
2 Relational: whether the organisation's hierarchical arrangements 'promote competition and emphasize rank and status over mastery and competence' (Glew et al., 1995: 410).
3 Societal: the effects of employee socialisation, ideology or history of labour–management relations.

In a similar fashion, Coyle-Shapiro and Morrow (2003: 321) invoke the model of 'person–environment fit' (ibid: 322), in which 'desirable outcomes are optimised when employee (i.e. person) desires, values and abilities are congruent with job (i.e. environment) characteristics'. Allen et al. (1997: 118) reasoned that participation rates in such schemes 'depend on employee *self-selection*', and so understanding this process of deliberation – whether to get involved or not – is critical to understanding what might make schemes work or collapse (1997: 119). They applied expectancy theory to the issue: taking part is subject to assessments of whether this is feasible, whether the scheme is likely to succeed, and whether the benefits accrued by the employee are attractive enough. Specifically, willing volunteers will see in well-designed EIP schemes opportunities for personal growth and personal achievement. Additionally, Allen et al. theorised that powerful social norms in the workplace would also determine employees' self-selection decisions: people surrounded by family and friends who are also positive about the scheme will be more likely to volunteer. Similar contentions are held by organisational behaviour voice scholars who model their studies on the assumption that there is an internalised efficacy–safety calculus that employees consider in deciding whether to engage in voice or remain silent (Fast et al., 2014; Morrison, 2014).

THE ACTUAL PARTICIPATION PROGRAMME

'In reality, of course, it is the actual participation program, rather than the intended one, that results in whatever outcomes are realized' (Glew et al., 1995: 399). In this section we discuss how EIP schemes come about, and the forms taken, with a particular emphasis on research into the impact of interpersonal dynamics and changing mind-sets and orientations, or 'schemas' (Bartunek, 1984).

Group Composition and Resources

Magjuka and Baldwin (1991) found that, of seven design variables identified by managers as potentially affecting EIP schemes' effectiveness, three – team heterogeneity, team size and information access – accounted for half the variance in participant and supervisor ratings of teamworking schemes' effectiveness. Of these three, information access proved the most decisive ($R^2 = 0.43$). The authors note how this finding counters some widely shared beliefs, especially among managers, that 'there may be a *disutility* to ensuring an open access structure for EIP teams' (1991: 807), arising from the substantial extra costs incurred in providing this extent of information. EIP thrives upon information sharing and struggles in its absence.

Problem or Decision Type

As Tjosvold noted, 'people working together are superior to individuals [e.g. managers] working alone, especially for complex tasks. The flipside of this is that participation may be counterproductive for relatively straightforward organisational decisions' (1987: 745). Yet this contradicts a common assumption in the literature that lower-level employees, unfamiliar with the opportunity to influence organisational decision-making, will value it more highly than their organisational superiors for whom such input is expected.

Cappelli and Rogovsky (1998) looked at employee involvement schemes inside eight US public utilities to explore the effects on employees' organisational citizenship behaviours (OCB), and whether this is mediated through perceptions of the five dimensions of job enrichment ('variety of tasks', 'perceived job significance', 'degree of employee autonomy', 'feedback from the organisation' and 'identity with the organisation'). They compared results for two decision types: (a) organisation of work tasks, and (b) employment practices. They hypothesised that the former would be significant for OCB and would lead to positive assessments of all five job enrichment characteristics, but that the latter would have less of an impact on OCB and would only operate through positive effects on 'variety of tasks' and 'perceived job significance'. Importantly, their measure captured employees' perceived *actual influence* over these decisions, rather than whether they thought they had the *opportunity* to do so. The results confirmed their hypotheses, though they also found important *direct* effects of involvement in work organisation decisions that did not operate through the five job enrichment mechanisms (1998: 645). In sum, 'involvement *per se* improves OCB' (1998: 647), but this effect is particularly pronounced for decisions relating to work organisation (i.e. to local workplace and immediate task concerns), echoing earlier studies by Hespe and Wall (1976) and Wall and Lischeron (1977).

Taken together, the findings seem to recommend that EIP initiatives targeted at localised problem-solving will be met with more employee enthusiasm than more distal decisions, as the former decisions fall within employees' capacity to offer *meaningful* input.

Interpersonal Dynamics and Mind-sets

As well as requiring some degree of enthusiasm for EIP in the first place, the quality of the interpersonal dynamics between the managerial participants and their staff counterparts directly affects the experience of both parties and the outcomes of the participation. It can be seen as the 'crucible' within which EIP schemes thrive or fail.

OUTCOMES

Previous reviews and meta-analyses of the impact of participation on performance outcomes have reported 'mixed' (Cappelli and Rogovsky, 1998) and somewhat 'equivocal' results (Lam et al., 2002), with even the most positive effects being rather modest (Wagner, 1994). Locke and Schweiger's (1979) original review can be summarised as finding positive effects on job satisfaction but, generally, less of an impact on actual performance levels. The authors did not offer too many firm conclusions, due to what they saw as the likely influence of so many other hidden or latent variables, principally around employees' knowledge and motivation, and various task, group and leadership attributes at the organisational level.

For their meta-analysis of 47 EIP studies, Miller and Monge (1986) looked at participation schemes' effect on productivity and employees' job satisfaction. They presented three theoretical rationales for the anticipated positive effect. The first was the *cognitive* model: EIP schemes enhance information flow, which leads to better decisions and employees' understanding of the final decisions, while increases in satisfaction are derived from employees' observation of tangible positive results and from pride in their specific inputs. The second model was *affective*: EIP schemes satisfy employees' higher-order needs of self-expression, growth and independence, and they contribute to improved productivity through an initial mediating phase characterised by enhanced motivation which, in turn, produces greater satisfaction. It is the *act* of participation that works, not necessarily the outcome. Finally, their *contingent* model sees EIP schemes as subject to moderating variables such as participants' personality, the decision situations, superior–subordinate relations, job level and organisational values/climate. This latter model challenges the dominant assumption in the affective model that the need for participation is universal. Across the 47 studies, Miller and Monge found no support for various contingency-derived predictions, including for job level or sector (though they could not test personality differences). There was stronger support for participation's effect on satisfaction than on productivity. There was stronger support overall for the cognitive model ('moderately strong') over the affective alternative ('low, but significant'), suggesting that EIP schemes might work best when employees are deploying specific knowledge to problems pertinent to their own work, again echoing previously cited studies on employees' parochial interest in EIP. Miller and Monge concluded that the cognitive model might better explain observed effects on productivity, while the affective model might better explain effects on satisfaction.

Wagner (1994) reported from his meta-analysis that the overall effect of participative decision-making on job performance was positive but small, especially after omitting single-source studies (i.e. the same respondent for both independent and dependent variables). Freeman and Kleiner (2000) also report barely any effect on productivity from eight different forms of EIP, but they did find substantial improvements to employee well-being, including 'looking forward to going to work' and employees' trust in their company. They conclude with a rare appeal to the 'welfare capitalism'/'affective' rationale for EIP: 'Since EI[P] has no adverse effects or a slight positive effect on the bottom line, firms will offer it to please their workers' (2000: 22).

Handel and Levine's (2004) review of studies conducted in the USA looked in-depth into the link between EIP schemes and wage levels, as well as other employee outcomes. Overall, their summary position is that EIP 'can improve organizational outcomes *if the reforms are serious*' (2004: 38, emphasis added), but the evidence on workers' welfare, including pay, is 'mixed' and most positive effects are modest. Benson et al. (2013) suggest that not all organisations are positioned effectively to utilise EIP practices, and that their unsuitability may be responsible for less optimal outcomes. They identify a number of different factors that may contribute to their success, such as organisations operating in industries that have high differentiation and demand growth; an innovator and differentiation strategy; and where human capital is central to the organisation's operations.

Understanding, therefore, how to generate the 'mutual reinforcement' of different subsystems (i.e. the elements of EIP schemes discussed in this chapter) remains a key challenge. Researchers and practitioners alike need to view EIP in the context of the complementarities it enjoys, or lacks, with other HR policies.

THE FATE OF THE SCHEME

One relative gap in the literature concerns the fate of EIP schemes. We see three possible 'fates' for EIP (Figure 15.1). The first is that the scheme is considered legitimate and valuable (howsoever defined) and becomes embedded in organisational routine; the second is that it fails to deliver to the satisfaction of one or more parties and is either 'killed off' or allowed to die from lack of care; and the third is that EIP lives on as a principle but its original form is replaced with a new scheme. There is some work which supports this latter notion of reinvention as schemes are worn out but revived under a new guise. Chi et al.'s (2007) longitudinal study on the adoption and termination of EIP programmes sheds some light on their fate. The failure rate of EIP programmes can be high and firm's use of such programmes is not continuous, with their data suggesting that it can take as long as 20 years for firms to find a steady-state distribution. Chi et al.'s analysis finds firms are less likely to terminate EIP programmes when they have other advanced HR practices and business strategies supportive of employee autonomy in the workplace. Equally, firms terminate EIP programmes as bundles, which further implies that the policies are complementary with each other.

CONCLUSION

Figure 15.2 summarises in diagrammatic form some of the most influential variables that we have identified from the literature for each element of Glew and colleagues' original framework.

The allure of EIP's potential is generally made on three counts: its contribution to organisational effectiveness; its contribution to satisfying basic human needs and making good use of employees' skills; and its possible impact on reducing 'political inequalities' inside organisations (see Strauss, 2006: 801). This attraction continues to draw generations of managers into planning, designing and implementing new forms of worker involvement and participation. However, as this chapter has demonstrated, the overwhelming impression from the literature is of a multitude of factors that can determine success or failure. As the Glew et al. model and contemporary research that supports and extends this model illustrate, the successful design and implementation of EIP schemes is largely dependent upon the adoption of practices that are embedded and aligned with

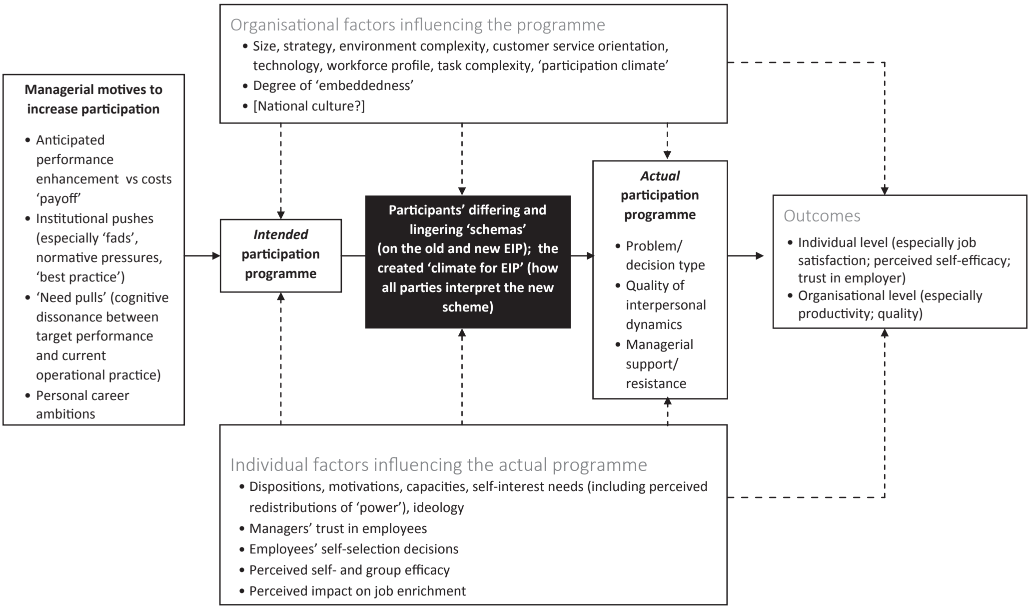

Figure 15.2 Glew and colleagues' framework of the participation process – with identified factors from previous research

the organisation's strategy and performance goals while at the same time contributing to employee satisfaction. Additionally, we have highlighted that managerial resistance to their implementation may hinder the success of EIP schemes and create discrepancies in how they are actualised in practice. Employee dispositions and capacity have also been raised as a factor that may influence the employees' need for EIP and desire and motivation to participate in those schemes designed for them. Moreover, each one of these variables is itself complex and the nature of the interactions among them even more so.

Ramsay (1985) argues that management proposals such as EIP are an exercise in 'pseudo-democracy' insofar as they attempt to impose an instrumental and integrative framework. However, this approach has us comparing real-world participation against some idealised democratic counterfactual. That EIP schemes do not in themselves fundamentally transform the nature of work should not surprise us. The notion of an EIP architecture (Marchington, 2008) assumes rather more coherence than we can find. Each workplace demonstrates at best a hybrid system, with a patchwork development of EIP channels with some avenues atrophying while others grow or become reinvigorated (Wilkinson et al., 2013b). No doubt, however, we will continue to see organisations adopting new EIP schemes considered fashionable or best practice, and their success or otherwise within any given organisation may depend upon whether they are fit for purpose and operate effectively alongside other HR practices. It is this notion of embeddedness and alignment with both management and employee needs that may signal their likely future success.

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16

Exploring Electronic HRM: Management Fashion or Fad?

Tanya Bondarouk, Huub Ruël and Bram Roeleveld

INTRODUCTION

At the end of the 1990s and in the early 2000s organisations started to adopt electronic human resource management (e-HRM). This was motivated by assurances that it would reduce paperwork, make HR processes more efficient, improve HR's service quality and allow HR to become a more strategic business partner. HR and IT scholars quickly 'jumped on' the 'e-HRM train'. They questioned these promises and sought to provide more solid insights on e-HRM implementation, adoption and its impact. Defining e-HRM did not seem to be that easy, as many definitions have been proposed in scholarly work. Today, the most cited definition of e-HRM describes it as either a set of information technology (IT) applications that cover 'all possible integration mechanisms and contents between HRM and is aiming at creating value within and across organisations for targeted employees and management' (Bondarouk & Ruël, 2009, p. 507), or 'the planning, implementation and application of IT for both networking and supporting at least two individual or collective actors in their shared performing of HR activities' (Strohmeier, 2007, p. 20).

Today, the accumulated scholarly literature on e-HRM has provided findings on whether e-HRM reduces the administrative burden under certain circumstances, improves HRM service quality and improves HR's strategic orientation (Bondarouk & Ruël, 2013). A still growing group of e-HRM scholars also have researched the changing role of the HR function towards becoming a business partner, for example using HR metrics for strategic decision-making (Hendrickson, 2003) and the empowerment of managers through the development and support of management capacity to conduct HR activities (Parry & Tyson, 2011). Some studies show that e-HRM increases the time available for strategic HR issues (such as strategic people management activities) because of the automation of routine HR tasks (Bondarouk & Ruël, 2013;

Martin, Reddington, & Alexander, 2008). Due to the automation of HR tasks, HR professionals have been transformed from administrative paper handlers to strategic partners (Voermans & Van Veldhoven, 2007). E-HRM research also can facilitate improved talent management through e-selection, self-assessment and e-performance management (Martin et al., 2008). This will help to address the four major global talent management challenges (e.g. right numbers, right location, right competencies and motivation, right price) as identified by Schuler, Jackson and Tarique (2011). Finally, research provides insights on how e-HRM can contribute to employer brands and improve an organisation's image (Bondarouk & Ruël, 2013).

However, two decades after e-HRM started to be adopted by private and public sector organisations, it is still unclear whether e-HRM should be considered to be an innovation or as a hype that basically has no 'substance'. The questions that remain for e-HRM to investigate are whether organisations are driven by rationales (as is presumed), or mostly by the fact that their peers and competitors are adopting it, and whether factors influence the decision-making processes to adopt e-HRM or not. The aim of this study is to investigate to what extent e-HRM as a management technique can be considered a management fashion. It first explores the theory of management fashion introduced by Abrahamson (1996). Then it applies this theory to e-HRM and provides a set of case studies. The results are then reflected upon in a discussion section. Finally, the chapter ends with a set of conclusions.

THEORY OF MANAGEMENT FASHION

In 1996, Eric Abrahamson published an article about management fashion in the *Academy of Management Review* in which he presented the idea that fashion (just like modes, vogues, rages and crazes) frequently revolutionises many aspects of cultural life (Abrahamson, 1996). Since this publication of a theory of management fashion, there has been profound interest in the observation that management ideas and techniques are 'subject to swings in fashion in the same way as aesthetic aspects of life' (Clark, 2004, p. 297). A management fashion is viewed as a transitory collective belief, disseminated by management fashion setters, where a certain management technique leads rational management progress. It can differ in scope and in duration. In the model of Abrahamson (1996), groups of interrelated knowledge owners and entrepreneurs (consultants, gurus, business schools, mass media) are racing to sense the collective preferences for new tools and techniques by managers. They develop rhetoric to convince fashion followers about the progressive sustainable new technique (e.g. 'Learning Organization', Senge in 1990; 'War for Talent', McKinsey in 1997; 'New Ways of Work', Microsoft in 2003; 'Agile Working' in 2001; 'Big Data' and 'HR Analytics' since the last decade). It is important to understand that management fashion setters constantly redefine their own, as well as their followers', beliefs about which techniques lead to this progress. They deliberately produce management fashions in order to market them to fashion followers (Abrahamson, 1996). Therefore, their rhetoric must 'articulate why it is imperative that managers should pursue certain organisational goals and why their particular technique offers the best means to achieve these goals' (Clark, 2004, p. 298). In his earlier work, Abrahamson (1991) argued that fashion setters sometimes promote innovations that are already adopted by certain organisations (most of the time these are technically efficient innovations) and try to sell them to those organisations that have not adopted them.

Clark (2004) elaborated on the different types of management fashion setters by distinguishing between management gurus, management consultants, business schools, academics and publishers. Management gurus create innovative, popular, strategic ideas by publishing best-selling books, articles in leading business journals or talks on the international lecture circuit. Management consultants include significant producers and consumers of management knowledge. They often position themselves as 'thought leaders' by actively creating in-house gurus. Usually they would have experience with clients and have adequate research capabilities within their firms. Business schools and management academics play a double role through representing important consumers, as well as producers of management ideas. Publishers are concerned with identifying, producing and distributing ideas that are likely to have mass appeal (Clark, 2004).

The management literature has known peaks of activity, for example when management fashion itself was a fashionable area of academic enquiry (i.e. special issues of the *Journal of Management History*, 1999, and in *Organization*, 2001). One reason for the scholarly preoccupation with management fashion was concerned with whether academic knowledge was developing independently from fashion setters, what the status of academic discovery was in management, and what its explanatory and predictive power was. There were probably other hidden reasons for the great interest in management fashion – for example, *scholars' desire to understand the success and impact of fashion setters, and an intrinsic motivation to produce valuable and actionable knowledge*, as 'the fashionable is never authentic or robust, but always untrustworthy, unpredictable, fickle and capricious' (Ten Bos, 2000, p. 5). However, this chapter is not concerned with a critique of management fashion or with the nature of fashionable knowledge. Instead, we try to understand e-HRM, the subject of our investigation, from a management fashion perspective.

The first articles on e-HRM (then, HR information systems) date back to the 1970s (for an overview of four decades of e-HRM research, see Bondarouk, Parry, & Furtmuller, 2017). Abrahamson argues that socio-psychological and techno-economic forces compete in shaping the demand for a particular management fashion. Both are external factors and can consist of, for example, globalisation, environmental changes and customer preferences (Abrahamson, 1996). Which forces prevail depends, in part, on whether and how management scholars intervene in the fashion-setting process (Abrahamson, 1996, p. 271).

Socio-psychological factors originate from human desires and may consist of psychological states, such as boredom, striving for individuality and novelty (compared to the mass, who are 'out of fashion'), frustration and striving for status differentiation (Abrahamson, 1996). Frustrations and despair leave managers vulnerable to unrealistic hopes that, by using another management technique, this will magically relieve them from pressure. As Abrahamson and Fairchild (1999) pointed out, emotionally charged, enthusiastic and unreasoned discourse characterises the upswings in management fashion waves, whereas reasoned, unemotional and qualified discourse characterises their downswings. This evidences a pattern of superstitious collective learning according to Abrahamson and Fairchild (1999, p. 709). Abrahamson and Fombrun (1994) call the process of status differentiation a trickle-down fashion process. Lower status organisations can adopt fashionable techniques to make their organisations look like higher status organisations. This, in turn, puts pressure on higher status organisations to distinguish them again (Abrahamson, 1996).

Techno-economic forces include macroeconomic fluctuations, political forces and contradictions originating from within organisations. These forces open up gaps between an organisation's actual and desired performance (desired state). The management fashion-setting process brings these performance gaps to the collective awareness and articulates new, progressive and collectively acceptable techniques for narrowing these gaps. This does not mean the gaps can be measured easily. Neither can they be solved by technically efficient management techniques straight away. Techno-economic changes create preferences among fashion followers. Based on these preferences, fashion setters will shape demand for management techniques (Abrahamson, 1996). Fashion setters will not only shape the demand for management fashions (based on norms of rationality and progress), but also sense the demand for management techniques based on socio-psychological and techno-economic forces (Abrahamson, 1996, p. 267). Finally, some fashions can achieve widespread adoption and continued use for a considerable period of time. On the other hand, some fashions will decline quickly. These fashions can be considered as 'fads' (Grant, 2011, p. 118). Also, in a period of decline (within a certain subject area), a redefinition will take place. In this case, fashion setters can introduce innovation (Grant, 2011).

APPLICATION OF MANAGEMENT FASHION THEORY TO E-HRM

Table 16.1 provides an overview of some HRM studies showing those that have applied management fashion theory, the goal the researchers tried to achieve by their studies, which methods they used to study the phenomenon, and their findings. It becomes clear that Abrahamson's theory has a number of limitations. For example, constructs are often characterised by conceptual ambiguity. To increase the change of gaining popularity, fashion setters should try to keep their 'product' ambiguous to a certain degree. This tactic means that a fashion can be interpreted in different ways by different actors, each demanding a solution for their problems (i.e. performance gaps). This is called 'interpretative viability' by Benders and van Veen (2001) – originally a term of Ortmann (1995). Buyers of management fashions may recognise their own situation in the rhetoric used to sell management fashion and, thereby, increase the potential market for a management fashion. e-HRM buyers can select those elements that appeal to them and that they believe are suitable for their purposes. The fashion can also unite different parties because each party is in favour of the concept to further their own particular interests (Benders & Van Veen, 2001).

What do the different researchers in Table 16.1 add to management fashion theory? Madsen and Slåtten (2015) added social media as a management fashion setter, not only as a supplier of ideas, but also as a consumer. They argued that social media were a totally different actor than print media, because of their 'networking' capabilities. Grant (2011) named different kinds of gurus: not only the management gurus that Abrahamson (1996) mentioned, but also academic gurus, hero manager gurus and consultant gurus. Fincham and Roslender (2004) argued that the process of dissemination of management fashions can also be a function of internal controls and operational constraints, instead of always coming from outside an organisation. Madsen and Slåtten (2013) took the cross-national component of the diffusion of management fashions into account, which, according to them, are subject to country-specific configurations. Finally, Wang (2010) argued that firms adopting management fashions, in general, had a better reputation and paid their executives better, but even this did not necessarily lead to better performance. Based on the analysis of different studies that used Abrahamson's (1996) framework, we adjust the model of management fashion theory to e-HRM studies (see Table 16.2 and Figure 16.1).

E-HRM AS MANAGEMENT FASHION: CASE STUDIES

We now turn to the analysis of case studies about e-HRM implementation reported in academic articles (Table 16.3) to investigate to what extent e-HRM can be considered a management fashion (or a fad).

Table 16.1 Examples of management fashion theory contributions to the HRM field

Research field and authors	*Goal of the research*	*Methodology*	*Findings*	*Contribution to management fashion theory*
Talent management (TM) Iles, Chuai and Preece (2010)	Investigating whether TM is really distinct from traditional HRM practices, or that it is just 'old wine in new bottles'	Case studies (7) in Beijing. These companies consisted of four MNEs and three global management consultancy firms. In total, 22 semi-structured interviews were conducted	TM showed certain characteristics of management fashion in some organisations, but it could not be explained adequately by management fashion alone	They emphasised the distinction between TM and traditional HRM, by comparing how TM was conceptualised by consultancy MNCs in China. They did not fully take into account the factors influencing the implementation of TM (triggers) and the actors involved in spreading and persuading managers to adopt TM in their organisations
Self-managing teams Nijholt and Benders (2007)	This research checked Abrahamson and Fairchild's theory (1999) that the lifecycle of discourse promoting a fashionable management technique co-evolved with that of the techniques' diffusion across organisations	Comparing data from different Dutch research institutes, secondary data analysis. Also, print media indicators were used to review the popularity of self-managing teams as a management technique	The lifecycle of discourse promoting a fashionable technique only partially co-evolves with the lifecycle of its diffusion, which led the researchers to re-evaluate Abrahamson and Fairchild's (1999) research	This research investigated the co-evolvement of the discourse of promoting a fashionable management technique and its diffusion across organisations, which had not been done by most of the researchers in the management fashion area. The focus was more on the lifecycle approach, and not on Abrahamson's framework from 1996
HR analytics Marler, Cronemberger and Tao (2016)	The paper focused on the role mass media played in influencing the diffusion process of HR analytics in a US context	Analysed published popular trade, business press, and peer-reviewed academic articles by using natural language processing (a Big Data analytical technique)	Business press appears to influence the adoption process of HR analytics by broadcasting positive outcomes and through creating management fashion trendsetting rhetoric	The paper improved the understanding of how media influenced the spreading of new HRM techniques across organisations. This study took mass media into account as an actor influencing this adoption, while Abrahamson's framework identified more actors, which could influence this adoption process

Table 16.1 Examples of management fashion theory contributions to the HRM field (*Continued*)

Research field and authors	*Goal of the research*	*Methodology*	*Findings*	*Contribution to management fashion theory*
Balanced Scorecard (BSC) Madsen and Slåtten (2013)	Empirically analysed the level of involvement of actors, such as consultants, professional groups, software firms and conference organisers in the cross-national diffusion of HRM Balanced Scorecards (BSC) in Scandinavian countries	Interviews (22) with BSC consultants in three Scandinavian countries. Secondary data analysis of 39 interviews with users of BSC in Scandinavia. Also, used various types of data from archives and research on internet	The data showed how local, country-specific actors and international actors were involved in the national management fashion markets built around BSC. Pioneering actors influenced the local emergence of concepts, and the relative importance of different types of actors varied across the countries	This paper contributed to management fashion theory by taking into account the cross-national component of the diffusion of management concepts. Furthermore, the authors performed a comparative study, in which they investigated how management concepts were diffused in different countries and communities
Pay for performance Staw and Epstein (2000)	Examined some of the most important organisational consequences of popular management techniques	Analysed informational reports on quality, empowerment, teams, as well as a measure of the implementation of total quality management (TQM) programmes. The sample consisted of the 100 largest US industrial corporations (from 25 industries)	Companies associated with popular management techniques did not have higher economic performance. Nevertheless, they were more admired, perceived to be more innovative and rated higher in management quality. Also, higher pay was also given to chief executives	This paper shifted to institutional theory in an early phase. What the authors did argue, though, was that managers seldom looked to the organisational research community to decide whether to adopt a new technique, unlike in other sciences, such as physical and biological sciences. This means that, according to them, the academic literature did not play a big role in shaping management fashions

Table 16.2 Definitions of the constructs

Concept	*Operational definition*
Norms of rationality and progress	Society-forced expectations that managers have to use management techniques that are believed to be new, improved and the most efficient
Launching of e-HRM	The processing and dissemination of rhetoric by fashion setters that can convince potential e-HRM users to use this management technique
Supply by e-HRM fashion setters	The volume of rhetoric the management fashion provides to the e-HRM market
Demand by e-HRM users	The explicit willingness of organisations to buy e-HRM services for a certain price
Sensing of e-HRM demand by fashion setters	The selection and creation of the e-HRM fashion by the fashion-setting community, based on the demand by potential e-HRM users
Socio-psychological and techno-economic forces	Forces based on people's desires (socio-psychological), macro-economic fluctuations, politics and contradictions within organisations (techno-economic)
Country-specific configurations	Local actors and institutions that influence the adoption and implementation of e-HRM within organisations
Internal controls and operational constraints	Internal forces that compete to shape the demand for e-HRM within organisations

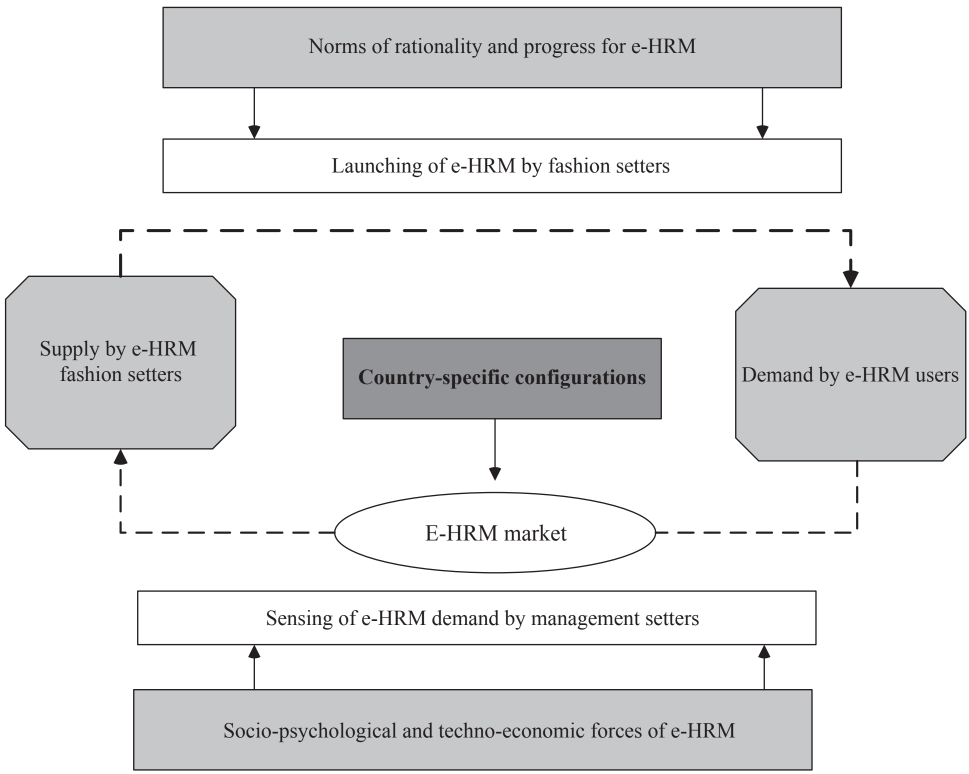

Figure 16.1 Management fashion-setting process for e-HRM

Table 16.3 E-HRM adoption case studies – management fashion perspective

Publication	*Case description*	*Socio-psychological forces*	*Techno-economic forces*
Olivas-Lujan, Ramirez and Zapata-Cantu (2007)	Four case studies in Mexico, deliberately chosen; they needed to have a strong reputation regarding their 'traditional' HRM practices. They come from different industrial sectors (manufacturing, consumer and business products, and service industries for both businesses and consumers)	Local idiosyncrasies in developing countries, cultural influences (respect for authority, or a 'digital gap' between generations), managerial support, employee mindsets and educational levels	Industry (banks feel more pressure to adopt e-HRM, because ICT is a key factor for delivering competitive products), country's geography and infrastructure
Bondarouk, Schilling and Ruël (2016)	Eleven case studies in MNC subsidiaries in Indonesia implementing e-HRM, from different sectors and varying in size, globally and locally	HQ influence and 'traditional' management support	Available resources, business environment, government regulations
Ruël, Bondarouk and Looise (2004)	Five case studies implementing e-HRM among large companies (> 15,000 employees) with long experience and a good reputation with e-HRM	Mindset and behaviour of employees, line managers and HR personnel, IT skills of employees	Shift in power in employment relationship, globalisation, cultural and language differences, political factors, company size
Burbach and Royle (2010)	A single US MNC case study, and a few of its subsidiaries in Germany and Ireland into diffusion of e-HRM practices in the subsidiary	Organisational culture	Strength of national business system, micro-political relationship between HQ and subsidiaries, institutional differences between home and host countries, organisational structure
Comacchio and Scapolan (2004)	Twenty Two case studies in the banking sector in Italy into the adoption of e-learning solutions. The researchers questioned if this process was driven by rational arguments (economic benefits), or by emotional arguments (the fear of losing legitimacy or strategic advantage compared to competitors)	–	Pressure from competitors
Hooi (2006)	Case studies in Malaysia aimed at understanding the extent to which e-HRM was practised in SMEs in the manufacturing industry, and to explore the readiness and feasibility of implementing e-HRM within those SMEs	Organisational culture, managerial support, attitudes of employees, availability of expertise, learning capabilities and commitment of employees	Rapidly growing SMEs, the presence of subsidiaries (made it more cost effective to have one HRM system), availability of resources and technical infrastructure, government support
Bondarouk and Ruël (2013)	The single case study investigated the strategic benefits of e-HRM in a large federal governmental organisation in Belgium	–	Globalisation

Table 16.3 (*Continued*)

Publication	*Case description*	*Socio-psychological forces*	*Techno-economic forces*
Hustad and Munkvold (2005)	The single case study of a global Swedish telecommunications company explored the implementation project of an e-competence management system	Organisational culture, commitment of employees	Tension between global standardisation and local needs (cultural differences in, for example, labour law and work policies)
Martin and Reddington (2010)	The researchers developed a model of e-HRM, focusing on the relationship between HR strategy, e-HRM goals and architectures, and positive and negative outcomes, and studied it in a major international company with around 64,000 employees in 80 countries	Levels of technology acceptance among employees and line managers	Resources and absorptive capacity of HR function
Ruta (2005)	This study assessed HRM portal implementation in subsidiaries of Hewlett Packard studying the implementation of its @HP Employee Portal in its Italian subsidiary	Individual reactions of employees towards using IT technology, managerial attitude towards change, professionalism	Organisation size (large, global organisations implement IT applications), national contextual issues, industry characteristics, resources
Wiblen (2016)	This case study of a large professional service firm in Australia aimed to build a frame of usefulness of e-HRM in talent management	Perceived usefulness of e-HRM by stakeholders	
Schalk, Timmerman and Van den Heuvel (2013)	Three case studies in Dutch semi-profit organisations aimed at exploring how strategic considerations influence the decision-making on e-HRM applications	Interpersonal communication with other e-HRM adopters	

REFLECTION ON MANAGEMENT FASHION THEORY IN E-HRM

Norms of Rationality and Progress

The most important drivers in the management fashion-setting process in Figure 16.1 are the norms of rationality and progress, and the socio-psychological and techno-economic forces. These drivers shape the demand and supply of e-HRM and do influence the decision-making within organisations regarding the implementation of new e-HRM systems. As such, they will be discussed first in the text below. Norms of rationality and progress are defined as societal-forced expectations that managers have to use management techniques believed to be new, improved and the most efficient. They determine whether or not a manager is interested in a particular management technique – in this case e-HRM. The academic literature was reviewed to identify examples of these norms. In the case of rationality, the focus lay on the effectiveness of e-HRM, while the progressiveness of e-HRM was evaluated based on factors that determined the innovativeness of the management technique.

In a case study of 10 different organisations, Parry and Tyson (2011) suggested that e-HRM brought a certain value to organisations. They analysed organisations from UK industries that had implemented e-HRM a year or more prior to the study. These organisations were in different systems and stages of e-HRM implementation. The results showed that e-HRM was introduced to improve efficiency, service delivery, standardisation and organisational image, to empower managers and to transform HRM into a strategic function. The results (Parry & Tyson, 2011) showed that efficiency, service delivery and the standardisation goals were often realised and there was also some evidence of transformational impact in that HRM staff had more time and information to support the organisation's business strategy. This meant that e-HRM increased efficiency and effectiveness. However, the realisation of these norms depended also on the design and implementation of e-HRM systems, and also may depend on the appropriate redeployment skilling of HRM staff (Parry & Tyson, 2011). What is missing in their study is the individual user as a unit of analysis. Parry and Tyson only studied the impact of e-HRM at an organisational level. Ruël and van der Kaap (2012) addressed this issue in a literature review on the benefits of e-HRM. Here, they also included the user-level determinants of e-HRM value creation. They assumed firms invested in e-HRM to create value, and they produced a table summarising the benefits of e-HRM that categorised levels of effectiveness, efficiency and service (Ruël & Van der Kaap, 2012). Examples of efficiency benefits of e-HRM were cost reduction (Lawler, 2005), increased quality and pace of the HRM function (Biesalki, 2003), time savings from e-communications (Ramirez & Cantu, 2008), increased profitability, market share and size (Foster, 2009) and increased administrative efficiency (Heikkila, 2010; Marler & Fisher, 2013). Benefits at a service level were, for example, faster information exchange (Holm, 2010), data accessibility and availability (Holm, 2010), higher quality services (Maatman, Bondarouk, & Looise, 2010), decreased information errors and improved service delivery (Bondarouk & Ruël, 2009; Lawler, 2005).

Of course, there are more case study research studies that identified factors that influenced the decision to adopt and implement e-HRM within organisations. For example, Comacchio and Scapolan (2004) argued that, based on articles and consultant's reports on e-learning, e-HRM can have two main advantages: namely, the gain of flexibility and economies of scale. Olivas et al. (2007) found that an e-HRM strategy helped to achieve cost-effectiveness for one of the firms in their case studies, and argued that firms cannot afford to suffer the disadvantages of traditional, labour-intensive HR tasks in a globally competitive marketplace. Ruël et al. (2004) mentioned that e-HRM was an innovation in terms of HRM. It created opportunities to put employee–management relationships into the hands of employees and line managers, and IT helped in designing HRM tools and instruments more easily. Ruël et al. (2004) also argued that, especially in terms of operational and information processing work, there was less demand for HR people. For more strategic roles (such as management and organisation development), HR staff (and the accompanying experience) would still be necessary. Martin and Reddington (2010) argued that e-HRM had the potential to result in a radically changed, or even virtualised, HR function. Furthermore, it could reduce HR transaction costs and HR headcount. This would make the sharing of information easier and more flexible, and facilitate more effective virtual 'customer relationships' and internal labour markets (Martin & Reddington, 2010).

Further, Hustad and Munkvold (2005), who studied an IT-supported competence system in use at Ericsson, argued that this system had a large potential to improve the efficiency and effectiveness of competence management in the organisation. Also, gaining global access to the competence resources of the company could also increase innovativeness and stimulate new learning processes (Hustad & Munkvold, 2005). Ruta (2005) studied the worldwide implementation of the HP Employee Portal at Hewlett Packard. This portal was designed to increase the speed and ease of access to internal communications and corporate information in order to increase effectiveness and the production capacity of employees (Ruta, 2005). The goal of HP was to reduce IT and HR operating costs and to increase integration among the different business units. Two years after the launch, the HR department in Italy (for example) saved 15% of the costs on average.

Wiblen (2016) argued that e-HRM can enhance efficient and effective management of human resources, standardise and harmonise the HR function. This resulted in faster and more accurate decisions, and provided stakeholders with access to data about talent. She studied a professional service firm in Australia, and found the implementation of e-HRM systems were perceived as useful (compared to older Human Resource Information Systems) and cost effective. The ability of employees was measured more easily and the system helped to make sure that the organisation could categorise employees based on performance and potential. Furthermore, e-HRM could standardise the meaning of talent (based on boundaries of required skills and capabilities, making it objectively measurable), improve the consistency between business units and make sure that talent identification processes were integrated and strategically aligned (Wiblen, 2016).

Finally, e-HRM can result in unintended benefits, such as an improved image of the HRM department, the professionalisation of HR specialists, greater transparency, and a more objective measuring of employee performance (Bondarouk & Ruël, 2013). E-HRM is also associated with a positive image of the organisation among (potential) employees, a greater autonomy of employees and new roles within the HRM function (Schalk et al., 2013).

To conclude, according to the academic literature e-HRM as a management technique is rational and progressive or, at least, has the potential to be. Some examples of these norms include time saving, increased profitability, fewer errors, higher quality services and the reduction of administration costs. According to the academic research, e-HRM is (or has the potential to be, depending on the context) efficient as well as progressive (new compared to older techniques), and can help to achieve HRM goals.

Socio-psychological and Techno-economic Forces

The research model has shown that socio-psychological and techno-economic forces shape the demand of (potential) e-HRM users. Socio-psychological forces are based on people's desires and psychological states, while techno-economic forces are based on, for example, macro-economic fluctuations, politics and contradictions within organisations. The academic literature in general and, specifically, the literature that uses case studies as a methodology were analysed again (secondary data analysis) to find out which socio-psychological and techno-economic forces (contextual factors) played a role in adopting and implementing e-HRM.

Voermans and Van Veldhoven (2007) conducted research at Philips Electronics in the Netherlands and studied the attitude of employees towards e-HRM systems. Their research is based partly on the technology acceptance model (TAM), a framework published by Davis (1989). This framework assumes that the perceived usefulness and ease of use of a technology together shape the attitude towards the use of this technology. Also, the preferred role HR has to play within an organisation, according to employees, determines the attitude towards e-HRM (Voermans & Van Veldhoven, 2007). Voermans and Van Veldhoven also found that (logically) positive experiences with an IT system (especially its usability) and the employees' preference as to the role played by HR in the organisation (especially the strategic preference) improve the attitude towards e-HRM, and make it easier to implement e-HRM. Generally, e-HRM is more valued by managers who prefer a more strategic role for the HRM function. Also, user support is very important for managers because it creates a more positive attitude towards e-HRM (Voermans & Van Veldhoven, 2007). Technological, organisational and human factors all appear to be equally important and mutually influence each other during implementation (Voermans & Van Veldhoven, 2007). Yusliza and Ramayah (2012) conducted a comparable study in Malaysia, as this part of the world has not been researched in the area, unlike Europe and the USA. These authors found similar results: user satisfaction, the clarity of e-HRM goals, perceived usefulness, perceived ease of use, social influence, user support and facilitating conditions all had a positive influence on using e-HRM (Yusliza & Ramayah, 2012).

At the macro-level, for example, organisational size, computer experience of the firm, the (duration of) existence of an HRIS department, the nationality of the firm, multicultural context and national culture all played a role (Ruël & Van der Kaap, 2012). Olivas-Lujan et al. (2007) argued that, especially in developing countries, organisations have to take local idiosyncrasies into account. Ramirez and Cantu (2008) also added organisational culture to this list.

Other researchers found further determinants of e-HRM adoption and implementation. For example, Strohmeier and Kabst (2009) found that, next to organisational size, the configuration of HRM plays an important role. As discussed earlier, Madsen and Slatten (2013), as well as Benders and van Bijsterveld (2000), argued that country-specific configurations are important in the diffusion of management fashions. This has been confirmed for e-HRM by a few authors mentioned in Table 16.3. The adoption and implementation of e-HRM was influenced by a country's geography, infrastructure, government regulations, local idiosyncrasies, culture, business environment, political factors, government support and micro-political relationships between home and host countries (Bondarouk et al., 2016; Burbach & Royle, 2010; Hooi, 2006; Marler & Fischer, 2013; Olivas-Lujan et al., 2007; Panayotopoulou et al., 2010; Ramirez & Cantu, 2008; Ruel et al., 2004). So, as each country/culture is different, the process of e-HRM adoption and implementation is reasoned differently given different national contexts.

Table 16.4 gives an overview of the socio-psychological and techno-economic forces influencing the adoption and implementation of e-HRM.

The findings above allowed us to refine and unfold the management fashion concept for the adoption of e-HRM (Figure 16.2).

DISCUSSION

How can we interpret the research model, displayed in Figure 16.2? After analysing the academic e-HRM literature, a clear set of interesting findings emerged. E-HRM is progressive, as well as rational, and the studies published show a substantial set of socio-psychological and techno-economic forces. Beyond being progressive (innovative), e-HRM also has the capability to gain performance benefits for organisations. Technological advancements have made IT evermore powerful, accessible and interesting for large firms, as well as for medium-sized or even smaller and micro-firms, according to Olivas-Lujan et al. (2007). The findings of their study of 2007 would be even more applicable today. There is insufficient empirical evidence as yet to conclude univocally that e-HRM leads to actual economic advantages. Also, it is not easy to measure the

Table 16.4 An overview of socio-psychological and techno-economic forces in e-HRM from case studies

Socio-psychological forces	*Techno-economic forces*
• Local idiosyncrasies (especially in developing countries) and HQ influence • Cultural influences (e.g. respect for authority, or a 'digital gap' between generations) • Managerial support • Employee mindsets and educational levels • Employee (computer) skills • Organisational culture • National culture • 'Traditional' management support • User acceptance, HR skills, leadership • Availability of expertise • Learning capabilities • Commitment of employees • Internal communication	• Industry (e.g. banks feel more pressure to adopt e-HRM because ICT is a key factor in delivering competitive products) • Country's geography and infrastructure • Available resources • Business environment (which is different in developing economies, compared to emerging economies) • Government regulations • Organisation size (SMEs, in general, have more difficulties implementing e-HRM) • Environmental infrastructure • Shift in power in employment relationship (towards employees) • Globalisation, cultural and language differences • Data access • Security and privacy • Project management traditions • Pressure from competitors • Firm performance

benefits of e-HRM, especially when there are 'soft' factors present, such as talent management and e-learning. In these cases, sometimes the results are of an intangible nature. Of course, the competencies and skills of employees can be measured, but it is difficult to draw conclusions from this because it is difficult to study the impact of e-HRM in 'isolation'; organisation contextual factors do interfere with the adoption and usage of e-HRM and, therefore, may have helped to improve employee performance. Furthermore, the evaluation process is time consuming and expensive. E-HRM is also a progressive management technique as it is quite different from older techniques. Computers are taking over the roles normally executed by employees working in the HR department of an organisation. Finally, there were a lot of different factors (socio-psychological and techno-economic) influencing the adoption and implementation of e-HRM within organisations. It is difficult to analyse the management fashion-setting process from the supply side, as management fashion setters are difficult to define from case studies, and the dissemination of rhetoric is difficult to measure. As stated earlier, some parts of the model cannot be explained by analysing case studies alone. We acknowledge that it will be very time consuming to analyse the whole process as displayed in Figure 16.2. Furthermore, some parts of the model are difficult to measure, for example the role of management fashion setters. The case studies reviewed showed no clear evidence that consultancy firms, social media, conference organisers, business media or management gurus play an important role in the implementation and adoption process of e-HRM systems within firms. It is impossible to name all the fashion setters responsible for the diffusion of e-HRM, as there is much 'hidden' information that cannot be measured well. And not all rhetoric regarding the diffusion of e-HRM in organisations is documented well. Also, to understand if the decision to adopt and implement an e-HRM system within an organisation is based on the rhetoric from management fashion setters, extra interviews with the managers responsible for the adoption and implementations of these systems would be

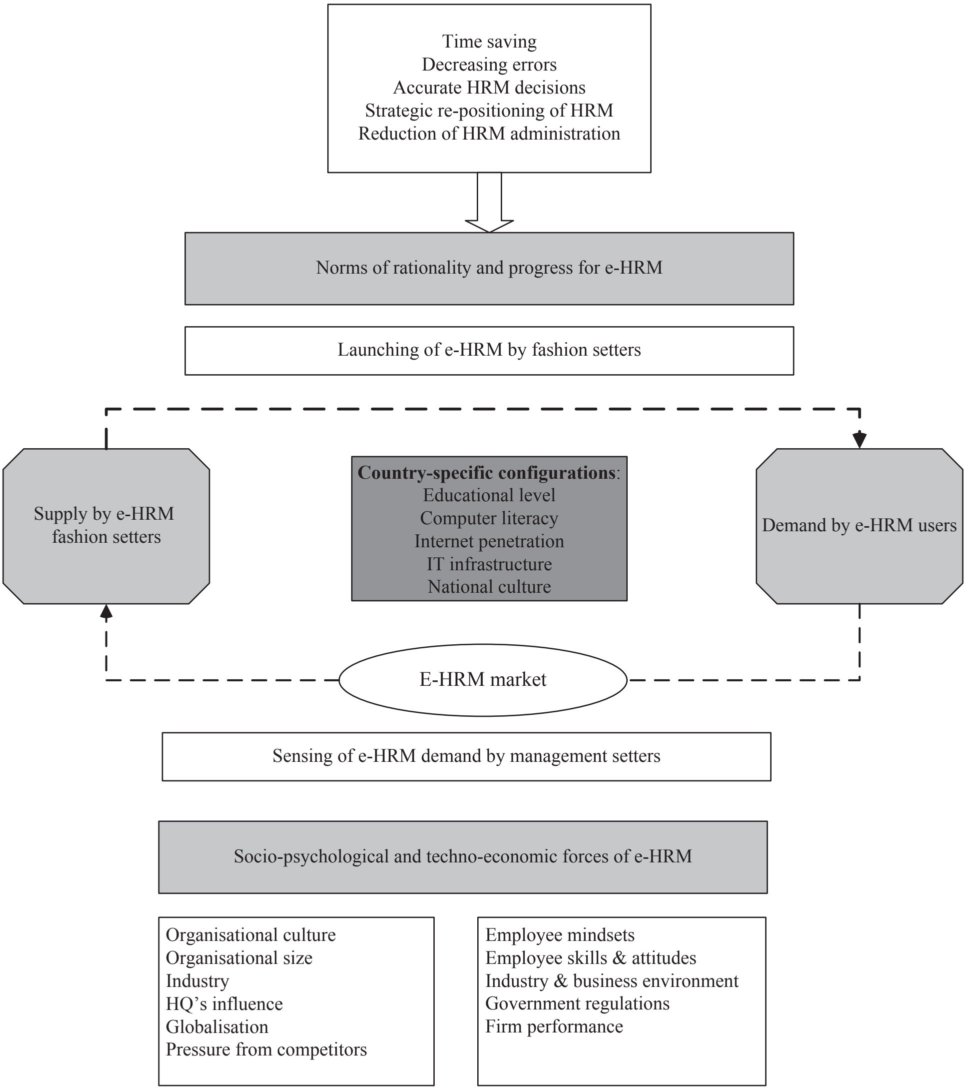

Figure 16.2 Refined model for e-HRM management fashion

necessary. This is not only to get an understanding of the emotions that played a role in the decision-making process, but also to get a good overview of the reasoning and arguments the decisions were based on. Governments are also influencers in the process of adopting and/or implementing an e-HRM system, especially for SMEs.

Hooi (2006) argued that government could play a role in the adoption and implementation of e-HRM, especially in SMEs. For example, it can encourage these firms to take part in conferences, but it also has an influence on organisations by means of government regulations and policies. This indicates that a government can be an influencer, but possibly not a fashion setter, because it does not have a direct interest in selling e-HRM to organisations. Employees, line management and, particularly, top management do play a role in 'selling' e-HRM within organisations. The current case study analysis showed that, next to fashion setters such as consultancy firms, professional media and business schools (which originate from outside of the organisation), actors from within organisations also can play a role in shaping management fashion (particularly in 'selling' e-HRM to employees). These actors could consist of top managers deciding to implement e-HRM and trying to convince employees to use the e-HRM system, but also line managers could influence the decision-making regarding e-HRM applications within firms. The HR department itself could also promote its own ideas for e-HRM, for example to top management so as to influence the decision-making. In this case, they have to align their vision and strategies with the e-HRM architecture they propose to implement and the stakeholders' needs they wish to stress (Martin & Reddington, 2010, p. 1570). To convince these stakeholders, they have to address a performance gap that can be solved by implementing e-HRM.

In their article, Ruël et al. (2004, p. 374) stated that only two of the five companies they studied had a clear HRM strategy that included a clear vision on, and linkage with, e-HRM, as well. The other three companies had an overall idea about where to go in the future, but the link between e-HRM and an HRM strategy was less clear. What is interesting here is that employees, line management and, particularly, top management did play a role in 'selling' e-HRM within the organisation. In one case, Ruël et al. argued, 'the cost reduction goal is more of a hope than a short term expectation, and perhaps a way of selling e-HRM plans to the top management'. Also, the HRM department at ABN AMRO Luxembourg started a marketing campaign to stimulate e-HRM use and this was quite successful (Ruël et al., 2004, p. 377).

Bondarouk and Ruël (2013) studied a governmental organisation in Belgium and found similar results. One of the HR specialists they interviewed mentioned that the HR director was a 'fantastic leader' and a driver of the change towards e-HRM (p. 400). Martin and Reddington (2010) argued that, for an effective e-HRM strategy, the HR department has to build and present a business case for e-HRM and promote its own ideas, to convince senior and line management and other stakeholders that e-HRM will have significant benefits. This was confirmed by Ruta (2005), who argued that managerial actions can help manage change and successful IT implementation. In his case, the CEO of HP personally and enthusiastically presented the implementation plan for e-HRM (and used norms of rationality and progress, indicating that the HR department would also be the recipient of significant benefits). The objective was to build awareness and excitement for the HP portal among employees. The top management built a whole communication plan here to influence/improve acceptance among employees, and asked them to use it for performance benefits (Ruta, 2005).

Wiblen (2016), who investigated the use of e-HRM in talent management in a professional service firm, argued that an array of stakeholders, which included individual executives and business units, should engage in discursive activity to generate new meaning to help (or hinder) the enactment of talent management (Wiblen, 2016, p. 96). So, here, empirical evidence is offered that indicates stakeholders within a professional service firm determined whether or not e-HRM was adopted for talent management purposes, based on quantitative measurement or through observations. Wiblen described the process of adopting e-HRM in this firm as an ongoing process of negotiation, whereby measuring and observing approaches, as well as divergent interpretations, were seen as legitimate. Furthermore, she wrote in her article that the discourses on e-HRM were influenced by the power and agency of senior executives and their opinions and approaches towards e-HRM in relationship with talent management, rather than just being based on the ability of the technology to realise performance benefits.

In conclusion, it seems that actors from outside the organisation can be management fashion setters (in this case e-HRM fashion setters), while actors from within organisations (particularly top management) can play this role also. In this case, the rhetoric to convince potential e-HRM users does not come from outside the organisations, but from within them. The rhetoric around e-HRM has been mostly based on rational arguments, for example performance benefits, business cases and clear objectives (Schalk et al., 2013), and to a lesser extent on emotionally charged and unreasoned arguments. However, this was not always the case. The research on e-learning in Italy by Comacchio and Scapolan (2004) showed that, in the Italian context, the decision process was far from being rational. Organisations often already have an ERP or HRIS system in place before deciding to implement an updated e-HRM system. Schalk et al. (2013, p. 90) argued that the existence of HRIS technology in the organisation was a more important trigger for using e-HRM than were specific HR deliverables and business drivers. The main reason for adopting e-HRM was to add extra infrastructure. Organisations could feel under pressure when other organisations had already adopted e-HRM, or when the use of web-based applications in daily life created a need for organisations to implement e-HRM applications (Schalk et al., 2013).

This is the first time that e-HRM has been approached systematically by using a research model based on management fashion theory. This chapter gives an extensive overview of what has been written on using management fashion theory so far. It has also provided an analysis of the different contributions of researchers from other fields to management fashion theory and their scientific contributions to the theory. Since e-HRM is a popular and upcoming management technique nowadays, it has been exceptionally valuable to investigate this through the lens of management fashion, especially to determine which factors have influenced the adoption and implementation processes of e-HRM within organisations. What has becomes clear from this is the fact that e-HRM certainly does have some characteristics of management fashion, but there are also a few black boxes that have not been uncovered at the moment. The supply side especially needs further investigation. Management fashion theory does not explain whether e-HRM as a phenomenon is here to stay or to disappear in the future. The life-cycle discourse theory of Abrahamson and Fairchild (1999) in Figure 16.1 tries to give a theoretical explanation for this. However, it is always unclear where a fashion is located at any one particular moment in time and how to determine exactly in which phase it is. This is particularly so when this is based only on the number of articles that are indexed. Also, management fashion theory does not explain how and when a fashion transforms into being routine. This makes it more difficult to determine whether an innovation in management is a fashion when it is unclear where the dividing line between a fashion and a routine is to be located. As a result, it is difficult to determine to what extent a certain management innovation (in this case e-HRM) is to be correctly called a management fashion. The theory shows only how a certain fashion is brought into the arena, not what happens after that or as a result.

For different types of organisations, no matter what sector they are in, this chapter could be very valuable, especially in improving their understanding of the factors influencing their decision-making processes in regard the adoption and implementation of e-HRM. This overview has provided a description of the internal and external factors influencing these processes. Also, it has tried to provide a context in which organisations can be made aware of the conflicting interests that play a role within these processes. Management fashion setters (e.g. consultancy firms, or business media) do have other interests compared to the interests of the organisations themselves. Management fashion setters' interest is to sell management techniques and earn money from this, while organisations are interested in improving their businesses. Although this is beyond the scope of this research, it would be very valuable for organisations to know which fashion setters they can trust and to what extent a fashion improves their business. In general, this chapter has tried to help organisations to become aware of their environment as an influencer within their decision-making, rather than just being a 'given' entity.

CONCLUSION

The aim of this study was to contribute to e-HRM research, as well as to management fashion research, by investigating e-HRM through a management fashion lens. The goal was to figure out to what extent e-HRM could be considered a management fashion and whether it has any clear rationale and is progressive. We applied Abrahamson's (1996) theory of management fashion to e-HRM as a management technique and analysed empirical studies on e-HRM.

First, it is important to note that, since management fashion theory is a meta-level theory, any management innovation will always tend to have 'symptoms' of a management fashion to a certain extent. This research is the first to analyse e-HRM from a management fashion theory perspective. Marler et al. (2016) has already studied HR analytics from the supply side. They investigated what role mass media had played in the diffusion process of HR analytics in a US context. The current research has investigated the demand side of the management fashion-setting process in particular, by investigating the factors that played a role in the adoption and implementation of e-HRM within organisations. The case studies analysed were executed in many different organisations and within different national contexts, both in developing countries and in developed countries.

Second, we concluded that e-HRM could be considered as rational and progressive. According to management fashion theory, these are two conditions that a management technique has to meet in order to be considered for adoption by organisations. Also, this research has contributed to the understanding of those factors which played a role in the adoption and implementation process of e-HRM. These factors are called socio-psychological and techno-economic forces. The results from the case studies are displayed in Table 16.4. Furthermore, evidence was found that country-specific configurations and local idiosyncrasies do play an important role, influencing the demand of e-HRM by organisations. Evidence was also found in the case studies that forces from outside the organisation and internal controls have played a role in the adoption and implementation of e-HRM. The systems already in place and other operational constraints determined whether or not an organisation decided to adopt a new e-HRM system. Also, it could be the case that line managers, employees and, particularly, top management played a significant role in 'selling' the new system within the organisation. So, clearly, e-HRM shows real characteristics of being a management fashion.

Although e-HRM certainly has some characteristics of such a fashion, there are some 'black boxes' too. For example, no evidence could be found for the supply side of the management fashion-setting process. The 'sensing of e-HRM demand by fashion setters' and 'launching of e-HRM by fashion setters' could not be measured given the e-HRM studies analysed. More research is needed to draw conclusions on this particular side of the management fashion-setting process. Some information will be almost impossible to obtain, given all the rhetoric used by management fashion setters for 'selling' e-HRM and naming all those responsible for the diffusion of e-HRM. What could be measured is where the managers responsible for the adoption of e-HRM get their information. It would be interesting to find out what persuaded them to adopt certain e-HRM systems, which fashion setters played a role in this and what rhetoric they used to make their explicit demands for e-HRM applications. In this way, step by step, we would expect that the management fashion-setting process for e-HRM could become more evident. However, completing the whole model for e-HRM in the future will likely prove very difficult.

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17

Health, Safety and Well-being

Rebecca Loudoun and Richard Johnstone

INTRODUCTION

Health and safety in the workplace has a long history. As far back as 1950 the International Labour Organization (ILO) and the World Health Organization (WHO) formed a joint committee to improve health and safety at work and subsequently required every member state to establish preventative occupational health and safety (OHS) national policies (WHO, 1995). Although many improvements in health and safety at work have resulted from these and other initiatives, much of the gains have not been fully shared, with many workers still experiencing sickness, diseases and injuries due to workplace hazards and risks as evidenced by the high numbers of occupational illnesses, diseases and fatalities in most countries.

Data from the ILO indicate that the global burden of occupational injuries has continued to increase over the last decade with 5–7% of global fatalities attributable to work-related illnesses and occupational injuries or 2.3 million people dying annually from work-related deaths, with cardiovascular (circulatory) diseases and cancers accounting for the majority (Takala et al., 2017). In economic terms the loss of capital and associated costs caused by accidents, occupational and work-related diseases, as well as absence from work and stress and lack of motivation, is equally concerning. ILO data indicate that over 313 million non-fatal occupational accidents occurred in the workplace (with at least 4 days' absence) in 2010 (Nenonen et al., 2014). Looking at organisational losses arising from accidents and, more especially, chronic ill-health, ILO estimates indicate total related costs amount to 2.99 trillion dollars or almost 4% of global GDP.

Although some industrialised nations have achieved substantial reductions in the number of occupational deaths and injuries (Takala et al., 2017), very few (5–10% of workers in developing countries and 20–50% of those in industrialised countries) have access to occupational health services (Lucchini and

London, 2014; WHO, 2013). As a result, work-related injuries, illnesses and deaths remain at unacceptably high levels and many workers and their families experience significant hardship and suffering. This health burden, suffering and economic loss are unnecessary and largely preventable.

It is important to note that these figures vary by gender, age, industry, country and sector. Figures also vary over time. In part this is because of changes in employment patterns, technology and production techniques, but figures are also affected by current understandings about the scope of occupation-related health problems, which depend on many factors including the definition of health that is employed, the existing state of medical knowledge and the effectiveness of reporting agencies such as workers' compensation schemes (Takala et al., 2017). The purpose of this chapter is to consider these intervening factors and their effect on health and safety performance, management strategies and enforcement strategies. The chapter starts by exploring the broadening definition of health and safety as well as the drivers behind this change. Following this, international developments affecting work and production are examined together with their influence on occupational injury and disease. The chapter finishes by exploring developments in strategies to manage and regulate health and safety along with current and future challenges for policy-makers, workers and managers of health and safety.

INTERPRETING OHS AND WELL-BEING AT WORK

Health and safety at work comes under a variety of terms including work health and safety, occupational safety and health, and workplace health and safety, all of which have the same basic interests, illnesses, diseases, accidents and injuries that occur in the workplace, or are attributable to workplace processes. What this means in practice, however, is more problematic. At a joint meeting of the WHO and the ILO health was considered as the 'development and promotion of healthy and safe work, work environments and work organizations' and 'an individual's physical, mental and social well-being, general health and personal development' (WHO, 1995, 41). Although the last two decades have seen countries progressively embracing this broader view, nearly all – except perhaps the Nordic countries – have, until recently, relied on a more traditional view of health and safety that focuses on the absence of disease and deformity and individual determinants of safety performance, work injuries and accidents (Hofmann et al., 2017). The 'working environment' now generally includes hazard-specific issues as well as more general issues such as the organisation and conditions of work and an express recognition that determinants of safety performance include surrounding teams, leaders and the broader organisation (Hofmann et al., 2017).

The broadening of health and safety at work has been driven by progress in research aimed at understanding the causal links between workplace hazards and occupationally related illness. Accordingly research and workplace interventions now often take a more multi-level and systems view of safety and the disciplines and fields of study relevant to OHS now span many areas including law, engineering, health, employment relations, and psychology. Alongside this broader understanding comes recognition that relationships between the array of psychological, physical and chemical hazards and occupational ill-health are complex, interrelated and often affected by variables outside the workplace.

Bohle and Quinlan (2000, 8) illustrate this point further.

> The simultaneous exposure of workers to excessive heat and noise, to two or more hazardous substances (say lead and diesel fumes) or to excessive hours of work and supervisory pressure or sexual harassment will have health outcomes which cannot be deduced by simply adding those associated with exposures to each hazard individually.

> Further, physical, chemical and organisational risks like the examples just given all may interact. Indeed, it is relatively easy to conceive of a workplace, such as a lead/zinc foundry, where all these factors just mentioned can be found.

Establishing these causal links is challenging, however, as multiple job holdings are increasingly common and the divide between work and non-work activities is frequently blurred for many workers. The incursion of work into other areas of an employee's life, and particularly family life, is illustrated in the most recent European Working Conditions Survey which found a quarter of all European workers now work at home or from outside their primary place of employment (Parent-Thirion et al., 2012). As another example, time pressure was the most common work–life strain experienced by men and women over five years of a nationally representative study of working life for employed Australians and around one-quarter of workers reported that work frequently restricted time with family and friends (Chapman et al., 2014).

Establishing causal links and estimating the extent of workplace illness and injury are also increasingly difficult as workers' compensation and other accident and disease recording systems fail to keep in step with changing employment patterns (Cox and Lippel, 2008). As outlined in the following section, the last two decades have seen the expansion of employment in areas that are not generally recorded for the purposes of accident and diseases statistics (such as the self-employed and contractors) or employment that leaves workers with less job security (such as highly casualised, transitory or unlawful employment relationships), which usually results in workers failing to report injuries or hazards or lodge claims for compensation. This mismatch between statistical gathering techniques and employment patterns will result in official statistics becoming progressively less representative of the incidence of occupational injury and disease (Quinlan, 2015).

It is also important to note that a range of social, economic and political factors influences recognition of emergent OHS hazards. Some accident and disease recoding systems – particularly workers' compensation systems – have been slow to recognise some types of injuries, and especially diseases (which are often only partly the result of work), and as such they can underestimate work-related diseases such as mesothelioma and stress-related illnesses (Quinlan, 2015).

This is also the case for decisions about health policy such as priorities for reform and intervention. These decisions are rarely neutral, value-free or objective; two (often) opposing goals, workers' health and economic rationality (Nichols and Walters, 2013), usually govern them. Determining which of these goals takes priority at the workplace, state and national level depends on several factors including the political ideology, values and power of key actors involved in the decision-making process.

Interactions between these actors and resulting strategies to eliminate or minimise workplace health and safety risks must consider the increasingly rapid rate that workplaces are changing. Economic integration and the liberalisation of international trade have intensified over recent years and, together with the rapid expansion in information technology, are bringing about radical changes in our workplaces and society more generally (Lippel et al., 2017). The most influential of these changes for OHS is a significant and widespread change in labour markets and work organisation, which in turn has produced fundamental changes in the nature of work, organisations, work relationships and risk. These and other developments affecting safety and health at work are examined in the next section.

INTERNATIONAL DEVELOPMENTS AFFECTING OHS

Overview

Changes at work affecting health and safety can be grouped into three interrelated strands:

changes in employment structures and work organisation; changes in industry and occupation distribution; and changes in the makeup of the workforce. The origins and makeup of the changes are multifaceted and interconnected with events inside and outside the work arena. In broad terms, however, they relate to: global economic pressures and resulting changing business practices and corporate forms; a decline in union influence and collective bargaining; and government policies and legislative initiatives allowing and in many cases encouraging increased flexibility in the labour market (Benach et al., 2016; ILO, 2016). The impact of these developments and pressures on health and safety is equally as complex as their origins, generating some positive consequences but also major challenges for OHS managers, regulators and those administrating workers' compensation and rehabilitation regimes.

Changes in Employment Patterns and Work Organisation

One of the most significant changes affecting work globally over the past 20 years is changes in employment structures which have altered the timing, location, intensity and security of employment. In particular there has been a pronounced expansion in what used to be considered 'non-standard' or 'atypical' employment, namely self-employment (including dependent, home-based and telework), triangular employment relations, undeclared work and casual/temporary employment. These work arrangements, typically labelled 'precarious' employment or 'contingent' work, are characterised by formally short-term, temporary or insecure work achieved by: decreasing the expected period of the employment; increasing its uncertainty; or weakening the claims that workers and employers can make on one another by virtue of the altered employment relationship (Quinlan, 2015). There is some debate in the literature about the inclusion of some work arrangements as precarious work (such as permanent part-time employment), as they do not share all of these features, but central to all arrangements is a reduction in commitment required in employment (for a recent review of these debates see Quinlan, 2015).

This reduced security in employment can also be extended to non-contingent work, however, which is why an increasing number of commentators argue that these jobs have also become more precarious or uncertain in their continuity. In a large-scale and ongoing longitudinal study, Lewchuck and colleagues found that widespread layoffs, replacement of full-time jobs with part-time positions and the increase of temporary work have led to many workers feeling less secure about their employment (Lewchuck, 2015; Lewchuck and Laflèche, 2017). Although this argument has been raised for some years (Auer (2006), for example, found links between globalisation and increased fear of involuntary job loss among workers in OECD countries over a decade ago), the proportion of the workforce impacted by the changes and the extent of the impact on workers and society more broadly are now better understood (Julià et al., 2017).

Looking at patterns of precarious employment around the world, there is overwhelming evidence that it is on the rise and has been for many decades. For example, Quinlan and Bohle (2004, 83–84) use a combination of unpublished OECD statistics and findings from a study comparing Australia and Europe to show that the proportion of the workforce holding temporary jobs in Australia and 14 EU countries grew by 43.67% between 1983 and 1999. Similar trends can be found for Canada (see Lowe, 2001) and the USA (Hipple, 2001). These trends have continued into the contemporary workplace as shown by recent ILO data showing the widespread use of various forms of precarious employment around the globe and a corresponding decline in permanent/tenured full-time jobs. For example, looking at the most recent OECD data available, full-time employment declined in the EU28 by nearly 3.3 million between 2009 and 2013, while part-time employment increased by 2.1 million with the overwhelming majority of these new or changing positions being involuntary (OECD.Stat, 2015; ILO, 2016).

Trends in the location and timing of work have also changed over the last four decades. Workers are increasingly employed on shift-work schedules – including night work and compressed work schedules – and performing long work hours brought about by the introduction of systems involving flexible scheduling, reduced staffing levels and paid and unpaid overtime. (Quinlan, 2007; ILO, 2016)

Looking at the location of work, another group of workers in the modern labour market is the mobile workforce. Although there are different categories of workers on the employment-related geographical mobility (E-RGM) spectrum (see Lippel et al., 2017), they typically perform frequent and/or extended travel from places of permanent residence for the purpose of, and as a requirement of, their employment at a regional, national and increasingly international level (Cresswell et al., 2016). These work arrangements differ from cases of migration involving more permanent relocation and capture patterns that exceed standard definitions of 'commuting' in terms of the time, length and complexity of journeys to and from work. Examples of employment in this category include fly-in, fly-out (FIFO) or drive-in, drive-out (DIDO) workers (frequently found in resource extraction industries in Australia and Canada) and temporary foreign worker programmes lasting weeks, months or even years (e.g. 457 Visa workers in Australia).

Implications for Health and Safety

There is now a substantial body of international research indicating that precarious jobs and other employment arrangements involving a high degree of insecurity are associated with inferior standards of health and safety performance. In particular, evidence links high job insecurity to poorer mental health outcomes, bullying and other forms of occupational violence and higher injury and illness rates (for a review of this research see Quinlan, 2015; Benach et al., 2014). In a large-scale, metastudy of research on the effects of job insecurity and work, Quinlan et al. (2001) found a clear adverse association between precarious employment and OHS, with almost 90% of studies finding a measurable adverse effect in terms of at least one of a range of indices (including higher injury and illness rates, occupational violence, cardiovascular disease and psychological distress/mental illness and less knowledge of and compliance with legislative requirements). Later and more industry-specific reviews report similar findings (see Bernhard-Oettel et al., 2005; Inoue et al., 2014).

Explanations to explain these adverse effects tend to centre on reward pressures and the markedly inferior employment conditions provided to precarious workers compared with permanent workers as a result of disorganisation and regulatory failure (Lippel et al., 2017). For example, it is harder for workers to organise to represent and safeguard their health both directly and indirectly through worker health and safety representatives and workplace OSH committees (Quinlan, 2015). This means that they are less likely to receive training – including training in OHS – and they are more likely to lack job-specific knowledge and experience, leading to increased disorganisation in the workplace. There is also likely to be more ambiguity about coverage of workers in some work situations and uncertainty about responsibility for OHS. Furthermore, the competitive pressures on subcontractors and other small-business owners mean that economic concerns are often superior to worker health (Quinlan, 2015). Also as noted by Quinlan:

> Non-standard workers are not simply concentrated in industries and workplaces where union coverage is especially weak if not non-existent (as is the case for much undeclared/informal work), rather it is extending into a growing array of industries and sectors or employment. Even in workplaces where a core of permanent workers remains, the presence of temporary workers in conjunction with the

> threat of further job losses through outsourcing/privatisation or downsizing/restructuring has often weakened union presence and made it harder for OSH issues to be raised. (2015: 17)

Looking at the health and safety effects of work hours, research indicates that shiftworkers experience a broader range of negative health symptoms more frequently and more severely than day workers. There is a large body of evidence indicating that shiftworkers, in general, and nightworkers, in particular, suffer acutely and chronically impaired health and well-being, including sleep problems, headaches, anxiety, poor concentration, nervousness, mild depression, and mood disturbances, cardiovascular and musculoskeletal problems (Costa, 2016). Shiftwork is also linked with various cancers, peptic ulcer disease, coronary heart disease and compromised pregnancy outcomes (for a review of this research see Costa, 2016).

Changes in Industry and Occupation Distribution

In addition to changes to the location, timing and structure of work, the last three decades have seen marked intersectoral shifts in employment in most countries, which is important for workplace health and safety because the occupational structure determines the jobs available to workers. In post-industrial economies there has been a shift away from physically demanding sectors such as manufacturing, forestry mining and construction to professional/managerial, information and service occupations like hospitality, health, education and tourism, finance and information services (Burgard and Lin, 2013). However, for the bulk of the world's workers who live in developing countries, agricultural and production occupations dominate (Burgard and Lin, 2013). Using the USA as an example, of the 20.5 million projected new jobs to 2020 most are expected to be in healthcare, personal care and community services (Lockard and Wolf, 2012). Within these areas, healthcare support services and healthcare practitioners and technical occupations are projected to provide 3.5 million of the new jobs.

Implications for Health and Safety

This changing occupational structure has brought a changing pattern of occupational injury and ill-health in most countries. For example as a result of developments in production and employment patterns, the nature of the hazards faced by workers today has changed. While this has resulted in a reduction in the number of work related health problems in some industries many problems have migrated to the other sectors albeit in another form and new risks – repetitive strain injuries, psychosocial stressors and exposure to new biological and chemical hazards, e-waste and radiation – have emerged. (Burgard and Lin, 2013)

Evidence indicates that in the last two decades industrialised countries have seen a favourable decline in fatal accident trend due, in part, to the change in patterns of employment described above, most notably the shift out of manufacturing (Rushton, 2017; Salminen and Seo, 2015). Even within these traditionally hazardous industries, however, changes in production and management techniques have resulted in changes in patterns of occupational injury and disease. Automation in general is a common feature of working life with over two-thirds of all workers now using a computer in their daily work (Parent-Thirion et al., 2006). As a result, patterns for injury have shifted towards musculoskeletal disorders such as backache and muscular pains in the neck and shoulders. These disorders arise as a result of a combination of interrelated factors including workstation design, work organisation, job content and working time patterns.

Work in the new areas of employment also differ from work in more traditional industries in that the pace and intensity of work is determined by human demands from clients, passengers, patients and colleagues rather than machinery and production targets (see Parent-Thirion et al., 2006). As a consequence injury and disease patterns have shifted towards psychosocial problems such as occupational stress and anxiety. Violence and harassment at work and its serious impact on psychological wellbeing is now recognised as an emerging epidemic in most industrialised countries (Salminen and Seo, 2015).

Changing production arrangements have also brought about new injury profiles. The emergence of multinational companies and globalisation means work that can be outsourced is often sent to countries such as China and India where the cost of labour and production are lower. This impacts on the mix and quality of jobs available in both sending and receiving countries. For the less wealthy countries, work is concentrated in manual occupations in manufacturing and production which are known to result in worse health and a faster declining health with age than workers in professional occupations (Case and Deaton, 2005). For the receiving countries evidence suggests a polarisation of the labor force with a growing divide in working conditions and wages and a growing proportion of workers only having access to increasingly precarious and low-paid employment (Burgard and Lin, 2013).

Changes to the Makeup of the Workforce

The makeup of the workforce has changed significantly in the last 30 years. Of particular importance for OHS is an ageing of the workforce, a long-term increase in female participant rates, use of migrant and undocumented workers, and changes to the youth labour market.

In many ways this group of changes is interrelated with changes in work arrangements and industry and occupation distribution as the growth in these areas has depended on increasing participation from groups that have traditionally played only a minor part in the labour force. For example, the growth in temporary and part-time work has depended on increasing female participation in the workforce. Although part-time employment has always been a possibility, it developed in the 1960s as a response to labour shortages and the need to conscript women who had child-care responsibilities. It developed particularly in the new service industries where temporal patterns of demand made part-time employment a cost-effective option for employers. The strategy has proved very successful with global labour force participation rates for women now sitting at 50%, albeit in the lowest paid occupations (ILO, 2016).

Looking at young people, the picture is much the same. The growth in service industries has largely been filled by young workers who are more likely to accept informal, temporary and other non-standard work often outside normal work hours in developed countries, and informal and/or vulnerable employment dominates young people's labour market experiences in low- to medium-income countries. Data from member states of the OECD indicate 25.0% of young workers were in temporary employment in 2015 compared with 9.5% of workers aged 25–54 years (O'Higgins, 2017). This figure rises to 43.8% in the EU where young workers were nearly four times as likely as those of prime working age (25–54) to find themselves in this temporary employment. ILO (2016) indicates similar trends are evident for part-time work in general and involuntary part-time work in most high-income countries.

With increasing life expectancy and declining fertility rates the position of older workers in the labour force is also changing. By 2050 the proportion of people aged 60 years and over in the global population is expected to increase from 9.2% in 1990 to 21.1%, resulting in: a doubling of those aged 60 years and over; the share of those aged 80 years and older increasing from 14% in 2013 to 19% (United Nations, 2013); and a population of older people in China that is larger than the entire population of the USA (Chatterjee et al., 2014). In response to these changes some countries have seen an average lowering of retirement age; however, the majority are increasing the age of retirement and encouraging experienced workers to continue in their employment. In Australia for example labour force participation rates for those aged over 65 years for older workers are expected to increase from 12.9% in 2014 to 17.3% in 2054 (Federal Treasury, 2015) and within the 60–64 age group the employment to population ratio increased from 32% in 2000 to 54% in 2014 (Per Capita Australia, 2014).

Informal workers who perform work that is deliberately organised to evade labour, social protection and other regulatory requirements are also taking on a greater share of the labour market, particularly in small firms/self-employment. In wealthy countries these workers are typically migrant and undocumented workers concentrated in traditionally poorly regulated and hazardous industries like agriculture, construction and some services (Quinlan, 2015). In developing countries informal employment can constitute half the workforce in some industries and areas known to involve significant use of child labour (ILO, 2015).

Implications for Health and Safety

Research has identified marked health and injury differences among workers based on age and gender. For example, the increased labour force participation of adolescents is coupled with a growing realisation of their vulnerability in the labour market. It is commonly accepted in the literature that young people are an especially high-risk group in terms of occupational injury and disease, with some research indicating that they are at the highest risk of lost time injuries compared with all other workers (Salminen, 2004; Santana et al., 2012). There is also evidence that workers over 65 years are more at risk of serious injury and have a higher need for recovery when an injury does occur (Rogers and Wiatrowski, 2005). Furthermore, some groups of older workers, particularly those who work on shifts that include nightwork, have greater ill-health symptoms such as gastrointestinal and sleep disorders than their younger counterparts (Costa and Di Milia, 2008). Looking at work in the informal sector, it is increasingly accepted that this work constitutes the single largest risk factor of occupational injuries and ill-health (Benach et al., 2014; 2016; Quinlan, 2015; Woolfson, 2010).

Looking at gender differences, women and men generally report different physical and psychological stressors such as repetitive work, heavy lifting and monotony (WHO, 2004). Further, owing to their physical makeup, women report gender-specific problems such as miscarriages, low birth weight and malformations arising from exposure to pesticides, solvents and organic pollutants, heavy workload, postural factors and shiftwork (WHO, 2004).

Younger workers, informal workers and females also report different patterns of occupational injury as a result of the generally narrow industry subgroups in which they work. For instance, in youths, work with deep fryers caused a substantial number of severe burns in the fast food industry. Similarly, a large proportion of women are employed in services, and particularly healthcare, and as such they are disproportionably exposed to risks of infection (including needle-stick injuries), violence, musculoskeletal injuries and burnout (Forastieri, 2000; WHO, 2004).

The causes of these different patterns of injury and illness are varied. Explanations for adolescents generally centre on organisational and individual factors related to the physical and psychological development of adolescents and the type of work they perform. Looking at developmental factors, adolescents tend to have higher risk-taking behaviour and less job experience than adults and they generally use equipment designed for adult proportions (Loughlin and Frone, 2004). The causes of these increases among older workers usually involve a combination of psychophysical, psychosocial and stress-related factors as well as musculoskeletal and other ageing factors (Bohle et al., 2010; Takala, 2005).

By far the most persuasive explanation for higher injury and illness statistics among migrant, young and female workers and those performing informal or undocumented work relates to their precarious position in the labour force. These workers disproportionably suffer from growing competitive pressures, limited possibilities for training and promotion, and inadequate social benefits and regulatory entitlements and protection (Crawford et al., 2016; Quinlan, 2015).

This section has outlined global changes affecting the incidence and severity of injuries, diseases and fatalities in modern workplaces. These changes have been brought about by changes in labour markets and work organisation driven by globalisation and developments in communication technologies. The employment shifts discussed are expected to increase and become more widespread in the future. Although some positive developments have occurred, particularly in traditionally hazardous industries, there is a large and compelling body of evidence that some number of modern work arrangements pose a serious threat to the maintenance of existing standards of OHS and present major challenges for OHS management and regulation.

It must be noted, however, that the changes discussed have not happened to all groups in the labour market to the same extent and at the same time. As mentioned throughout the section, employment changes vary by country, by gender, by age, by sector and by industry, with particularly adverse consequences for vulnerable groups in the labour force such as women and young people. For example, in some countries, such as the USA, Australia, France and Spain, there has been a significant increase in temporary employment among young workers brought about by the expansion of work in service industries. Looking at male workers, the decline in full-time employment has impacted mostly on this group; their jobs have largely been replaced with temporary and part-time workers, which have been filled disproportionately by female workers. At the same time men have traditionally occupied the more hazardous jobs in traditional industries (up to 86% in high-income countries) so the shift to more serviced-based employment has had a beneficial impact on the instance of occupational deaths among this group (Takala, 2005).

Although changes to working and production techniques have occurred on a reasonably global scale, countries have responded to the changes in very different ways. In some instances compliance with international standards, including OHS management (OHSM) standards that are increasingly demanded by supply chain partners and governments alike, has resulted in similar working conditions and outcomes for health and safety management across country borders. In other instances, however, different ideological values of government officials, unions, employers, corporations, scientific experts and agencies and the power relationships between them have resulted in very different regulatory frameworks for managing OHS. The rest of this chapter is directed at exploring these frameworks. Traditional models for managing OHS are briefly examined first before moving on to key features of OHS statutes and provisions for worker involvement in the advanced market economies.

REGULATORY DEVELOPMENTS AND RESPONSES TO THE CHANGING WORLD OF WORK

It is generally accepted that the first attempt to regulate health and safety at work is to be found in the early nineteenth-century British Factory Acts, beginning with the *Health and Morals of Apprentices Act* 1802, *An Act for the Regulation of Cotton Mills and Factories* 1819 (amended in 1825 and 1831), the *Factory Regulation Act* 1833 and the *Factories Amendment Act* 1844. While the earlier statutes were principally concerned with regulating the length of the working day for children and young people, the 1844 Act introduced, for the first time, minimum safety standards and the 'traditional model' of OHS regulation. This traditional model relied upon detailed, highly technical specification standards, principally focused on specifying safeguards for dangerous machinery. It was enforced by an independent state inspectorate (first established by the 1833 Act), vested with broad inspection powers, and relying on negotiated compliance utilising informal enforcement methods (advice, education and persuasion) coupled with formal prosecution using the criminal law in the last resort. The great advantage of this traditional specification standard approach was that duty holders knew exactly what to do, and OHS inspectorates found the legislation relatively easy to enforce.

In the second half of the nineteenth century and the beginning of the twentieth, this model of OHS regulation was adopted in the various British colonies. A very similar model, shaped also by local political considerations and the influence of regulatory practices in powerful industrialising countries like France and Germany, took root in most of Europe (Walters et al., 2011, 23–26), and in North America and in other parts of the world. The weaknesses of this traditional approach are now well known. It frequently resulted in a mass of detailed and technical rules, often difficult to understand, and difficult to keep up to date. Standards were developed ad hoc to resolve problems as they arose, and concentrated mainly on factory-based physical hazards, resulting in uneven coverage across workplaces. Specification standards did not encourage or even enable employers to be innovative and to look for cheaper or more cost-efficient solutions. They also ignored the now well-accepted view that many hazards do not arise from the static features of the workplace, but from the way work is organised. The traditional factory legislation created a climate of dependence on state regulation, with little involvement in OHS by workers and unions in the British model – although in countries like Sweden and France, worker representatives participated in OHS initiatives from the 1930s and 1940s respectively (Walters et al., 2011, 26).

By the late 1960s, the limitations and weaknesses in this traditional model were becoming apparent in most industrialised countries, and were most famously documented in the British Robens Report, published in 1972 (Robens, 1972). While the international relevance and influence of the Robens Report have often been exaggerated, subsequent OHS regulatory reform has been strongly influenced by its recommendations in some countries (especially the former British colonies), and at least stimulated by them in others. It is important to note, however, that in some countries, like Sweden and France, OHS regulatory reforms from the end of the 1960s were driven largely by domestic social, economic and political factors (Walters et al., 2011, 27–31).

The Robens Report proposed a modification of the regulatory model, based on two principal objectives, each of which responded to the criticisms of the traditional model.

The first was the streamlining of the state's role in the traditional regulatory system, through the 'creation of a more unified and integrated system' (Robens, 1972, para 41). This involved bringing together all of the OHS legislation under one umbrella statute, containing broad 'general duties' covering a range of parties affecting workplace health and safety, including employers, the self-employed, occupiers, manufacturers, suppliers, designers of plant, and substances and employees. The skeleton statutory general duties are to be 'fleshed out' with standards in regulations and codes of practice. A unified OHS inspectorate was to have new administrative sanctions (improvement and prohibition notices) to supplement prosecution. Prosecutions were to be brought against corporate officers, as well as against the corporate employer.

The second objective, recognising the practical limitations of external state regulation, was the creation of 'a more effectively self-regulating system' (Robens, 1972, para 41). In the Robens vision, apparently influenced by Scandinavian approaches to worker representation and participation in OHS (Walters et al., 2011, 26–27), self-regulation involves workers and management, at workplace level, working together to achieve, and improve upon, the OHS standards specified by the state. The most important element in the Robens' model of self-regulation was that 'there should be a statutory duty on every employer to consult with … employees or their representatives at the workplace on measures for promoting safety and health at work, and to provide for the participation of employees in the development of such measures' (Robens, 1972, para 70) The principal vehicle for employee representation was to be the health and safety representative, who was, in the pure Robens model, to be consulted by *employers*. Employees were also to be represented on health and safety committees. The Robens model also envisaged greater cooperation between the OHS inspectorate and employee representatives, an obligation upon employers to develop OHS policies and rules, and a requirement for Boards of Directors to lodge prescribed OHS information with corporate regulators.

The Robens recommendations were adopted in the UK in the *Health and Safety at Work etc. Act* 1974, although in many respects, particularly its approach to health and safety representatives, the 1974 Act went beyond the Robens Report. The recommendations, or more accurately in some cases the provisions of the 1974 UK Act, were very influential in other countries, particularly Australia and Canada from the late 1970s and the 1980s. In both Australia and Canada, for constitutional reasons OHS regulation is principally the concern of the states and territories in Australia (although there is a federal statute covering federal government employees) and the provinces in Canada. In the USA, until 1970 OHS was regulated at state level. In 1970 Congress used its powers to regulate interstate trade and commerce to enact the *Occupational Safety and Health Act* 1970. The Act is a form of cooperative federalism, in which standards are largely set by the federal government, and responsibility for administering the standards is delegated to the states. In Sweden, the new-style regulatory model was to be found in the *Work Environment Act* 1977 and in Denmark in the *Working Environment Act* 1975, which was most recently consolidated in 2010.

An important development, particularly on OHS regulation in Europe, has been a series of European Community (EC) directives on OHS since 1989, which must be introduced into the domestic law of community members. Directives bind member states as to the result to be achieved, but leave to each national authority the choice of form and methods. Most important is the 1989 Framework Directive for the *Introduction of Measures to Encourage Improvements in Safety and Health of Workers*, which seeks to improve and harmonise the conditions of health and safety for European workers, and establishes OHS principles to be followed by employers. The key provisions of the Directive impose a duty on employers: 'to ensure the health and safety of workers in every aspect related to the work' (article 5(1)); and 'to take the measures necessary for the safety and health protection of workers, including prevention of occupational risks and provision of information and training, as well as provision of the necessary organisation and means' (art 6(1)). Article 6 sets out a series of important principles of prevention, which include (art 6(2)): (a) avoiding risks; (b) evaluating the risks that cannot be avoided; (c) combating the risk at source; (d) adapting the work to the individual …; (g) developing a coherent overall prevention policy which covers technology, organisation of work, working conditions, social relationships and the influence of factors related to the working environment; and (h) giving collective protective measures priority over individual protective measures. Article 6(3) requires the employer to 'evaluate the risks to the safety and health of workers inter alia in the choice of work equipment, the chemical substances or preparations used, and the fitting out of workplaces', and then, 'subsequent to this evaluation and as necessary, the preventive measures and the working and production methods implemented by the employer must:

- assure the improvement in the level of protection afforded to workers with regards to safety and health,
- be integrated into all the activities of the undertaking and/or establishment and at all hierarchical levels'.

Further, Article 7 requires the employer to designate one or more workers to carry out these preventive functions, and, if there are no competent personnel, the employer must enlist competent external services or persons. Article 9 requires the employer to be in possession of an assessment of the risks to safety and health at work and to decide on the protective measures to be taken. Article 11 requires employers to consult workers and/or their representatives and to allow them to take part in discussion in relation to all areas of OHS.

As Walters and Jensen (2000, 87) observe, the provisions of the Directive supplement:

> legislative strategies for the regulation and control of the work environment (ie specifications and performance standards) with active intervention of legislative measures in processes which had been previously assumed to be within the prerogative of management (ie systems based standards). Also implied in this approach is a relationship between effective prevention strategies on health and safety in enterprises and the wider issue of the control of quality in all aspects of the management of work. It may also imply a closer relationship between health and safety management (traditionally a fairly peripheral issue) and the management of quality – normally central to the concern of management.

As discussed in the first part of this chapter, the world of work has changed significantly since the 1970s and 1980s, when this wave of OHS regulatory reform swept through Europe, North America, Australia and many other countries. In particular, changing work arrangements, new and emerging hazards, and the diminishing influence of the labour movement have posed major challenges for OHS regulation. The last part of the chapter briefly surveys some contemporary OHS regulatory models, including the ways in which they have attempted to meet these regulatory challenges.

The Key Features of the OHS Statutes

In order to address all new and emerging hazards, the OHS statutes enacted since the 1970s notably impose broad-ranging general duties on employers, covering all workplaces (although there are some exceptions for industries regulated by other statutes, such as aviation, fishing and shipping in Denmark and mining in some Australian states), in contrast to the traditional approach which focused only on designated hazards, premises (such as factories), processes or activities.

For example, the *Health and Safety at Work Act* 1974 (UK) imposes broad-ranging general duties on employers and employees, and also on a wide range of other parties, such as self-employed persons, persons in control of workplaces, manufacturers, suppliers and importers of plant and substances, and designers, installers and erectors of plant. The duties are qualified in that duty holders need only implement reasonably practicable measures: that is, the cost of preventative action should be weighed against the probability of personal injury occurring, and the severity of the injury likely to occur. Only if the risk of injury exceeds the cost of preventive action is the duty holder required to implement preventive measures. The UK statute is also notable in extending the duty of the employer and self-employed person to cover persons who are not employees, and affords protection to all kinds of workers (arguably including contractors, subcontractors, labour hire workers and outworkers), howsoever engaged (see James et al., 2007). The *Management of Health and Safety at Work Regulations* 1992 (UK) implement the provisions of the EU Framework Directive, and require employers and self-employed persons to plan, organise, monitor and review all preventive and protective measures to remove or minimise workplace hazards, and to encourage the development of an active health and safety culture in their organisations. Apart from the 1992 Regulations, the basic architecture of the UK health and safety regulatory model precedes the EC Framework Directive, and it is unlikely that there will be any significant changes to UK health and safety law immediately following the UK's withdrawal from the EU.

Since 2012, four Australian states, the Commonwealth and two territories have adopted and enacted a *Model Work Health and Safety Act* developed during a harmonisation led by the Australian Workplace Relations Ministers Council, a National OHS Review Panel and Safe Work Australia from 2008 to 2010 (see Johnstone and Tooma, 2012). The resulting *Work Health and Safety Acts* have some notable features. In response to the significant changes in work arrangements and relationships outlined in the first part of this chapter, the *Work Health and Safety Acts* no longer impose duties and obligations on an 'employer', but on a 'person conducting a business or undertaking' (PCBU), a broad category intending to include all persons running a business or undertaking, including employers, principal and head contractors, contractors, labour hire agencies, 'host' firms, franchisors, franchisees and government departments. Duties are owed not just to 'employees', but to 'workers' broadly defined (in section 7) to include any person carrying out work for a PCBU, including employees, contractors, subcontractors, agency workers, and volunteers. For example, a key provision in the *Work Health and Safety Acts* is the 'primary' general duty of care in section 19(1) that a PCBU ensure, so far as is reasonably practicable, the health and safety of workers who are 'engaged', 'caused to be engaged', 'influenced' or 'directed' by the PCBU, while they are at work in the business or undertaking. Note that there does not have to be a direct contractual relationship between the PCBU and the worker for the duty to be owed. Section 19(2) casts a similar duty on the PCBU not to 'put at risk' the health and safety of persons who are not workers.

A recent development in the Australian (particularly New South Wales) case law interpreting the general duties, is that the general duties have been interpreted as requiring 'abundant caution', 'constant vigilance' and positive, proactive, comprehensive and systematic steps to search for and eliminate any possible areas of risk to OHS.[1] Some commentators have suggested that the courts' new emphasis on proactive, holistic and systematic assessment of risks implicitly requires a risk management approach (see Bluff and Johnstone, 2005, 213–214). Certainly, some cases have explicitly asserted that risk management is required.[2] In any event, duties to take proactive risk management approaches are amplified in the *Work Health and Safety Regulation* and codes of practice (most notably the Code of Practice, *How to Manage Work Health and Safety Risks*) made under the *Work Health and Safety Acts*, which contain general requirements for risk management as well as hazard-specific provisions.

In the USA, the OSH Act 1970 imposes a specific duty on employers to comply with a myriad of detailed occupational safety and health standards promulgated under the Act. The US Occupational Safety and Health Administration can initiate processes to develop standards on its own initiative or in response to petitions from other parties, including state and local governments, the Secretary of Health and Human Services, the National Institute for Occupational Safety and Health, employer or labour representatives, and any other interested parties. In all cases not covered by specific standards, employers must comply with the OSH Act's 'general duty' clause (section 5(a)(1) which requires that each employer 'furnish … a place of employment which [is] free from recognized hazards that are causing or are likely to cause death or serious physical harm to his employees'. Self-employed persons (who might be contractors or subcontractors) neither have duties imposed upon them, nor are they protected by the employer's duty. Since 1993 there have been various unsuccessful attempts to introduce a requirement that all employers provide a written safety and health program, the purpose of which would be to identify and control hazards before injury or illness occurred. Nevertheless, health and safety programs are required in some OSHA standards, most notably the construction industry. The OSH Act also imposes a duty on employees to comply with OHS standards and all rules, regulations and orders issued pursuant to the OSH Act, although OSHA has no powers to enforce this duty. There is also an OSHA Guide, Recommended Practices for Safety and Health Programs, which was updated at the end of 2016. The Swedish *Work Environment Act* 1977, amended in the early 1990s in response to the EU Framework Directive, states OHS standards very broadly, and is essentially 'framework' legislation in that it sets goals and outlines systems and techniques and allocates responsibilities in general terms for the working environment (see Walters et al., 2011). Chapter 2 of the Act, for example, is very broad in its approach to OHS and specifies:

> The working environment shall be satisfactory with regard to the nature of the work and social and technical progress in the community. … Working conditions shall be adapted to people's differing physical and mental aptitudes. The employee shall be given the opportunity of participating in the design of his or her own working situation and in processes of change and development affecting his or her own work. Technology, work organisation and job content shall be designed in such a way that the employee is not subjected to physical or mental strains which can lead to ill-health or accidents. Forms of remuneration and the distribution of working hours shall also be taken into account in this connection. Closely controlled or restricted work shall be avoided or limited. Efforts shall be made to ensure that work provides opportunities of variety, social contact and co-operation, as well as coherence between different tasks. Furthermore, efforts shall be made to ensure that working conditions provide opportunities for personal and vocational development, as well as for self-determination and professional responsibility. (section 1)

Chapter 2, section 2 provides that 'Work shall be planned and arranged in such a way that it can be carried out in a healthy and safe environment.' Part 2 goes on to specify requirements in relation to issues such as industrial hygiene, machinery, hazardous substances, personal protective equipment and related matters.

Part 3 of the Act sets out general obligations, which include requiring (section 1a) the employer and employee to 'co-operate to establish a good working environment'. Further (sections 2 and 2a):

> The employer shall take all the precautions necessary to prevent the employee from being exposed to health hazards or accident risks. One basic principle in this connection shall be for everything capable of leading to ill-health or accidents to be altered or replaced in such a way that the risk of ill-health or accidents is eliminated.
>
> The employer shall systematically plan, direct and control activities in a manner which leads to the working environment meeting the requirements for a good work environment. He or she shall investigate work injuries, continuously investigate the hazards of the activity and take the measures thus prompted. Measures which cannot be taken immediately shall be timetabled. …
>
> Furthermore, the employer shall ensure that there is, in his or her activity, a suitably organised scheme of job adaptation and rehabilitation for the discharge of the duties incumbent on him or her under this Act.

Regulations (ordinances) may be promulgated to specify in more detail what is required of employers or others under the Act (section 2b).

The 1977 Act (Part 3 section 2c) requires the employer to 'ensure that the occupational health services required by the working conditions are available'. An occupational health service is 'an independent expert resource' which works 'for the prevention and elimination of health risks at workplaces'. The cost of the occupational health service is born by employers.

The Danish *Working Environment Act* 2010 aims to create (a) safe and healthy working environments which shall at any time be in accordance with the technical and social development of society, and (b) the basis on which the enterprises themselves will be able to solve questions relating to safety and health under the guidance of the employers' and workers' organisations, and under the guidance and supervision of the Danish Working Environment Authority (section 1).

The Act imposes broad duties on employers to ensure safe and healthy working conditions (section 15), and effective supervision to ensure that work is performed safely and without risks to health (section 16). Further specific duties on the employer include informing employees of any risks of accidents or diseases (section 17(1)), and providing them with the necessary instruction and training to avoid danger or risk (section 17(2)), informing safety representatives and shop stewards of any written communication issued by the inspectorate (section 18), and carrying out tests, examination and surveys at the request of the inspectorate or whenever the situation calls for it (section 21).

In 1997 the Danish Parliament amended the Act to include workplace assessments as required by the EU Directive. Section 15a of the Act now provides that:

1. The employer shall ensure the preparation of a written workplace assessment of the safety and health conditions at the workplace, taking due regard to the nature of the work, the work methods and work processes which are applied, as well as the size and organisation of the enterprise. The workplace assessment shall remain at the enterprise and be available to the management and employees at the enterprise, as well as the Danish Working Environment Authority. A workplace assessment shall be revised when there are changes in work, work methods, work processes, etc., and these changes are significant for safety and health at work. The workplace assessment shall be revised at least every three years.
2. A workplace assessment shall include an opinion on the working environment problems at the workplace, and how these are to be solved, in compliance with the principles of prevention stated in the OHS legislation. The assessment shall include the following elements:
   a Identification and mapping of the working environment conditions at the enterprise.
   b Description and assessment of the working environment problems at the enterprise.
   c Priorities and an action plan to solve the working environment problems at the enterprise.
   d Guidelines for following up the action plan.

The 2010 Act also obliges employers who do 'not have the necessary expertise to undertake the health and safety work of the enterprise' to 'seek external expert assistance with a view to ensuring the continued health and safety of the employees' (section 12).

As workers bear the brunt of failure to manage OHS, and because they are likely to have first-hand knowledge of hazards, and ways of abating them, there are ethical and practical reasons to ensure that workers are engaged in participatory mechanisms. Most statutes have provisions to ensure this participation at varying levels, including in systematic OHS management. These provisions are considered in the following section.

Worker Participation in OHS

A growing body of evidence demonstrates the positive benefits of worker representation and participation in OHS (for a summary see Walters and Frick, 2000; Walters and Nichols, 2007), including a positive relationship with objective indicators of OHS performance (such as injury rates or hazard exposures) in workplaces where structures of worker representation are in place (union presence, joint safety committees or worker/union safety representatives) and a positive effect on OHS management practices. This evidence comes from many countries, including those where participatory mechanisms are not mandated by legislation. Further, evidence suggests participatory mechanisms with higher levels of worker involvement are superior to those where involvement is more circumscribed. The research also points to preconditions necessary for effective worker representation and consultation on OHS. These include a strong legislative steer; effective external inspection and control; demonstrable senior management commitment to both OHS and a participative approach and sufficient capacity to adopt and support participative OHS management; competent management of hazard/risk evaluation and control; effective autonomous worker representation at the workplace and external trade union support; and consultation and communication between worker representatives and their constituencies (Walters and Nichols, 2007).

The OHS statutes in most countries provide a reasonable 'legislative steer' by recognizing that workers, as the group most affected by workplace hazards, have an important contribution to make to systematic OHS management by identifying workplace hazards, being consulted over workplace changes affecting OHS, receiving OHS information, working with employers and regulators to implement OHS programs, and, when necessary, to take direct action to protect themselves from danger.

The UK *Health and Safety at Work Act* 1974 has taken a more robust approach to worker representation than suggested by the Robens Report and provides for the representation and participation of employees in OHS through the institutions of health and safety representatives (HSRs) and health and safety committees. Regulations made under the Act give health and safety representatives the right to investigate dangerous hazards and occurrences, to investigate worker complaints, to make representations to employers, to represent employers in consultations with inspectors, to receive information from inspectors, to attend meetings of safety committees, and to receive paid time off for training and to perform other functions. Employers are required to establish a health and safety committee within three months of being requested to do so.

The Australian provisions for workplace participation build on the UK provisions, but make two significant advances. First, the *Work Health and Safety Acts* enable all types of workers – not just 'employees' – to be represented and to participate in OHS issues, and place duties on all PCBUs – not just 'employers'. Thus, section 47 requires a PCBU to consult all workers (or their representatives) carrying out work for the PCBU about health and safety issues, and Part 5 enables all workers to be part of a workgroup electing a HSR. Second, in addition to the usual powers to inspect, be consulted and to receive OHS information, an elected HSR has extensive powers to monitor PCBU compliance with all provisions in the Act, and these powers include the enforcement powers: the power to issue a provisional improvement notice (PIN) if the representative has the reasonable belief that a PCBU is not complying with those provisions, and to direct that work cease if it causes a serious, imminent and immediate risk to workers (section 85). Further, all workers (not just employees) can refuse dangerous work (section 84). Further, Part 6 includes union entry provisions enabling union officials who hold special work health and safety permits to investigate suspected contraventions of the Act. These latter provisions resemble the powers given to Swedish safety delegates (see below), but cover all kinds of workers, not just employees. Finally, the *Work Health and Safety Acts* make provision for health and safety committees, comprising PCBU and worker representatives.

The Scandinavian countries have gone further in involving workers directly in decision-making processes. The 1977 Swedish *Work Environment Act* provides that worker control is a critical aspect of a healthy working environment. Employee safety delegates are elected for a period of three years by local unions (and in non-union workplaces, by employees) at workplaces with five or more employees (Chapter 6, section 2). Larger workplaces have a number of safety delegates, one of whom is elected as a chief safety delegate. Unlike UK safety representatives, Swedish safety delegates have the right to stop dangerous work process pending an investigation by an inspector (Chapter 6, section 7). They also have the right to participate in the planning of new premises, devices, work processes, work methods and the use of substances liable to cause ill health or injuries (Chapter 6, section 4). Employers must inform delegates of any changes which will have a significant impact on conditions in the areas they represent (Chapter 6, section 4). Employers must respond to representations by delegates without delay, and if matters are not resolved satisfactorily, they can be referred to an inspector or joint employer–employee health and safety committee. The local trade union may appoint a regional safety representative (RSR) in firms with less than 50 workers where there is at least one trade union member (Chapter 6, section 2, para 3). The RSRs have rights of access to such workplaces and similar rights to investigation and inspection to those held by ordinary safety delegates in Sweden. The mandated RSRs' tasks include acting as itinerant representatives who inspect and investigate OHS conditions in small enterprises, and request changes they consider necessary to achieve improvements in the working environment; promoting employee participation in OHS, including the recruitment, training and support of in-house HSRs; and activating local OHS work, within the overall framework for systematic management of the working environment in small enterprises. The situation in Denmark is substantially similar to the Swedish position (see Gunningham and Johnstone, 1999, 355–358). For a general overview of worker representation and participation on OHS in Europe, see Walters and Wadsworth (2016).

In the USA there is little scope under the occupational safety and health legislation for workers to be involved at workplace level, although there is nothing to prevent workers raising OHS issues in the broader context of collective bargaining.

Ensuring that workers are afforded the protection offered by the statutes described above, as well as the opportunity to participate in decisions that affect their health and safety at work, require inspection and enforcement. As noted above, this should include inspectors consulting workers and their representatives during workplace inspections – though research suggests that this is not the standard practice of inspectorates (Grabe, 2001; Gunningham, 2012; Lippel et al., 2011; Walters et al., 2011).

The varying approaches taken to workplace inspections and enforcement of OHS statutes are examined in the following section.

OHS Inspection and Enforcement

Across the world, a range of approaches are taken to the structure of public sector labour inspectorates (Howe et al., 2013: 86–88; Piore and Schrank, 2008; Pires, 2011; Von Richthofen, 2002). Some countries – particularly in Europe and South America – have generalist labour inspectorates, which are responsible for monitoring all labour law compliance, including with OHS standards. Other countries – including the UK, USA and Australia — have 'specialist' OHS inspectorates. Each approach has its advantages (see Howe et al., 2012). Whichever model is used, the inspectorate is usually vested with broad powers to enter workplaces and to inspect workplaces, plant, equipment and substances. Historically OHS inspection has focused mainly on the examination of plant and other physical artefacts in the workplace. But with OHS standards increasingly requiring duty holders to take a systematic approach to OHS management, and with greater public concern with health (including mental health) issues at work (see MacEachen et al., 2016, 8; Weissbrodt and Giauque, 2017), inspectorates have had to broaden their approach to inspection and enforcement. One response in recent years has been for inspectors in some jurisdictions to attempt to examine how firms manage

OHS instead of, or in addition to, the inspection of the physical workplace (Walters et al., 2011). As Von Richthofen (2002: 205) notes, the 'traditional approach whereby inspectors aimed simply to identify legal irregularities and then give advice or impose sanctions, depending on the seriousness of the offence, is increasingly discredited'. Further, the traditional approach 'will never raise standards quickly, since management does the minimum to satisfy the labour inspector and then sighs with relief that he or she will not return for a few years' (2002: 208).

The challenge for contemporary OHS inspectorates is for inspectorates to change their inspection and enforcement approaches to inspect systematic OHS management. In this approach, the traditional focus on hazardous conditions and work practices is not abandoned but provides signals of weaknesses in OHSM to be uncovered. Observation of conditions and activities is part of the 'evidence' of effectiveness (or otherwise) of OHSM.

Further, the inspectorates not only have to inspect workplaces but also to develop strategies to motivate duty holders to develop their approaches to systematic OHSM, using not only threats of sanctions, but also the commercial self-interest of management, and by demonstrating the efficiency and effectiveness of the OHSM approach (Von Richthofen, 2002: 208).

This has raised at least two issues for OHS inspectorates. How should an OHS inspector go about inspecting the quality of an organisation's systematic OHS management? How can the inspectorate tailor its enforcement approaches to the quality of the firm's implementation of systematic OHS management? In other words, how can inspectors use diagnoses of the quality of a firm's OHSM to ensure that 'good' firms with sound OHSM systems are left to self-regulate, and 'poor' performers receive greater attention from the regulator, but without undermining the integrity and legitimacy of the inspectorate?

The answer to the first question is that OHS inspectorates will need to learn how to conduct effective 'systems audits'. The literature (see, for example, Bluff, 2003; Gunningham, 2012; Parker, 2003: 13; Waring, 1996: 178–182) suggests that 'an effective auditor', whether this be a third-party auditor or a state inspector, would do more than look at the 'paper systems' developed by an organisation. Parker (2003: 13) reminds us that an 'effective auditor would conduct systematic fieldwork to find out what actually happens where it counts, that is, how compliance processes are implemented and understood by line management and line staff. They would test the limits of management systems and see what happened.' The auditor should adopt a triangulated approach to data collection (Bluff, 2003; Parker, 2003: 13; Waring, 1996: 178–182), which involves:

> Interviews with a representative sample of managers, supervisors and workers, observation of conditions and activities, and examination of supporting documentation, including key procedures and records of developmental and preventive action (for example, training needs analysis, plans and records of competencies achieved, action plans, design and procurement standards, committee minutes, work procedures, and so on). (Bluff, 2003)

Parker (2003: 13) suggests that the auditor might test the system by posing a problem for the OHSM system, to see how the system reacts to the issue.

There is evidence that such approaches are being taken in some European countries, North America and Australia to adapt OHS inspection programs to accommodate and encourage duty holders to implement systematic OHSM (see Frick, 2002; Gunningham and Johnstone, 1999, 107–111, 149–151, 378–382; Hedegaard Riis and Jensen, 2002; Karageorgiou et al., 2000, 274–280; Larsson, 1996; Popma et al., 2002; Von Richthofen, 2002: 189–208). Walters et al. (2011) examined five countries (Australia, Canada (Quebec), France, Sweden and the UK) and found that approaches to inspection varied – because of different inspection styles and cultures, attitudes of individual inspectors, resourcing, industry contexts and wider political influences – but that no inspectorate fully adopted the approach outlined above. Of the five countries, Sweden exemplified the most overt effort by the inspection authority to embed a systematic approach to inspecting OHSM into the routine of inspection. But closer examination of the practice of Swedish OHS inspection revealed considerable variation between inspectors, districts and industry sectors and, at best, incomplete application. Inspections were generally quite successful in achieving improvements in specific issues, but there was only limited integration of inspection of specific OHS conditions with inspection of systematic OHSM. As a result the connection between many OHS violations and defects in the employer's systematic OHSM were often not made.

The answer to the second question begins by conceiving of the inspectorate as the 'overseer of the company's own efforts to regulate' (Hutter, 2001: 305), a crucial element of which is for the regulator to identify the firm's level of compliance and self-regulation (see, again, the discussion of compliance at the beginning of this chapter), and then adjust its enforcement response to the level of effective self-regulation, so that the regulator has a high degree of involvement in the early stages of compliance, and gradually reduces, and changes, its role. Such approaches have been used in many countries, most notably the Swedish Work Environment Management (SWEM) inspection approach (see Bruhn, 2006; Walters et al., 2011, chapters 6 and 7), the Danish model of Adapted Inspection (see Jensen and Jensen, 2004), and the US OSHA's 'Focused Inspection' in the construction industry (see Gunningham and Johnstone, 1999; Needleman, 2000).

The OHS regulatory reforms since the 1970s have also given regulators more flexible, and tougher, enforcement tools. In the UK, Australia, Sweden and Denmark, OHS inspectorates have powers to impose administrative sanctions (in the UK and Australia inspectors can issue include improvement notices (requiring a hazard to be remedied within a specified time) and prohibition notices (requiring work to cease until the hazard is removed)) and can prosecute offenders for contraventions of the OHS statute. In most Australian jurisdictions inspectors can also issue infringement notices ('on-the-spot' fines). The *Work Health and Safety Acts* also offer defendants the possibility of negotiating an enforceable undertaking with the prosecuting authority. Essentially these provisions empower the inspectorate to accept from a person a written undertaking about remedial measures in connection with a contravention of the OHS Act. If the inspectorate can prove that the person has contravened any of the terms of the undertaking, a court may make appropriate orders which might include directing the person to comply with the terms of the undertaking; and/or ordering the person to compensate any other person who has suffered loss or damage as a result of the contravention.

The level of penalty that can be imposed for a successful contravention varies considerably from country to country, with maximum fines being relatively low in Scandinavia and the rest of continental Europe, and higher in Australia and the UK. In Australia, the *Work Health and Safety Acts* also give the courts power to order other non-pecuniary sanctions, which include:

- *Adverse publicity orders* requiring an offender to publicise the offence, its consequences and the penalty imposed (section 236).
- *Restoration orders* requiring the offender to take specified steps 'to remedy any matter caused by the commission of the offence' (section 237).
- *WHS project orders* requiring an offender to 'undertake a specified project for the general improvement' of WHS (section 238).
- *Court-ordered WHS undertakings*, which enable the court to adjourn proceedings for up to two years upon the offender giving specified undertakings (section 239).
- *Injunctions* requiring an offender to cease contravening the Act (section 240).
- *Training orders* requiring the person to undertake, or arrange for one of more workers to undertake, a specified course of training (section 241).

Inspectors in Europe and Australia have broad discretion as to the enforcement action they will take when contraventions are detected. There has been a longstanding debate regarding the role of the inspectorate in maximizing compliance with OHS statutory standards: is the best way to *advise* and *persuade* employers to comply with standards or to *punish* them for not doing so (the 'deterrence strategy') (see Hawkins, 2003; Hutter, 1997)? The 'advise and persuade' model is centrally concerned with achieving the goals of the regulatory system and to prevent rather than to punish contraventions. It essentially relies on persuasion to achieve compliance, and emphasises cooperation rather than confrontation, and conciliation and negotiation rather than coercion. The threat of enforcement remains in the background, to be used where all other strategies fail. There is, however, little, if any, empirical evidence showing that the 'advise and persuade' model does indeed reduce workplace injury and disease (see, for example, Shapiro and Rabinowitz, 1997).

The argument for punishment relies on the classical deterrence model, which argues that regulated organisations are profit-driven rational actors which will comply with a regulatory provision when they judge that the benefits of compliance (including avoiding fines or other sanctions) exceed the costs of compliance. The punish or deterrence strategy emphasises a confrontational style of enforcement and the sanctioning of rule-breaking behaviour. Future compliance with the rule may be a by-product of enforcement action, but it is not its central purpose. Critics argue that a punishment-orientated approach is essentially reactive (Sparrow, 2000). With most crimes, this means that prosecution takes place once the damage has been done (although this is not necessarily so for 'inchoate' OHS offences, which require safe systems of work). Further, it is often argued that punishment-based approaches rely too heavily on the state to enforce the law, rather than helping people to comply. By processing prosecutions one at a time, OHS regulators fail to produce systemic solutions. Research also suggests that whether general deterrence can be effective depends on whether firms learn of enforcement action taken against others (Jamieson et al., 2010; MacCallum et al., 2012; Weil, 2010).

The dominance of the advice and persuasion approach, at least in relation to OHS, was established in the mid-nineteenth century in Great Britain, and in Australia from the 1870s. Recently in Australia there is evidence that OHS regulators in some states have taken a stronger approach to prosecution, but it is still the case that most enforcement action involves informal advice and persuasion, and, to a lesser extent, the use of administrative sanctions. In a very significant development in the UK in 2016, the Sentencing Council introduced new *Sentencing Guidelines for Health and Safety Offences, Corporate Manslaughter and Food Safety and Hygiene Offences* (see sections 120 and 125 of the UK *Coroners and Justice Act* 2009). The guidelines direct the courts to follow a step-by-step formula when sentencing offenders. The primary considerations, in sentencing, are the offender's culpability, the likelihood of harm arising from the contravention and how bad the harm could have been, how many people were exposed to the risk of harm, and whether the OHS failing was a significant cause of actual harm. Once these culpability and harm assessments are completed, the court must take into account the firm's likely turnover in order to set a starting point in determining the level of penalty. Most of the other steps in the sentencing process direct the court to increase or decrease the level of fine according to a range of factors. The maximum fine for a large firm with a turnover of 50 million pounds or above is 10 million pounds. The new guidelines have resulted in very high levels of fines: for example, in 2016 there were four cases of fines of over three million pounds (IOSH and Osborne Clarke LLP, 2017). The approach to enforcement in the USA differs significantly from the European and Australian approach. Whereas inspectors in Europe and Australia have discretion as to the enforcement measures they may take, Occupational Safety and Health Administration inspectors (called 'compliance officers') have little discretion, and in most cases are required to take some formal action when non-compliance is detected. Inspectors must report violations to the Area Director, who decides whether to issue a citation. Citations describe the specific nature of the violation and lay down a specified time for abatement of the condition specified in the citation. Within a reasonable time after the citation, the Secretary of Labor must notify the employer of proposed penalties for the violation. If the employer does not contest the violation or penalty, it becomes final. The OSH Act provides for a range of penalties for different sorts of violation, although the level of penalties is low (averaging under 1,000 dollars) when compared with penalties in Australia and the UK. Criminal prosecutions for violations are relatively rare.

Whatever approach is adopted, as noted above, OHS inspectors face a major challenge in ensuring that their inspection and enforcement approaches can reach precarious and marginalised workers (see Johnstone, 2017; Weil, 2010; Weil, 2014), and can address some of the more complex health – including mental health – issues facing workers (MacEachen et al., 2015: 8; Weissbrodt and Giauque 2017).

To date there has been insufficient research on the effectiveness of regulatory inspection and enforcement. In a systematic review of the literature, Mischke et al. (2013) concluded that the evidence shows that OHS inspections decrease injuries in the long term, but not in the short term, and that the extent of the decrease is uncertain. There are no studies using chemical or physical exposures as an outcome. Further, there has not been sufficient research to establish the effect of fines and penalties.

CONCLUSION

The broad developments in the labour market, and in approaches to systematic OHS management canvassed earlier in this chapter, raise significant issues for OHS regulators, which have, to date, not been satisfactorily addressed. Until recently, OHS regulatory models have tended to focus on requiring 'employers' to ensure the safety of employees. Since 2011, Australia has led the way in recasting the OHS statutes to regulate all persons involved in a business undertaking in relation to all workers involved in the undertaking, and to ensure that all kinds of workers can be involved in participatory structures. The challenge now is to ensure that these changes are fully implemented, and that inspectorates develop inspection programs to reach all forms of work, and all forms of work organisation, including home-based workers.

While, as this chapter shows, there has been a clear trend for regulators to require duty holders to take systematic approaches to OHS management at the workplace, the research evidence suggests that business organizations suggest that duty holders have difficulty engaging with the risk management process and producing good-quality OHS outcomes (see in particular Jensen, 2002; Saksvick et al., 2003; Walters et al., 2011). When faced with the requirement to undertake systematic OHSM, firms, particularly small and medium-sized firms (SMEs), tend to focus on already well-known problems, take superficial approaches to analysing the issues, generate paperwork rather than preventative action, fail to eliminate or control risks at the source, and are not good at involving workers in all aspects of risk assessment. The research suggests a need for organisational learning and development of a local understanding about work environment risks among people at the workplace to equip firms to re-examine established norms and old routines, take a more expansive approach to recognising hazards and risks, and develop and implement higher order OHS improvements (Jensen, 2002; Saksvick et al., 2003). It also suggests that regulators, peak employer organizations and other OHS organisations need to do more to develop the OHS risk management skills of business organisations. There is also little evidence that inspectorates have learned how to inspect the quality of systematic OHS management (for a discussion of some of the approaches that have been attempted, see Johnstone, 2004), as opposed to the OHS of the 'physical' dimensions of the workplace. If these difficulties in fully implementing the regulatory model which institutionalises systematic OHS management are not adequately addressed in the next decade, it may suggest that regulators will need to rethink the regulatory model, and abandon the contemporary fascination with systematic OHS management for regulatory standards that SMEs find easier to respond to.

Notes

1 *WorkCover Authority of NSW (Inspector Egan)* v *Atco Controls Pty Ltd* (1998) 82 IR 80 at 85; *Kennedy-Taylor (NSW) Pty Ltd* v *WorkCover Authority of NSW (Inspector Charles)* (2000) 102 IR 57 at 81; and *Inspector Ching* v *Bros Bins Systems Pty Ltd*; *Inspector Ching* v *Expo Pty Ltd trading as Tibby Rose Auto* [2004] NSWIRComm 197 at para [32].

2 *WorkCover Authority of New South Wales (Inspector Kelsey)* v *The University of Sydney* [1997] NSWIRComm 44 at 21; *Department of Mineral Resources of NSW (McKensey)* v *Kembla Coal and Coke Pty Ltd* (1999) 92 IR 8 at 27; *Presdee* v *Commonwealth Bank of Australia* (2001) 121 IR 246 at 248; and *WorkCover Authority of New South Wales (Inspector Glass)* v *Qantas Airways Ltd* (2002) 119 IR 8.

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18

Industrial Relations: Changing Trends Across Theory, Policy and Practice

Peter Sheldon, Greg J. Bamber, Christopher Land-Kazlauskas and Thomas A. Kochan

INTRODUCTION

The pioneers of the field used the term industrial relations (IR) in a broad and interdisciplinary sense, covering the practice and study of all aspects of work and employment. In the UK, the field developed from the work of Fabians Sydney and Beatrice Webb (1894; 1897), while, in the USA, it was developed by institutional economists, notably John R. Commons (1909; 1934). These public intellectuals and their associates sought to understand and influence IR in ways that distinguished their normative, theoretical, and methodological approaches from Karl Marx (1849) on the one hand, and classical or neo-classical economics (Marshall, 1920) on the other.

Subsequently, the field has developed considerably by incorporating concepts and methods from other disciplines too, for example accounting, history, law, management, political science, psychology and sociology. This has made the field multidisciplinary. Yet, a central feature of the specifically IR contribution flowing from the Webbs and the US institutional economists has been to develop an understanding of the role of collective activity in workplaces – particularly through unions of workers – and of collective bargaining. Nonetheless, as the field developed along broad lines, it also addresses situations where these two phenomena are not present.

We too view IR as a broad field, one that deals with all aspects of the employment relationship, including its legal, institutional and market contexts and the interactions among them. It also therefore necessarily includes labour–management relations (the US term for collective IR), human resource management (HRM) and the nature, conditions and outcomes of employment and work. The field therefore stretches from factors influencing individual decisions – like on absenteeism, turnover or rostering – through the workgroup level, and into workplace and organizational-level phenomena. In this, it shares much with overlapping fields like HRM and organizational studies (OS). In recent years, many IR scholars have embraced a much greater engagement with the concerns and perspectives of these other fields. In particular, this has generated combinations of HRM and IR into 'employment relations' (ER), an approach that contributes to interpenetration of ideas between the two fields (Boxall and Dowling, 1990).

Yet, differences in perspective and focus remain. First, the IR field treats labour market structures and institutional settings as important research subjects in themselves – for social science and policy – rather than solely as contexts or inputs as is the case for HRM and OS. Moreover, attention to law, institutions and markets extends to national and international arenas to include, for example, international labour standards, UN instruments,[1] European Union law, and cross-border collective bargaining and social dialogue. IR's domain can include the interests and concerns of workers and unions, employers and their organizations, legislators and policy-makers, social movements and society as a whole.

As mentioned, another central defining element is normative. In contrast to much HRM and OS, the IR field accepts the legitimacy of workers having independent, collective voice in relation to their world of work, through a representative union or workers' organization, and access to collective bargaining (Kaufman, 2004). This has had international expression through ILO Conventions 87 and 98.[2] These meet notions that, in a modern, democratic society, the world of work needs to provide mechanisms for expressing and managing grievances, formulating and channelling employees' collective demands and that these need a degree of legitimacy and independence from both employers and the state. As separate chapters of this *Handbook* discuss a range of more narrowly HRM and OS-related themes, we focus more specifically on the institutions and processes associated with collective bargaining and job regulation, including via unions and other workers' organizations.

The next two sections, respectively, introduce the field's intellectual foundations and compare them to contemporaneous competing approaches. We then focus on collective bargaining through three sections explaining, respectively: its nature and purposes; its early developments across countries; and variations in its structure and processes. This facilitates discussion of cross-national diversity in collective bargaining experiences. We then discuss links between collective bargaining and some IR theories, before explaining major patterns of discontinuities for IR and collective bargaining since the 1980s. Before our conclusion, we examine contemporary policy debates facing IR. Throughout the chapter we try to integrate academic insights into the field and the changing realities of IR policies and practices. Our main foci are the UK, USA and Australia, which can be seen as (varied) examples of liberal market economies (LMEs). We also refer to some coordinated market economies (CMEs) in Western Europe and also to Asia.[3]

There have been many attempts to develop theories in IR (Martin and Bamber, 2004). While some sub-disciplines contributing to IR, for instance labour economics and organizational psychology, have heavily directed themselves towards deductive theorizing, mainstream IR research can often be descriptive rather than theoretical and, where theoretical, largely inductive. There are several reasons for this, including IR scholars' concern to contribute to practitioner and policy debates. There has also been a tendency to focus on formal institutional and legal structures and outcomes, which are context-specific, rather than on more complex informal intra-organizational practices permitting greater generalization. Nonetheless, the field has influential theoretical and intellectual foundations, to which we now turn.

INTELLECTUAL FOUNDATIONS OF IR

Marx provided one intellectual rationale and stimulus to the IR field. He argued that labour was more than just a commodity or factor of production subject to deterministic laws of supply and demand. This insight is an enduring normative premise in IR and has motivated much of the research in the field. That is, while affected by market forces similar to other production factors (such as natural resources, finance, technology, tools and machinery), labour deserves special treatment in theory and practice. Workers, as human beings, have a personal stake in the treatment they receive and, with the capacity to exercise free will, can take individual or collective actions to influence outcomes within and outside the market. As a result, their work and employment relationships are value-laden activities with important psychological, social as well as economic consequences.

IR research, public policy, institutions and practices may therefore be as concerned with equity as efficiency and may seek to balance economic and social outcomes, at work and more broadly in society (Meltz, 1989). In addition, across countries and over time, policy-makers and judges have sought to strike a balance between free flow of commerce and the developing human rights of workers. This is reflected in increasing recognition that workers' rights to freedom of association (to form and join independent and representative unions) and to bargain collectively are *fundamental human rights* in democratic societies. An important underlying assumption of much IR scholarship then is that these rights are crucial for workers to be able to determine their terms and conditions of employment and work (see Dundon et al., 2004; Bamber, 2005; Bamber et al., 2009; and the chapter by Budd and Bhave in this volume).

Although Marx provided a point of departure, many IR scholars have challenged elements of Marxist analysis. Marx saw conflict at work as inevitable and all-encompassing, emanating from the class conflict inherent in the capitalist system of production. That conflict could be eliminated only by the revolutionary overthrow and replacement of that system. This became a major point of differentiation between, on the one hand, Marxist approaches to IR (Hyman, 1975) and pluralist approaches, including a radical (equality-oriented) pluralism, which have been particularly influential in IR research in LMEs (Fox, 1971; 1974; Kochan, 1980; Gold, 2017: 132–5). Yet, arguably, even pluralism was a radical choice during those early periods when in many industrializing democracies, law and government policies made union activism and strikes either illegal or extremely difficult, while employers and the state were prone to using violence against union activists and strikers (see various chapters in van der Linden and Rojahn, 1990).

For the Webbs, those historians, sociologists and historical economists of late nineteenth-and early twentieth-century UK IR (Kaufman, 2004: 164), unions were necessary to provide employees with increased social support and bargaining power. In due course, however, they expected unions to develop into institutions promoting state regulation, working for the common benefit of all workers and for the wider community. Thus, rather than through the revolution predicted by Marx, societies would develop gradually to balance better the interests of workers, employers and the wider communities.

In the USA, IR scholarship emerged from frustration with the mathematical analysis of economics research. In 1886, Robert Ely tried to bring a more empirical and institutional form of economics to bear on current issues. Under the leadership of Ely's protégé, Commons, the emerging IR field focused on the study of labour and working conditions using inductive methods. It too focused particularly on the collective institutions and organizations of workers and employers governing work and employment.

Such institutionalists also saw labour as more than a commodity. But, unlike Marx, Commons and those who followed saw the conflicts between employers and employees as a legitimate reflection of differences in economic interests, rather than as a more fundamental product of the capitalist system. Workers had the right to pursue their own interests collectively, to improve their living standards by negotiating a fairer share of the value they create, and to improve other aspects of their working lives.

For pluralists, such conflicting interests are not absolute. Employers and employees also have common interests that link them in interdependent relationships. Both parties usually want to generate value from their relationships so that there is more value to share. Thus, IR involves an inevitable mix of divergent, perhaps conflicting goals, as well as common or shared goals. Challenges for pluralist IR theory, therefore, focus on finding equitable and efficient settlements of differences, and ways to support value-creating solutions where interests overlap (Walton and McKersie, 1965; Fox, 1971; Gold, 2017).

The early institutionalists were strong proponents of research and involvement in policy-making and institution building, studying labour markets and IR, more through fieldwork than deductive model building. Their research and personal involvement provided a foundation for policy proposals in the USA in the 1930s' New Deal labour legislation (Katz and Colvin, 2016) and the UK welfare state from the late 1940s: unemployment insurance; workers' compensation; labour protections for children and women; minimum wages; and social security (Waddington, 2016). Such experiences helped to shape national models in newly developing economies. For example, with US military occupation of those countries after the Second World War, the US New Deal model influenced IR legislation in Japan (Suzuki et al., 2016) and South Korea (Lee, 2016). Australian arbitral models, born in the wake of major industrial disputes in the 1890s (Wright and Lansbury, 2016), influenced those of Malaysia and Singapore in subsequent decades (Sheldon et al., 2015).

COMPARING EARLY IR THINKING AND COMPETING APPROACHES

According to Thomas Kuhn (1970), a new paradigm for the study of a phenomenon must be judged by whether it is better able to solve problems than its alternatives. Across the social and behavioural sciences, attempts to explain the world of work have involved disagreements as to the identity of the main problems, and hence which phenomena require study and explanation. We briefly compare different approaches to IR during its early development.

Scientific Management

Scientific management dominated the study of US management and the design of work systems in the early twentieth century. The objective was to use engineering principles to find the optimal, most efficient methods for carrying out tasks to maximize output. For F.W. Taylor, the founder of this field, controlling labour through systematic planning, controlling and measuring of inputs and outputs plus appropriate pay incentives would generate worker satisfaction and therefore eliminate conflicts of interests at work (Taylor, 1895). This view of management and IR saw no rationale for worker voice, representation or practices that might try to balance power between workers and managers. Thus, scientific management theory contrasted with the normative assumptions of IR (Conti, 2013).

Industrial/Organizational Psychology (I/O Psychology)

Industrial psychology developed in parallel with scientific management. By contrast with institutional economics and IR, individuals, not groups or organizations, were the central unit of analysis. Most industrial psychologists seemed to assume that enterprises were closed systems where managers control workplace decisions. This again left no legitimate role for worker collective action, whether formal – through unions – or informal.

Human Relations

The field of human relations developed in the USA during the 1920s. It offered another paradigm for the study of employment and work, which has influence on IR thinking. The human relations school focused on workgroups as the key unit of analysis and the social dynamics that shaped worker attitudes and behaviour. Human relations theorists also countered scientific management by proposing that worker satisfaction drove efficiency at work, rather than the other way around (Roethlisberger and Dickson, 1939). These ideas fostered the development of welfare capitalism from the 1920s. Large enterprises based in mature capitalist economies sought to provide a set of benefits and positive working conditions to achieve efficiency. At least in the USA, a motive for employers was to eliminate incentives for workers to join unions (Jacoby, 1991).

Personnel Management/HRM

The field of personnel management built on human relations and industrial psychology. Fostering the development of personnel management thinking and practices were the management of the armed forces as well as paternalist legacies from British pioneers in Quaker enterprises like Cadbury, Rowntree and Lever Brothers (Child, 1969). Unlike IR, early approaches to personnel management (which later became HRM) sprung mainly from an identification with management priorities and concerns. While some variants of HRM have been, to some degree, pluralist, many embrace a 'unitarist' frame of reference. This means they do not accept as legitimate that employees had separate and also countervailing interests to management, not to mention employees acting on those interests.

By contrast, IR scholars generally do not ignore employees' interests. Rather, most IR scholars have seen employees as exerting important influences, at various stages, on managers' thinking and on public policy. They have thus contributed to the IR field's forging of its history of ideas, including those with unitarist frames of reference as well as pluralist and more radical ones (e.g. Fox, 1974; Dufty and Fells, 1989; Kaufman, 2004). Crucial to the expression of pluralist IR has been the development of collective bargaining.

COLLECTIVE BARGAINING: DEFINITION AND PURPOSE

What is collective bargaining? For the International Labour Organization (ILO),[4] collective bargaining extends to all negotiations which take place between an employer (or a group of employers), on the one hand, and one or more workers' organizations, on the other, for the purpose of:

a. determining working conditions and terms of employment; and/or
b. regulating relations between employers and workers; and/or
c. regulating relations between employers or their organizations and a workers' organization or workers' organizations.

Without access to collective bargaining, employees may be vulnerable to exploitation as the employer unilaterally determines the terms and conditions of their employment and work. The only constraints employers face are from labour market dynamics and from legislative protections, for example for minimum pay or maximum hours, holidays and workplace health and safety. Without collective bargaining, employee voice may be absent.

Collective bargaining, therefore, provides a mechanism to reconcile many of the most important aspects of people's lives. Whether they are always aware of it or not, it shapes people's lives at work, their opportunities – and those of their family members – as a function of their income gained through work, employment security and careers, access to training and career development, the balance between their work and non-work lives, health and safety, post-employment security and a range of other issues, which, in some countries, are related to broader social security provisions (Kochan, 2012; Sheldon et al., 2014).

For economic and social policy, collective bargaining can be an important mechanism through which to reduce inequalities of income. Indeed, there is strong evidence, including from the ILO, that countries with high collective bargaining coverage – the proportion of the workforce whose employment and work conditions are governed by a collective agreement – experience lower rates of inequality, determined by the ratio of the wages received by the top and bottom 10 per cent of workers (ILO, 2016: 21). Research evidence particularly suggests that multi-employer (collective) bargaining (MEB) – where one or more employer associations represent employer interests in bargaining with one or more unions – promotes greater economic equality by limiting wage dispersion and reducing skill/education-based and gender-based pay differences, particularly where this bargaining is coordinated (Aidt and Tzannatos, 2002; Dell'Aringa and Pagani, 2007).

Through collective bargaining, the parties aim to reach an agreement that will regulate terms and conditions of employment. These agreements are popularly (and also formally) known by diverse names like collective agreements (UK), labour contracts (USA and Italy), labour contracting (China) and enterprise bargaining agreements (Australia). While the aim is mostly a written, enforceable collective agreement, the parties may reach an impasse, rather than an agreement. In some circumstances, informal collective agreements can generate accepted custom or practice, despite being unwritten.

There is usually some conflict of interest between the IR parties, but they choose to negotiate, since they see bargaining as preferable to other means of deciding the issues at stake – like litigation, open conflict without communication, walking away from the relationship entirely or just conceding. Collective bargaining may take place in the context of continuing industrial conflict – like a strike or lockout – or might give rise to such conflict if bargaining reaches an impasse. However, because they accept the idea of give and take, the parties expect that they can make gains (or stem losses) through bargaining. These processes can also offer more than just conflict management. They can be a mechanism whereby parties can 'create something new that neither could do on its own' (Lewicki et al., 2015: 3).

EARLY DEVELOPMENTS IN COLLECTIVE BARGAINING

In the UK in the mid-nineteenth century, governments and employers did not recognize unions, and collective bargaining rarely played an important role, apart from among select groups of craftsmen. Some early worker collectives would simply make demands and strike if the employer did not concede. They did not want the delays that came with negotiations. Those negotiations that did take place often emerged in an atmosphere of crisis under pressure of sanctions (e.g. strikes, dismissals or lockouts); many of them were creations of temporary combinations of employees that subsequently disbanded. Collective agreements reached had only de facto validity, enforced simply by threats of industrial action.

The UK tradition emphasized the voluntary character of negotiations and autonomy for the bargaining parties, with little legal intervention and often a high degree of informality. In a divergence from their UK heritage, and following a wave of industrial strife in the 1890s, Australia and New Zealand experimented with the notion of compulsory and legally binding, state-controlled arbitration, which its advocates saw as an effective method of preventing and settling industrial disputes. This remained the dominant pattern until the late twentieth century. Although it is often assumed that there is a clear distinction between collective bargaining and arbitration, many arbitration awards follow on from bipartite collective bargaining and/or formalized conciliation processes (Isaac and Macintyre, 2004).

By the late nineteenth century, in some countries in continental Europe, once unions had grown in strength and recognition, the parties developed more extensive collective bargaining. These processes continued, albeit not smoothly, in the following decades in most other mature capitalist economies. In continental Europe, the growth of collective bargaining was facilitated by national legal systems' incorporation of collective agreements as a new source of IR rules or was hindered by restrictive legal regimes (van der Linden and Rojahn, 1990). This stood in contrast to the IR voluntarism of the UK.

In more recently industrialized economies, the (varied) roles of authoritarian governments have also conditioned how and when collective bargaining emerged. In Singapore, it emerged from the 1960s but increasingly became channelled into a supportive, strong-state tripartism (Sheldon et al., 2015; 444–5). In South Korea from the mid-1980s, it emerged when the military dictatorship was no longer able to suppress popular workplace mobilizations. For post-Maoist China, state-sponsored development of something akin to free collective contracting has been gradually more evident since supportive legislation in 2008 (Lee et al., 2016; Liu et al., 2016; Cooke, 2016; Jun et al., 2018).

VARIATIONS IN COLLECTIVE BARGAINING STRUCTURES AND PROCESSES

Collective bargaining can take place at one or more levels (or scales). The higher – more centralized – levels involve multi-employer bargaining (MEB) while enterprise or plant-level bargaining only involves one employer or one workgroup. In countries with mixed systems, industry-wide agreements may contain more detailed provisions than national-level agreements, which may create a general framework. In other circumstances, the higher-level agreements have a broader scope and are more detailed while enterprise-level agreements remain heavily circumscribed in what they add. The main levels, then, are:

- **National-level**: between economy-wide national (peak) associations (mostly federations) of unions and of employers. National agreements can set a framework for bargaining at lower levels, and/or deal only with specific issues of national policy import (e.g. pensions, occupational health and safety), and/or directly establish pay and conditions of employment and work throughout the economy.
- **Industry-wide**: between sectoral (industry-level) employer associations and unions, such as for the finance industry, road transport, health sector or mining. These collective agreements may regulate the whole sector or simply the members of signatory organizations.
- **Regional/territorial**: between one or more territorially defined employer associations and unions, whether for a city, a province or state.
- **Occupational/craft**: between craft or occupational unions representing groups such as journalists, hospital doctors or electricians and relevant employer associations or informal employer groupings.
- **Enterprise/plant**: between the management of that company (or plant/branch/subsidiary) and a collectivity of workers who may be represented by one or more unions or an informal committee.

The predominant bargaining level varies between countries and sectors. It largely depends on policy choices although inter-industry diversity in bargaining levels may reflect different levels of capital intensity, product market competition and technological vulnerability (Bean, 1994). Generally, centralized bargaining systems allow for collective agreements to cover those workplaces represented in the bargaining process. In countries with broad, representative unions and employers' organizations, this can include the majority – or all – of a given sector. This is particularly so where legally-based extension provisions, such as in Australia, Germany, France, Austria, Italy, Japan, the Netherlands, South Africa and Spain, can mandate a collective agreement's provisions to cover an entire sector or territory (Sheldon et al., 2014: 709–13; Visser et al., 2015; Hayter and Lee, 2018). In this way, national, industry or territorial bargaining ensures more inclusive labour protection is afforded to the entire workforce, by enabling broader bargaining coverage and associated lower pay inequalities and other protections.

Where bargaining takes place at multiple levels, coordination can be very important. Bargaining can be coordinated *vertically*, that is between higher- and lower-level institutions, especially when there is a relationship of dependency. It can also be coordinated horizontally, within or across sectors. In horizontally-coordinated bargaining, peak-level organizations coordinate pay demands, with agreements often taking into account macro-economic indicators and productivity, providing a range within which pay negotiations can take place in all sectoral negotiations (Eurofound, 2016).

In recent decades, employer associations and pro-business governments have campaigned to decentralize bargaining to the enterprise level, at times via legislative fiat (Sheldon and Thornthwaite, 1999; Katz and Darbishire, 2000). More recently, this has also been evident following the 2008 economic crisis, as decentralization became one of the mandatory conditions accompanying international financial assistance packages (Visser et al., 2015; Visser, 2016). Claimed rationales for forcing decentralization have included devising collective bargaining – and IR more generally – to align outcomes more closely with (the employer's) organizational strategy and performance. The UK, Singapore, Australia and New Zealand, for example, have joined the USA, Canada, Japan and South Korea as having most of their remaining collective bargaining at this lowest level. An unanticipated outcome has been that the effects of decentralization severely threaten the organizational sustainability of employer associations themselves (Sheldon et al., 2016).

As Table 18.1 suggests, decentralization tends to shrink coverage of collective bargaining to larger enterprises and more unionized sectors, as in manufacturing, mining, construction, transport and, in some countries, the public sector. This process may also shrink union membership to those workers covered by enterprise agreements, weakening national unionization levels overall and encouraging widening inequality in some instances. Thus, union density levels and collective bargaining coverage are similar – and low. Exceptions include France where the effects of legislation allow very wide bargaining coverage despite very low union density (Sheldon et al., 2014: 710–12; Visser et al., 2015: 3–6).

Bargaining activity, at whatever level, requires some bargaining coordination: for workplace-level bargaining within a multi-workplace organization, this falls to union delegates (or local managers) across work units in one workplace or among the union (or managerial) negotiators responsible. Where enterprise bargaining is prevalent, unions (or employers) may seek to generalize gains made in one enterprise to others by 'pattern bargaining': coordinating a bottom-up campaign using the same set of claims at other workplaces (Sheldon et al., 2014). More centralized bargaining requires higher-level coordination between employer associations and member enterprises, peak unions and their affiliates and, sometimes, those parties and government.

Global union federations have also tried to promote international collective bargaining. This is particularly the case in sectors dominated by large multinational enterprises, as in chemicals and car manufacturing, or where the sector itself is inherently global and suffers from a 'race to the bottom' regarding

Table 18.1 Comparing the effects of single and multi-employer bargaining

	Single employer bargaining	*Multi-employer bargaining*
Rate of coverage	Low to moderate (rarely above 30 per cent of workforce)	High (from about 50, up to 98 per cent of workforce)
Subjects	Can reflect specific needs – and economic performance – of the enterprise	Establishes standards beyond enterprise, reflecting sector-specific needs and providing for systems (social protection, vocational training and workforce transition) which apply sector-wide
Who is covered?	Applies either to the workers on whose behalf the agreement is negotiated, or may – unilaterally or by mutual agreement – be extended to all workers in the enterprise	Applies to signatory parties and affiliates; in certain circumstances may be extended by public authority beyond signatory parties, to all workers and employers within the industrial or territorial domain of the agreement
Impact on wages	Compresses wage structures within the enterprise	Limits wage dispersion across enterprises within a sector, reduces pay differences based on skill, education or gender
Implications for inequality	Countries with low levels of collective bargaining coverage are associated with higher levels of wage inequality (D9/D1 wage ratio or P1/P10 earnings ratio)	High levels of collective bargaining coverage – associated with coordinated and centralized collective bargaining systems – associated with lower inequality; erosion of centralized bargaining arrangements associated with increased income inequality

Sources: IRData (ILOSTAT); Hayter and Visser, 2018; Hayter, 2015; Visser, 2016; Grimshaw et al., 2017; Global Deal, 2018.

employment and work conditions. This is the case with shipping (Sheldon et al., 2014: 694–6).

While a narrower definition of collective bargaining implies only bipartite negotiations between employers and unions, a broader view also includes the state as a (potential) third party. Such practices have been very evident in Western Europe, South Korea and Singapore, for example, and were previously evident in the UK and Australia. Such state involvement in political bargaining and tripartite negotiations mostly occurs at the national level. Issues negotiated range from skills and training, pay, social protection, occupational safety and health, legal and institutional reforms as well as broader macro-economic policy areas like employment policies and taxation. Such national tripartite social dialogue – sometimes leading to broad tripartite agreements and social pacts – can represent an important element in macro-level, participatory labour market governance (ILO, 2018).

COLLECTIVE BARGAINING AND IR THEORY

The Webbs (1897) viewed collective bargaining as an alternative to 'individual bargaining' and 'autonomous regulation'. For them, it was one of three union regulation strategies to protect and improve their members' employment conditions; the others were 'mutual insurance' and 'legal enactment'.

Commons (1934) investigated negotiations and compromise among the divergent interests of unions, employers and the public, while Slichter et al. (1960) saw it as a system of industrial jurisprudence. Alan Flanders (1975) pointed out that it is misleading to contrast collective bargaining with individual bargaining. Indeed, Flanders (1975: 213ff.) saw collective bargaining as a political process, involving joint rule-making and power relationships, which could enhance the dignity of employees. Workers starting a new job enter an individual employment contract, not a collective one, but coverage by a collective agreement can provide a minimum-rights framework or foundation for individuals in employment. For example, an employment contract cannot specify a pay rate below that in the collective agreement.

Hugh Clegg (1976) used six 'dimensions' of collective bargaining structures to explain the comparative historical experience of union behaviour, whether expressed internally or externally. These dimensions are: the 'level' at which bargaining takes place; the 'extent' or inclusiveness of coverage of the process and outcome relative to the potential population of employers and employees; the 'scope' or range of issues bargained; the 'depth' or the degree of involvement of local or plant level union officials in bargaining; 'union security' or support from employers for union recruitment and retention of members; and the 'degree of control', which refers to the extent to which a collective agreement includes obligatory standards and effective grievance procedures. To these can be added the 'form' or type of bargaining structure related to the degree of institutionalization or state involvement in collective bargaining (Thornthwaite and Sheldon, 1996). Focusing on changes to at least some of these dimensions is an effective method for analyzing comparative changes to collective bargaining structures over time and space. Clegg (1976) argues that his dimensions of collective bargaining are themselves mainly determined by the structures of management and of employer organizations.

Roy Adams (1981) examines, cross-nationally, employer behaviour within the development of collective bargaining. Adams' starting point was the significant difference, historically, in Western European employers' responses to unionism compared to those in North America. In the former, typically, employers are organized into strong associations that have engaged in collective bargaining with unions (and with the state). By contrast, in North America, employers have generally not formed strong associations, and particularly not in the major manufacturing industries. Even where they have, those associations mostly do not engage in collective bargaining. Adams attributes these differences to the different early political, economic and organizational strategies of the various labour movements and how these induced differing degrees of state intervention and employer concessions.

When comparing the role of employers and their organizations in the development of collective bargaining in seven countries, Keith Sisson (1987) also concludes that differences between the countries were rooted in their historical experiences, particularly flowing from diverse impacts of industrialization. In Western Europe and Australasia, multi-employer bargaining emerged as dominant largely because employers in their metal-working industries were confronted with the challenge of national unions organized along occupational or industrial lines. In contrast, single-employer bargaining developed more strongly in the USA and Japan because the relatively large employers that had emerged at an early stage of industrialization in both countries were able to exert pressure on unions to bargain at the enterprise level.

TRANSFORMATIONS IN IR AND COLLECTIVE BARGAINING SINCE THE 1980S

In several countries, pay determination and IR practices changed fundamentally during the 1980s. There was a decline in the power of strike threats and, in countries like the UK, Australia and Italy that previously had many strikes, strike levels dropped precipitously. Moreover, there was a general weakening of unions. Since 1980, union densities declined in many countries, if unevenly (Schnabel, 2013: 256–7). Yet, even in countries like Australia, New Zealand and the USA, where unionism has declined to low levels, there is evidence of a large 'representation gap': non-union workers express a preference to join unions (in proportions outstripping actual union density) but they view membership as not readily attainable without potential negative implications for their own job security (e.g. Freeman and Rogers, 2006; Haynes et al., 2006; Kochan, 2012: 304).

From the 1980s, in LMEs like the USA, UK, Australia and New Zealand, these trends can be largely attributable to concerted efforts by employer interests to undermine collective IR – unions and collective bargaining – and, in some cases, statutory individual employment protections. In all these cases too, those employer campaigns – whether coordinated or fragmented to the corporate level – received support from governments (Gall and Dundon, 2013). Most famously, in the USA, support came from President Reagan's administration and, in the UK, that of Margaret Thatcher.

Employers in the USA became more openly and aggressively hostile towards unionism, embarking on pervasive union substitution and/or suppression. They were able to avoid new union organizing by moving operations from union to non-union contexts, for example in Southern (right-to-work) states or overseas. They interfered aggressively in union representation certification campaigns and used the threat of moving production to non-union contexts in 'concession bargaining' that forced cuts in pay in unionized workplaces in new contracts (Kochan, 2012; Logan, 2013). These developments influenced conceptual development of an expanded IR model (Kochan et al., 1986) that emphasized the role of management strategy in employment relationships and IR processes and outcomes. In particular, it brought a new focus on the influence of high-level business/competitive strategies and strategic choices on many aspects of IR.

Thatcher's government rewrote IR and employment legislation to weaken the rights of workers and unions in the UK. Further, it intervened in major disputes, aiming to curb the power and role of unions, particularly the miners' union, formerly one of the UK's most powerful and militant. Unions and collective bargaining struggled following deindustrialization of union heartlands and the arrival of overseas MNEs seeking enterprise unionism or non-union workforces and 'flexible' labour markets. The subsequent New Labour government's National Minimum Wage Act 1998 reflected a failure of collective bargaining to eradicate low pay (Waddington, 2016).

By contrast, Australia had a federal Labor government from 1983 to 1996 with close links to unions. Together with the national union council (federation), it agreed on a series of (corporatist) socio-economic 'accords' that followed from national-level collective bargaining. This reflected the direct influence of Western European corporatism within coordinated market economies. Nevertheless, heavily influenced by the collective voice of big business, Labor governments induced a decentralization of bargaining to the enterprise level and, in 1993, introduced a formal non-union enterprise bargaining stream. An anti-union conservative government (1996–2007) intensified these trends, introducing tough anti-worker and anti-union laws, including, effectively, an outlawing of pattern bargaining (Sheldon and Thornthwaite, 1999; Wright and Lansbury, 2016).

These trends in the USA, UK, Australia and New Zealand, some of the most dramatic and pessimistic for pluralistic IR, followed economic crises of the 1970s that had greatly weakened manufacturing industries in many mature capitalist economies – historical heartlands of unionism and collective bargaining. Manufacturing enterprises and workers subsequently became vulnerable, from the 1980s, to the seemingly inexorable rise of low-cost East Asian competition, initially from Japan, but then from South Korea, Taiwan, Hong Kong and Singapore. From the mid-1900s, it was the turn of cheap, mass manufacturing from mainland China – produced in a context largely devoid of individual and collective labour rights – to destabilize further manufacturing markets, workforces and IR around the world. Similar internal and external pressures on employment and IR have also become increasingly evident in more coordinated market economies. Indeed, employer campaigns, in many countries, for increased 'flexibility' have directly targeted unionism, employee-protection legislation and collective bargaining coverage and depth. Given the relationship between collective bargaining and more equal wage distribution which we mentioned earlier, falling bargaining coverage, evident in many but not all countries, may be leading to widening inequality in wages.

These trends meshed with longer-standing shifts, some of which technology-induced and some reflecting government policies: from larger to smaller enterprises; from public to private employment; from manufacturing industries to services, and in particular to private services; from secure to insecure employment or labour hire. Large enterprises are easier to unionize than small, public sectors easier than private, and manufacturing easier than private services. And private services, particularly those using precarious employment and many younger workers, have generally been the most difficult for unions and collective bargaining to penetrate (Schnabel, 2013: 258–63).

In the meantime, MNEs – including those from emerging economies like China and India – have been greatly increasing their economic footprints. Part of this process has involved their reconfiguration of production processes through global supply (or value) chains. Increasingly, MNEs' foreign subsidiaries contract, produce and sell (e.g. components) to their other subsidiaries rather than to local markets. The greater ease of locating work and trade across national borders affects a wide range of work and employment issues. MNEs have used this production architecture to choose localities presenting advantages that they desire (Beugelsdijk and Mudambi, 2013; Haworth, 2013).

Many choices, by MNEs and other employers, reflect low-cost IR preferences for non-union workforces, no collective bargaining, and minimal statutory labour protection. Thus, globalization has been associated with, among other things, reductions in workers' labour market power in 'home' countries, growth in income inequality and more widely distributed job insecurity. These feed into a broader pattern of enterprises raising their own rates of saving to invest in new technologies, an effect of which has been declining income shares, paid to labour, of global corporate gross value added (Karabarbounis and Neiman, 2012). Yet, MNEs also prioritize qualities like access to political stability, highly-skilled workforces, social cohesion as well as good education, research and development infrastructure.

While many of these developments make it more difficult to regulate IR and collective bargaining through national laws and enterprise-centred rules and policies, their impacts on union density and collective bargaining access vary cross-nationally (Schnabel, 2013: 266–7; Visser et al., 2015: 8–10). In some other contexts, and sometimes with union complicity, these changes have left 'core' (largely older and unionized) workers protected, while tolerating precariousness for new labour market entrants or the less skilled. Yet, apart from the longer-term implications of this strategy for union movements, research strongly suggests that precariousness can produce a range of negative outcomes for workers (Bohle et al., 2001; Barbieri, 2009; Lewchuck, 2017).

In response, in North America and North-Western Europe (in particular), unions, policy-makers and academic researchers have promoted new frameworks to overcome any dichotomy between, first, enterprise-oriented flexibility measures and, second, employee security and voice. There has been substantial research on the processes and outcomes of different choices in terms of employee outcomes, productivity and profitability. Moreover, to extend inclusive employment protection to such workers, certain unions are investing organizational resources, reaching out to new groups, including vulnerable groups, migrant and non-standard workers, as well as others who traditionally may not have been unionised.

By the end of the twentieth century in the USA, flexible work systems and employee involvement in production and workplace decisions increasingly served as positive complements to investments in technology and training, producing significant improvements in productivity and service quality (Ichniowski et al., 1996). Theory and evidence from various countries suggest that high-performance work systems (HPWS) – a high-pay–high-productivity equilibrium using innovative practices – is possible across diverse sectors. The international literature paints diverse pictures and is influenced by varied thinking from the fields of OS and HRM as well as from IR. Nonetheless, there is some consensus that areas for management action on HPWS should include organizational innovations such as employee involvement in workplace decisions, quasi-autonomous teams, training for multi-skilling and communication skills. These require support like timely information disclosure and problem-solving groups – and from employment practices such as job security, internal promotion and, perhaps more controversially, performance-related pay. For Kalmi and Kauhanen (2008: 431), this can be summarized as 'participation, incentives and skills'.

Although they have generated much commentary, HPWS have not been widely deployed. Where they have been deployed, they may have included only a few of the main HPWS characteristics, and in haphazard combinations. Rather, as mentioned earlier, many employers in the USA have maintained an aggressively unitarist frame of reference, rejecting workers' access to unions and collective bargaining when adopting HPWS. Persistent competition from low-pay/low-cost approaches has also encouraged preferences for 'low-road' approaches (Kochan, 2012). Exceptions include 'high-road', pluralist approaches, for instance at Southwest Airlines and the Kaiser Permanente managed healthcare organization (Bamber et al., 2009; Kochan et al., 2009).

In other countries, the introduction of HPWS has sometimes been part of pluralist experiments that may be more inclusive of unions and collective bargaining (Bryson et al., 2005; Kalmi and Kauhanen, 2008). Indeed, Bryson et al. (2005: 467) argue that: 'In effect, union bargaining can either lower or raise the costs of … [HPWS] introduction.' They suggest that the UK evidence of increasing use of HPWS has not come at the expense of unionization. Therefore, the interaction of IR and HPWS may be much less negative for employees and their unions than US-based research suggests.

Seeking similar outcomes but through different design and implementation strategies, European labour movements, most prominently in Denmark and the Netherlands, have sought, through legislation and collective bargaining, to introduce forms of 'flexicurity' that build worker and union security protections into flexible employment and production systems (Madsen et al., 2016). This is more possible in CMEs than LMEs, as CMEs much more readily lend themselves to developing government policies that underpin forms of employee security necessary to reach consensus on enterprise-level flexibility (Marginson and Galetto, 2016; Paolucci, 2017).

CONCLUSION

For many decades, collective bargaining provided crucial mechanisms for redistributing income in society towards equality as well as in protecting and advancing workers' employment, incomes, career, and health and safety interests. It also proved a constructive support for management planning, employee retention and conflict settlement. IR, as a field of knowledge, focused on these structures, processes and outcomes, together with a host of linked themes and trends; around the world, the field also played an influential role in the design and implementation of these processes.

In many countries, there has been a significant decline in the percentage of people covered by collective bargaining and other formal IR institutions (particularly unions) in comparison with twentieth-century high watermarks. This change reflects a range of influences, depending on the country. In LMEs in particular, there have been changes to employment structures including a dramatic growth of the private services sector, SMEs and self-employment via 'freelancing' and 'digital platform work' (Johnston and Land-Kazlauskas, 2018); employers and managers shifting their rhetoric and practice towards more 'individualized' and less collective relations with employees; and governments changing their rhetoric and legislation in a similar direction.

Together these factors have contributed to the fragmentation of secure employment, incomes and life chances for increasing numbers of people working in low-paid, largely unprotected, non-standard employment, or in sham self-employment and subcontracting. These have become areas of 'the working poor' and pay theft by employers (Ilsøe, 2016). They have contributed to widening income, wealth and health disparities in some mature capitalist economies that may remind us of the not-distant era before the emergence of unions, collective bargaining and protective legislation, developments that greatly reduced poverty and provided improved life chances to the many at work and outside.

Such effects have provoked necessary debate about how to adapt policies and institutions to cope, not only union revival strategies, but also other forms of employee representation and mobilization. Most formally, these include European-style works councils legally embedded in enterprises. From outside the workplace, there have also been social movements with and on behalf of low-paid, insecurely employed immigrant workers for decent minimum pay. These movements, often having union support or involvement, include Justice for Janitors (USA) and London Citizens (UK) (Waldinger et al., 1998; Holgate, 2015). There have also been large campaigns by NGOs against abusive employment and deleterious work in global supply chains. These have generated (unevenly successful) forms of public and private protective labour regulation (Mayer and Gereffi, 2010; Anner, 2012).

The outcome of such debates could have important consequences for the design of institutions of worker voice in employment relationships. Much twentieth-century labour law was premised on workers having the right to collectively bargain about employment and working conditions, while employers and managers had the prerogative to make strategic business decisions. If, by investing their human capital, workers become a residual risk bearer similar to financial investors, then there is no logical basis for excluding them from a voice in strategic decisions and corporate governance. Thus, some scholars have extended the study of IR and collective bargaining to include issues of corporate strategy and governance and theories of the firm/enterprise (e.g. Gospel and Pendleton, 2003).

The field has also expanded in response to changes in relationships between work and family/personal life (Kossak, 2006; Fong and Bainbridge, 2016). With the growth in female labour force participation and changing expectations of parental roles, there has been a rethinking of what makes for family-friendly employment. This has brought calls for changes to legislation, collective agreements and to employers' HRM policies and workplace practices in order to provide flexibility in hours and career options for women and men.

In some ways, the IR field has returned to earlier approaches. Many contemporary researchers are focusing on a broad proposition that the type of economy, workforce, the nature of work and its relationship to other institutions such as family life have all changed dramatically, yet public policies and institutions still reflect the legacy of a declining industrial-based economy. New and interesting areas of research reflect some of the major changes underway, whether it has to do with knowledge work and workers (e.g. Benson and Brown, 2007); 'emotional labour' and services jobs; IR and the 'gig economy' (Stewart and Stanford, 2017; Wright et. al., 2017; Johnston and Land-Kazlauskas, 2018) or the spread of IR institutions and processes to countries in the 'global south'. The gap between policies and institutions and contemporary realities of work and family life lies at the heart of the tensions and pressures building in workplaces around the world. Much of this also encourages renewed cross-fertilization with other fields, including HRM, OS, law and sociology. Yet, a central task of those investigating contemporary work and employment issues, as for their IR forerunners, is to conduct research and policy analysis that prepares for opportunities to improve theory and practice.

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Notes

1 Such as the International Covenant on Economic, Social and Cultural Rights (1966), the International Covenant on Civil and Political Rights (1966) and perhaps most well known, the Universal Declaration of Human Rights (1948).

2 The Freedom of Association and Protection of the Right to Organise Convention, 1948 (Convention 87) and the Right to Organise and Collective Bargaining Convention, 1949 (Convention 98).

3 On the differences between LMEs and CMEs, see Hall and Soskice (2001) and Bamber et al. (2016).

4 Collective Bargaining Convention, 1981 (Convention 154).

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19

Discipline and Grievances

Brian Klaas

INTRODUCTION

This chapter addresses workplace discipline and grievances. For some observers, these topics suggest traditional workplace environments where there are formal and detailed disciplinary procedures and highly structured grievance processes. Within such environments, managerial action is guided by detailed policies and employees have access to processes with multiple steps for appealing disciplinary or other management action (Bamberg, Kohn, & Nahum-Shani, 2008; Lewin & Peterson, 1999; Pohler & Luchak, 2014). In some ways, the imagery suggested by the chapter title seems far afield from many workplaces in the modern economy. In many knowledge-based or entrepreneurial organizations, greater emphasis is placed on developing agility, competencies that allow mobility across organizations, and processes that build commitment and minimize the need for discipline and grievance activity (Cappelli, 2008; Cooke & Saini, 2015). But in reality, managers and employees across a range of different organizations and different cultures must address dysfunctional behavior and substandard performance, abusive managerial behavior, and employee complaints and grievances. These pressures arise regardless of whether a firm is an entrepreneurial organization with few rules and procedures or a more traditional firm guided by structured processes and elaborate rules. While systems for selection, rewards, and engagement may help control dysfunctional behavior, performance and behavioral problems remain prominent features of organizational life – features that can be both very disruptive and difficult to manage in a construction fashion (Batt & Colvin, 2011; Cappelli, 1999; Desmet, Hoogervorst, & Van Dijke, 2015). Similarly, abusive and/or capricious managerial behavior remains a central theme in organizational life, highlighting the continuing relevance of offering systems for employees to voice grievances regarding their treatment (Batt & Colvin, 2011; Klaas, Buchanan, & Ward, 2012).

It is within this context that disciplinary and grievance processes should be considered. Organizations are confronted with ongoing questions about what grievance rights employees should be granted and how disciplinary procedures should be structured to ensure fair treatment and organizational effectiveness (Bryson, Willman, Gomez, & Kretschmer, 2013; Charlwood & Pollert, 2014; Colvin, 2003). And, indeed, these challenges are perhaps more complex today than in the past. Looking across settings, what may be a satisfactory model in one context (e.g., a traditional and relatively stable organization) may be a questionable fit in another context (e.g., a start-up venture). Further, many of the changes that have been observed in industry structure and the employment relationship introduce important questions about how to manage disciplinary and grievance issues (Godard & Frege, 2013). Much of our conventional wisdom about how such matters should be managed is based on an employment model that is very different from what is experienced by many employees and managers (Cappelli, 1999). Not surprisingly, then, across organizations, across sectors, and across countries, we can see significant experimentation with how the disciplinary and grievance process is structured (Harris, Tuckman, & Snook, 2012; Mowbray, Wilkinson, & Tse, 2015).

In this chapter, we will examine what research tells us about the design and structure of disciplinary and grievance systems, including recent efforts at experimentation. We will examine work focused on recent efforts at experimentation and how managers and employees use disciplinary and grievance systems within different contexts. Our goal is both to identify what is known and to identify key questions that need to be addressed.

INSTITUTIONAL ARRANGEMENTS FOR DISCIPLINE AND GRIEVANCES: DIFFERENT SETTINGS, DIFFERENT MODELS, DIFFERENT OUTCOMES

The literature on discipline and employee grievances has long emphasized the important role played by institutional structure in determining employee grievance behavior and disciplinary issues (Colvin, 2003; Olson-Buchanan & Boswell, 2002; Wheeler et al., 2004). Discipline is designed to allow managers to pursue efficiency goals by modifying employee behavior or removing individuals from the workplace (Arvey & Jones, 1985; Elling & Thompson, 2008). However, traditionally, there has been a desire to balance concerns about efficiency with equity goals (Budd & Colvin, 2008). Efforts to balance these goals are sometimes pursued as part of a strategy of building employee commitment and promoting efficiency (Pohler & Luchak, 2014). As efforts are made to balance these goals, other efforts are often made to provide managers with sufficient discretion while at the same time ensuring: (a) consistent treatment of employees; (b) employee awareness of organizational expectations; (c) appropriate opportunities for behavioral change; and (d) the progressive use of sanctions. The ultimate goal of such efforts is to provide managers with the tools necessary to address problem behavior and to ensure due process and procedural fairness (Wheeler et al., 2004).

Because balancing equity and efficiency is a difficult task, with different stakeholders likely to take very different views, institutional structure and rules often are used to guide the effort to secure an appropriate balance (Wood, Saundry, & Latreille, 2017). However, organizational and contextual factors are likely to affect what institutional structures emerge to balance equity and efficiency. Accidents of history, economic pressures, political dynamics, and cultural issues all combine to affect institutional arrangements within a given setting (Cooke, Zie, & Duan, 2016). As such, across firms, countries, and time periods, different institutional arrangements are likely to emerge to guide managerial use of discipline and employee grievance behavior (Katz, Kochan, & Colvin, 2015). Institutional arrangements will likely affect disciplinary behavior because it will alter the perceived utility associated with taking disciplinary action. Institutional structure will affect the effort required to move forward with disciplinary action, how co-workers will react to discipline, the likelihood that managerial action will be overturned, and the personal risks experienced when taking action (Elling & Thompson, 2008; Shulruf, Woodhams, Howard, Johri, & Yee, 2009). Similarly, institutional arrangements will affect the perceived utility of using voice. They affect the perceived level of social support, the likelihood of retribution, and the potential for obtaining a favorable hearing (Harlos, 2010; MacDermott & Riley, 2011; Olson-Buchanan & Boswell, 2008; Walker & Hamilton, 2012).

The impact of institutional arrangements is likely to go beyond the impact on perceived costs and benefits of taking disciplinary action or using voice. Institutional arrangements are likely to also affect behavior due to the impact on critical psychological processes. For example, power is thought to affect how managers view transgressions. Managers with higher levels of power are likely to have higher levels of moral clarity, which is thought to lead to more harsh actions in response. Because institutional structure can restrict managerial discretion and power, it can affect the moral clarity with which transgressions are viewed and the severity of the response (Wiltermuth & Flynn, 2013). Beyond this, institutional structure can affect the development of cultural norms as it relates to the use of discipline or the exercise of voice. Where significant, due process requirements are imposed in order to move forward with discipline, norms may develop within the organization that discourage the use of discipline, with these norms affecting behavior above and beyond perceptions about the difficulty of being successful with disciplinary action (Elling & Thompson, 2008).

Institutional arrangements will play an important role in determining how managers will use discipline, what disciplinary practices are likely to be effective, and how grievances will be used in response to disciplinary action. And across the globe, there are many different models in operation. While it is beyond the scope of this chapter to address the complete array of institutional arrangements observed across organizations and cultures, it may be useful to examine research addressing a limited set of arrangements and to explore how they impact behavior and outcomes. Because there is a broad array of institutional arrangements and because there is much experimentation, such an examination may offer insight regarding the effectiveness of different efforts to balance employee rights and managerial discretion and efficiency.

DISCIPLINE AND GRIEVANCE INSTITUTIONAL ARRANGEMENTS: MODELS FROM EMERGING MARKET SETTINGS

Emerging markets offer interesting opportunities to examine variation in institutional structure and the relevance for disciplinary and grievance behavior. In many such settings, there are often stark differences across sectors of the economy in the institutional structure. Further, significant change in structure has been prompted by a rapidly developing management infrastructure and a highly dynamic competitive environment (Katz et al., 2015). In this chapter, we will examine recent research in two leading emerging markets.

In China, institutional rules and procedures relating to discipline and grievances are often modest in their impact and limited in terms of specificity. As a consequence, discipline and grievances are highly affected by industry needs and cultural norms (Katz et al., 2015). Further, while unions may exist, they often play little role and do little to ensure consistency in practices across firms (Gallagher & Dong, 2011; Pringle, 2011). Efforts at regulation have been introduced with the Labour Mediation and Arbitration Law in 2008. This statute provides mechanisms for employees to seek assistance via mediation and/or arbitration. It was designed to reduce the burden upon the employee associated with using mediation and arbitration and allows for issues relating to dismissal to be addressed (Park & Cai, 2011). However, significant obstacles exist for employees attempting to use this law to address concerns with actions taken against them (Gallagher, Giles, Park, & Want, 2015). While organizations have been established to provide means for redress, they suffer from a lack of resources, a lack of independence, and limited access to qualified arbitrators. Further, in most instances the burden of proof lies with the employee, making it difficult for employees challenging issues such as dismissal (Cooke et al., 2016; Pringle, 2011). As such, while statute provides a mechanism for addressing disputes, in practice, employees are often dependent upon grievance and voice processes provided by management as part of internal systems. Evidence suggests that it may well be common among larger, established firms to provide access to mechanisms for internal voice (Cheng & Yang, 2010). Mechanisms provided vary, but include open-door policies, access to the worker rights section within the union, and/or access to the board of directors or the general manager. Reactions from employees suggest that the impact of these internal systems is highly dependent upon the attitude and philosophy of the management team. Findings suggest that paternalistic attitudes and Chinese cultural traditions affect the way in which such systems are used. Very often, they are used as mechanisms to allow management to offer explanations and justifications rather than review the original decision in response to a challenge from an employee (Cooke et al., 2016). As referenced above, there are statutes established to provide access to mediation and arbitration outside of the organization. However, the limitations associated with these external mediation and arbitration services may limit their capacity to affect how internal mechanisms are used by the management team. Put otherwise, concern about a case moving from an internal matter to one addressed in mediation or arbitration has not typically served as motivation to alter how internal mechanisms are designed and used. In the Chinese model, there are provisions for external review (Cheng & Yang, 2010). However, it is unclear whether the teeth within these processes are sufficient to change behavior among managers or among employees as it relates to the use of discipline or grievance behavior. As such, whether efforts are made to alter the balance between organizational efficiency and employee rights is likely to depend on assessments regarding the impact of offering voice and procedural protections on commitment, engagement, and performance.

India is another emerging economy that has drawn interest from scholars examining discipline and voice (Bhattacherjee & Ackers, 2010). This interest may stem from the dramatic transformation occurring within the Indian economy. With this transformation, there are very different sectors in the Indian economy, with each facing a very different competitive environment and a very different mode of engagement with the state and the regulatory environment (Ahsan & Pagés, 2009). There remains a large informal economy which is far removed from established human resource procedures. There also is a more traditional sector, including manufacturing and heavy industry (Katz et al., 2015). This sector is more subject to engagement with the state and other institutional pressures. As an example, statutory code specifies that factories over a certain size must offer welfare officers and works committees, with these entities engaging in activities related to grievances and disciplinary matters. Within these more traditional sectors, where legal codes and institutional pressures are more relevant, a more rights-based and formal process for addressing grievances appears to be the norm (Bhattacherjee & Ackers, 2010). Less traditional sectors (including firms in information technology) are less affected by statutory code and more connected to competitive dynamics in the global economy. Firms in this sector have significant discretion with regard to HR systems, including practices relating to discipline and grievances (Cappelli, Singh, Singh, & Useem, 2010). As such, managerial behavior as it relates to disciplinary and grievance activity is likely to vary significantly within this sector, as different firms are likely to develop very different models. It should be noted that a number of firms in this sector have adopted sophisticated HR systems, with efforts to develop practices that fit with the cultural context. Research suggests that among firms in this sector, efforts to address discipline and grievances appear to emphasize reducing the need for discipline and grievances via building employee engagement. Emphasis is also given to efforts designed to address conflict quickly using internal resources. Efforts appear to give limited attention to formal processes and adjudicating disputes with the involvement of disinterested parties (Cooke & Saini, 2015). Scholars examining disciplinary and grievance processes in India recognize the utility associated with minimizing the need for disciplinary action and grievance behavior by building engagement and moving to address disputes at an early stage. However, scholars have raised questions about the consequences of minimizing access to rights-based systems for addressing disputes and they have raised questions about the consequences of making disciplinary and grievance processes contingent upon managerial philosophy and organizational culture. While injecting a rights-based approach has the potential to limit discretion and reduce efficiency, scholars have suggested that offering more explicit rights may strengthen efforts to build commitment and may complement efforts to address disputes proactively (Cooke & Saini, 2015). While scholars have examined practices within Indian organizations, research has yet to examine employee reactions to these different approaches and it has yet to examine whether offering explicit rights within an interest-based system may actually add value in a complementary fashion.

DISCIPLINE AND GRIEVANCE INSTITUTIONAL ARRANGEMENTS: MODELS FROM THE UNITED STATES

While some advanced industrial economies have moved toward some uniformity in institutional rules regarding discipline and grievances (Wood et al., 2017), the United States displays significant variation in institutional structure. There are sectors where managers operate more informally and where there is little in the way of restrictions imposed either by a HR system or by outside institutions or regulatory codes. In these settings, there are minimal levels of formality and few procedural restraints as it relates to disciplinary and grievance processes. While employees may well be provided with feedback regarding the need to improve, management is not obligated to be explicit about the conditions under which discipline and termination will occur (Wheeler et al., 2004). These more flexible systems are designed to ensure that managers have the discretion to respond to changing conditions by using dismissal if they feel it is justified (Klaas & Dell'omo, 1997). They are based on the assumption that employees may feel less ownership regarding their job, that there is sufficient fluidity in the labor market to minimize the consequences of termination for the employee, and that it can be difficult to specify in advance what is required to maintain employment (Cappelli, 1999). These more flexible models are also based on the idea that formal systems often require managers to invest significant time in attempting to rehabilitate a problem employee and that providing formal documented warnings can result in costly employee reactions. As a result, the goal of these more flexible models is to allow managers to more quickly and efficiently address problem behavior within the workplace. While this efficiency may come at the expense of employee rights, these models are also premised on the notion of fluid labor markets and interchangeable jobs (Colvin, 2003). However, it should be noted that even in organizations where informality is emphasized with regard to discipline and grievances, the use of discipline may be affected by the potential for claims that disciplinary action was motivated by discriminatory intent as it relates to gender, race, or other protected categories (Goldman, 2003; Wheeler et al., 2004).

Within the United States, there are also sectors where regulatory systems significantly constrain managerial decisions regarding discipline and provide for significant rights relating to the grievance process (Marsden, 2013). For example, collective bargaining contracts typically specify disciplinary rules that both guide managerial decision-making and limit managerial discretion by indicating when different disciplinary sanctions are justified. Grievance systems are also specified with opportunities for third-party arbitration. These systems have been studied extensively over the years (Boroff & Lewin, 1997; Lewin & Peterson, 1999), with evidence suggesting that grievance activity is linked to the presence of aversive conditions, the level of labor–management conflict, and employee attitudes and individual differences (Bamberger et al., 2008; Bemmels, 1997; Harlos, 2010; Olson-Buchanan & Boswell, 2008). While attention is often given to early-stage resolution of grievances, employees have access to a well-developed rights-based process for adjudicating claims (Klaas, Mahony, & Wheeler, 2006). Because individual employees are supported via union representation, there is clarity regarding access to due process procedures (Pohler & Luchak, 2014). Questions have arisen, though, about whether providing this access has served to unduly limit managerial discretion (Klaas & Dell'omo, 1997). It should be noted, however, that grievance rates vary widely across settings, with the highest level of grievance activity observed in settings where there is significant labor–management conflict. It is less clear whether discretion and efficiency are severely impacted in settings where labor–management cooperation is high and where union leaders can work to resolve conflict prior to escalation (Batt, Colvin, & Keefe, 2002).

The public sector also typically offers significant specificity regarding disciplinary and grievance processes, even in the absence of collective bargaining. Elling and Thompson (2008) examined dismissal rates in the public sector and found that rates of dismissal were relatively low, perhaps because there are often significant procedural requirements guiding the use of discipline and significant rights as it relates to employee grievances. Such a conclusion would be consistent with prior work showing that managerial willingness to use discipline was reduced by procedural requirements that required more extensive documentation and due process requirements (Klaas & Dell'omo, 1997; Klaas, Brown, & Heneman, 1998). Interestingly, though, Elling and Thompson (2008) also found that variation in dismissal usage was not associated with efforts to streamline procedural requirements or with differences in union representation. However, it is unclear whether the changes introduced were sufficient to meaningfully affect management discretion and, thus, disciplinary and grievance behavior. It may also be that dismissal rate is too gross a measure to capture impact. Procedures that enhanced managerial discretion may lead to increased willingness to take preliminary steps within a system of discipline, with these steps leading to behavior change and a reduced need for more harsh action.

The United States offers interesting contrasts with regard to institutional regimes for discipline and grievance behavior. As referenced above, there are sectors where restrictions on disciplinary practices are imposed by external influences. At the same time, there are many organizations in sectors where few limitations are imposed. And of these organizations, many opt to introduce institutional regimes with at least some level of formality. This formality includes clearly specified rules regarding disciplinary action and offering options such as mediation, open-door policies, ombuds, and peer review. While some level of formality is introduced, these systems are private systems for justice and, ultimately, are designed and controlled by the management team (Colvin, 2003; Wheeler et al., 2004).

Why do employers offer such systems even when not required to do so by statute? Evidence suggests a number of different motives (Colvin, 2004). In some cases, employers are motivated by a desire to more effectively manage litigation risks. Over the last decade, increased use of employment arbitration has been observed (Bingham, 1996). Where used, employees are typically required to agree to submit all legal disputes (including claims regarding wrongful discharge) to employment arbitration. Arbitrator rulings are final and arbitrators are authorized to provide damages consistent with legal statute (Bingham, 1995; Cooper, Nolan, & Bales, 2000). Further, evidence suggests that use of employment arbitration is greatest among employers with the greatest litigation risks (Colvin, 2003). In other cases employers appear to be influenced by a union-avoidance motive. By providing employees with an effective voice mechanism, employers are able to reduce the appeal of unionization. Use of procedures such as peer review has been found to be more likely in firms thought to be facing a greater threat of unionization (Colvin, 2004). In addition to these external pressures, firms are also likely to be motivated by internal factors as well. Providing employees with voice to challenge management decisions regarding discipline and other matters is generally viewed as consistent with high-involvement work practices (Batt et al., 2002; Bemmels, 1997). Providing employees with the right to challenge management decisions is thought to enhance procedural justice perceptions among employees which, in turn, is likely to positively affect other practices designed to affect employee motivation and commitment (Dundon, Wilkinson, Marchington, & Ackers, 2004; Folger & Cropanzano, 1998; Lind & Tyler, 1998).

These systems are typically designed for the dispute to end with the final step within the internal system. While employees in some instances may be able to pursue further legal action in cases where a statutory violation is alleged, this is often not an option either because of the nature of the case or because of arbitration clauses which restrict access to judicial review. As a consequence, there is often a significant contrast between these private systems of justice and models (deployed in some countries) where employees are guaranteed access to a legal tribunal if they are dissatisfied with the resolution (Wheeler et al., 2004). Within the private systems for justice, the onus is on the employee to work toward reconciliation, in part because of the relative power of employees and the firm (Marsden, 2013). This point highlights the challenge for organizations when designing such systems. Questions always arise about how best to balance employee rights with the needs of the organization. Evidence suggests that when designing such systems of private justice, there is a willingness to limit managerial discretion. But that willingness may primarily be influenced by a desire to manage legal risks and avoid unions (Colvin, 2004).

It should be noted that employer-driven dispute resolution systems tend to be used relatively infrequently by employees, at least in comparison with grievance systems available in the unionized sector. There are, of course, many reasons for this difference. One reason may be that there is not a detailed labor–management contract, the absence of which eliminates many opportunities for grievance activity. There may also be concerns about managerial retaliation or reactions to employee use of the system for voice. Evidence suggests that the willingness to use voice in non-union settings is affected by the degree to which individuals feel vulnerable to retaliation or retribution (Klaas & Ward, 2015). The absence of social support may also be relevant. Within unionized settings, the infrastructure of the union provides emotional support for using voice. Union representation when making claims provides guidance and reassurance when making claims and this too may affect the willingness to exercise voice (Walker & Hamilton, 2012). An additional reason for the more modest usage may relate to differences observed in the outcomes from the different types of systems. It should also be noted that significant differences have been observed across different systems of workplace justice in the willingness to rule in favor of the employee. Such differences are expected, given the variation in how systems of workplace justice are structured and designed. For example, in some systems built around employment arbitration, employees are required to submit all legal disputes to arbitration rather than to the court system. Arbitrators are authorized to review whether legal statute has been violated. However, unless specifically authorized, employment arbitrators are not authorized to review whether there was just cause for termination (Bingham & Mesch, 2000; Bingham, 1996). This alone could create significant differences with other types of workplace justice systems. But differences might well be expected even where employment arbitrators are authorized to review disciplinary action using 'for cause' standards. Consider the contrast to decisions made by peer review panels. Given differences in background characteristics, peer review panelists may be expected to be more likely than employment arbitrators to identify with the needs and interests of the employee. Further, employment arbitrators have a financial interest in being selected for arbitration cases in the future and employers are thought to play a dominant role in the selection process (Bingham, 1996).

Research has compared decisions made by employment arbitrators, peer review panelists, and HR managers to each other and also to jurors and to labor arbitrators operating with a collective bargaining system (Bingham & Mesch, 2000). In a policy-capturing study, decision-makers responded to disciplinary cases that varied in terms of several key factors. Comparisons were made across the following decision-maker roles: employment arbitrators instructed to find for the employee if the employer violated legal statute in disciplining the employer; employment arbitrators instructed to evaluate both whether there was a violation of legal statute and whether the termination met 'for cause' requirements; peer review panelists instructed to determine whether termination was consistent with company policy; HR managers instructed to determine if they would approve the termination; former jurors in employment-related cases; and labor arbitrators instructed to review the case using just-cause standards typical in settings where there is collective bargaining. Significant differences were observed across these different workplace justice systems in the likelihood of the employee receiving a favorable ruling. Overall, the employee's appeal was least likely to be granted when it was heard by employment arbitrators reviewing whether there was a statutory violation, followed by employment arbitrators reviewing cases both from the standpoint of statutory violations and 'for cause' standards. This was followed by peer review panelists, HR managers, jurors, and, finally, labor arbitrators. It should be noted as well that differences were also observed in the weight given to different case characteristics within these different systems of workplace justice (Klaas, Mahony, & Wheeler, 2006).

Clearly, within the United States, very different institutional arrangements exist for discipline and grievances, with these arrangements having been found to affect the behavior of both managers and employees. Some of the effects observed have been highlighted by commentators as an indicator as to the potential for restrictive institutional arrangements to create disruptions. And some of the effects observed have been highlighted by other commenters as an indicator of the vulnerability of employees when institutional arrangements are determined largely by the employer.

DISCIPLINE AND GRIEVANCE INSTITUTIONAL ARRANGEMENTS: MODELS FROM REGULATED EMPLOYMENT SYSTEMS

Many advanced industrial economies have employment systems that are more regulated and uniform than in the United States. This also applies to matters relating to discipline and grievances. The use of the regulatory code to establish the desired balance between employee rights and organizational efficiency is not new, with legislation often having played an important role in achieving some level of consistency across sectors and firms. However, recent research does highlight significant efforts to adjust the balance between organizational efficiency and employee rights by altering the institutional structure as it relates to discipline and grievances (MacDermott & Riley, 2011; Wood et al., 2017). As global competition continues to create pressures for firms, we have observed public policy efforts to address restrictions on management that create inefficiencies or to address grievance rights that add unduly to the cost structure (Roche & Teague, 2012). We also have observed efforts to address the changing industrial structure and the changing role of unions. With these changes, public policy has developed to encourage institutional structures that balance managerial discretion and employee rights across a broader segment of the workforce (Harris et al., 2012). These public policy developments have been examined in recent research and may offer insight into the impact of different institutional regimes.

In the UK, efforts were made in 2004 to encourage small businesses to employ systematic procedures for addressing disputes, including those over discipline. Firms (including smaller firms) were required to employ a process that included formalization via documentation and opportunities for employees to appeal (Wood et al., 2017). These procedures were introduced in an effort to address concerns about the cost of the employment tribunal system and they were driven, in part, by a desire to address the difficulties that smaller firms typically experienced when cases actually went to the tribunal system. These changes in code were introduced, in part, to create a manageable process for smaller organizations. While significant compliance was observed, employer efforts appeared to be driven by fears regarding penalties for non-compliance as opposed to beliefs regarding the utility of taking steps toward formalization. The formal processes for documentation and appeal were ultimately judged to be cumbersome for small businesses, leading to repeal of the code and emphasis on supporting the use of voluntary mediation. While such efforts were aimed at developing mechanisms appropriate for smaller organizations with more informal processes, it is unclear whether these smaller organizations have come to embrace the use of Alternative Dispute Resolution (ADR) and mediation. Use of such procedures may require some level of expertise and they may introduce delays and disruption that are difficult for many small organizations. Such findings highlight the challenge of developing systems that work both for large, established firms and also small firms with more informal processes (Harris et al., 2012).

Evidence from the UK following changes in public policy suggest that while there may be a desire both to provide protection to employees from inappropriate disciplinary action and to ensure flexibility, ambiguity remains with regard as to how to achieve these objectives. While research does highlight a modest positive impact of providing access to informal voice systems on employee attitudes, questions exist about the level of formality or structure that would be needed in order to provide more substantial effects (Charlwood & Pollert, 2014). While evidence highlights the virtue of early and informal resolution, more structured systems have also been found to offer value even within the context of more informal settings (Antcliff & Saundrey, 2009; Marsden, 2013).

Even when efforts are made to use public policy to affect the institutional regime for discipline and grievance behavior, other developments and trends also play a significant role. For example, Bryson et al. (2013) found that voice regimes increasingly available to workers in the UK involve direct forms of non-union voice (with ambiguity regarding the structure and rights guaranteed to employees), with corresponding declines in voice via union or other forms of representational voice. However, this decline is occurring even though the beneficial impact of voice on workplace outcomes seems to be weaker when direct forms of non-union voice are the primary form of voice available to employees.

Recent research has also highlighted public policy changes in New Zealand, showcasing other efforts to develop a regulatory code that achieves a satisfactory balance between efficiency objectives and employee rights. Until fairly recently, the labor code offered employees significant rights to challenge managerial action and to obtain compensation. This resulted in what was perceived as the 'grievance gravy train.' To address concerns about the 'gravy train,' public policy changes were introduced by encouraging early resolution of disputes (Shulruf et al., 2009). Mediation within the workplace was emphasized along with some limits on the capacity of employees to use tribunals for adjudication and compensation. Studies examining this change suggest different perspectives on the outcomes achieved by the change in policy (Walker & Hamilton, 2011). Results suggest that employers are more satisfied with the opportunities for internal resolution. At the same time, other work suggests that efforts by employees to maintain their employment status may be adversely affected by mediation processes that do not also offer easy access to adjudication and compensation (Walker & Hamilton, 2011).

INSIGHTS FROM RECENT RESEARCH ON DISCIPLINE AND GRIEVANCES: PURSUIT OF THE 'GOLDEN MEAN'

While organizations worldwide are confronted with the need to address disciplinary issues and employee desire for voice, there is much variation in the institutional arrangements that guide and structure decision-making in these areas. Indeed, we see substantial experimentation with the rules, policies, and structures relevant to discipline and grievances, both within organizations and at the societal level. Much recent research in the area of discipline and grievances addresses this recent experimentation, highlighting the nature of this variation and how it affects managerial and employee behavior.

A fundamental challenge facing organizations and policy-makers as it relates to discipline and grievances is finding the right balance between protecting employee rights, encouraging engagement, and protecting managerial discretion and organizational efficiency. Achieving the appropriate balance is complicated by the fact that different stakeholders have different interests and different objectives. Recent research examining discipline and grievances across the globe raises important questions about the tools and mechanisms available to adjust the balance between providing for employee rights, encouraging engagement, and protecting managerial discretion and efficiency. Below, we examine the implications of the research examined here for efforts to balance competing interests in pursuit of the 'golden mean.' We also discuss where additional research is needed in order to guide efforts to productively balance these competing interests and objectives.

The experimentation observed with institutional arrangements for discipline and grievances highlights a critical fact. For managers, addressing employee discipline can be very challenging and there may often be a natural reluctance to move forward with action against an employee (Walker & Hamilton, 2011). As a consequence, rules and procedures introduced to offer due process and to formalize the decision-making process can seem reasonable and still affect managerial perceptions about the utility of taking action in response to substandard behavior. As can be seen from efforts in the UK and New Zealand and from efforts to streamline public sector disciplinary processes in the United States, managers are highly sensitive to procedures that increase the probability that action will be overruled or that require lengthy processes (Elling & Thompson, 2008; Walker & Hamilton, 2012). Further, this research highlights that disciplinary and grievance processes must be viewed, at least in part, from the perspective of the manager, with managers from different contexts likely to view the same procedure very differently (Butterfield, Trevino, Wade, & Bail, 2005).

Developments across different parts of the globe also highlight efforts to encourage dispute resolution regarding disciplinary matters early in the process with some level of informality (Olson-Buchanan & Boswell, 2002). Across multiple settings, evidence suggests that such efforts allow for many disputes to be addressed productively, recognizing both organizational and employee needs. However, research suggests that at least some stakeholders question whether heavy reliance on early-stage and informal processes are sufficient to ensure an appropriate balance among the different objectives of the disciplinary and grievance system (Cooke & Saini, 2015). Concerns remain that heavy reliance on such processes makes outcomes too dependent on managerial goodwill. However, what remains unclear (and an appropriate area for future research) is how to structure processes in a way that both encourages early-stage and informal resolution and provides for access to formal appeal processes that are properly resourced, timely and do not unduly burden participants in the process.

Recent research also highlights an interesting dynamic that is not typically viewed as part of the formal structure for decision-making as it relates to discipline and grievances. Recent research highlights the role of third parties within the process, both from the standpoint of decision-makers in appeal processes and from the standpoint of representation. In some cases, efforts to introduce new processes for employee grievances were adversely affected by shortages of qualified third-party decision-makers (Cooke et al., 2016). In other cases, evidence highlighted how outcomes are contingent upon the background and characteristics of those serving in the critical decision-making role (Klaas et al., 2006). Research also suggests that third parties are critical from the standpoint of representation, highlighting this as a potentially critical variable (Antcliff & Saundry, 2009). Many employees are not well positioned to evaluate the appropriateness of a complaint or grievance or to determine how to present a claim. In some systems for ADR, there are mechanisms for third-party engagement. Ombuds, for example, are designed to serve as neutral parties in helping employees consider their situation. In unionized environments, union officials serve both as a source of informal advice about the situation confronting the employee and, if a matter is pursued, as an advocate. While unions may strive to encourage employees to pursue grievances when the overall relationship with management is negative, in other circumstances, evidence suggests that a union representative can both serve as an advocate and as a trusted advisor to the employee, helping to prevent the situation from deteriorating to a point where recovery is not possible. Because the union is perceived as an advocate of the employee, counsel from the union regarding the need for an employee to change his/her behavior can provide credible guidance to the employee and may motivate the employee to take steps to avoid further punitive action. Indeed, evidence suggests that union officials were more effective in this regard than other types of third-party representatives (Antcliff & Saundry, 2009; Walker & Hamilton, 2012). Given the potential value of this third-party representation, there are questions about how to move toward labor–management relationships that facilitate this form of engagement. There are also questions about how non-union firms can offer viable substitutes, with resources that might allow employees to trust advice and counsel from an organizational representative, whether they are in or outside of the chain of command.

A premise of much work done in the areas of discipline and grievances is that the golden mean is a worthwhile goal for all workplaces, with efforts made to balance goals associated with employee rights, engagement, and managerial discretion and efficiency. While there has been experimentation on how to achieve such a balance, ambiguity remains regarding what features might best combine to create any such golden mean. While speculative in nature, one might suggest a combination that would feature high engagement practices, early intervention via informal processes, quick and easy access to impartial and qualified decision-makers as a final recourse, social support for the parties involved to facilitate engagement, and structures to facilitate decision-making regarding the potential for behavioral change. But any such suggestion remains speculative given current research findings.

Ambiguity regarding components essential to moving toward the golden mean stems, in part, from the fact that clear metrics are not readily available to indicate precisely when an appropriate trade-off has been made among competing goals and objectives. This ambiguity that exists highlights the need for research to further explore the implications of different institutional arrangements as they relate to discipline and grievances. Because of the experimentation observed with regard to institutional arrangements for discipline and grievances, opportunities exist for research to assess the impact on employee and managerial perceptions in a way that informs whether progress has been achieved toward the golden mean. Critical to any such effort would be a focus on managerial perceptions regarding the capacity to address dysfunctional behavior and substandard behavior, employee perceptions regarding protection from managerial abuse, and employee perceptions regarding the organization's willingness to tolerate suboptimal performance. Opportunities exist to explore whether a given experiment with regard to institutional arrangements leads employees to perceive greater protection from managerial abuse without also leading to perceptions that suggest a reduced capacity to address suboptimal contributions or a greater tolerance of suboptimal performance. Similarly, opportunities exist to examine whether there are initiatives that can enhance managerial perceptions regarding the capacity to act in response to suboptimal contributions without affecting employee perceptions regarding protection from managerial abuse. For example, some firms have experimented with enhancing access to lower-cost internal grievance systems and have provided systems designed to provide social support for employees considering taking action. Other firms have provided access to employment arbitration in order to expedite and simplify dispute resolution and to limit access to judicial review. In other settings, disciplinary rules have been streamlined to reduce the time required to address substandard performance. Research is needed that examines the impact of these interventions across all of the objectives associated with disciplinary and grievance systems. By simultaneously examining the impact on perceptual outcomes relevant to the full range of competing objectives for disciplinary and grievance systems, research can more fruitfully guide the design of institutional arrangements. Such research may provide insight regarding how policy changes might enhance the ability to advance a given objective without sacrificing another, or how policy changes might advance multiple objectives simultaneously.

As suggested above, research is needed to explore how different institutional arrangements affect employee and managerial perceptions regarding protection from unfair treatment, managerial capacity to address performance issues, and organizational tolerance of suboptimal performance. Such research is needed in order to explore what type of institutional arrangements might allow movement toward something approximating a golden mean as it relates to balancing capacity for managerial action and protection for employee rights. Research should also pursue how contextual factors might moderate the impact of institutional arrangements. For example, in settings where periodic reductions in force are an expected part of organizational life, the impact of institutional arrangements for discipline and grievances may be more modest. In such settings, managers may be less concerned about limitations on managerial discretion imposed by institutional arrangements. Similarly, employee perceptions regarding the protections offered by the disciplinary and grievance system may be less affected by institutional arrangements when reductions in force are an expected part of organizational life. When employees believe they are vulnerable to periodic organizational restructuring, they may see protection offered by disciplinary and grievance systems as less relevant given that they do not fully address the uncertainties created by potential restructuring. Labor market conditions and expectations about stability of employment may also moderate the impact of institutional arrangements on employee perceptions regarding protections from managerial abuse. Where labor markets are more fluid and where employees feel less attachment to their job, institutional arrangements that provide voice and protection from the misuse of managerial authority may be less salient. Indeed, research examining the moderating impact of labor market contextual factors may help inform public policy discussions about employment models as we see more labor mobility and more reliance on shorter-term staffing arrangements. As shifts are observed in employment models, public policy questions arise about how to balance the need to protect employee rights within the context of staffing models where there is no explicit expectation regarding continued employment. Thus, research examining the impact of institutional arrangements within the context of emerging employment models may be particularly relevant from a public policy standpoint.

CONCLUSION

While the use of discipline and reactions to discipline has been the subject of much study, significant questions remain about how discipline should be used within organizations and how both disciplinary systems and systems of workplace justice should be structured. We examine recent research examining different ways that organizations and societies use rules, policies, and institutions to structure the process by which managers address disciplinary issues and the process offered to employees to appeal actions taken against them. We highlight findings that show significant experimentation regarding disciplinary and grievance processes and examine efforts to achieve a productive balance between employee rights and organizational needs. We work to assess observations made possible by this experimentation and we work to identify questions raised by the findings observed to date.

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20

Downsizing

Stewart Johnstone

INTRODUCTION

This chapter examines one of the most controversial aspects of work and employment in recent decades: the notion of ‘downsizing’. Though an expression commonly used by practitioners, policy-makers and researchers, downsizing has always been an elastic term used to refer to several related but distinct phenomena. For some it is used as a general term to refer to a programme of organisational restructuring, in other words the downsizing of an organisation. Other commentators focus more upon the downsizing of employment involving ‘the planned elimination of positions or jobs’ (Cascio, 1993: 95). While the two issues are clearly related given that organisational restructuring and downsizing might mean a reduction in the number of jobs or positions available, it is also conceivable that restructuring need not necessarily result in job losses. It is the issue of employment downsizing which forms the focus of this chapter, though again this can also mean quite different things in practice. Most often employment downsizing is used to refer to mass redundancies and compulsory layoffs. Yet, while most high-profile examples of downsizing reported in the media often do involve large-scale redundancies, and these might represent the most visible and controversial forms of downsizing, they are not the only form downsizing can take. Rather than immediate job cuts, a reduction in the size of the workforce might be achieved over the medium to long term, through natural attrition and retirement, as well as cautious recruitment strategies during a period of organisational growth. Further confusion is created by the tendency to use an array of euphemistic terms to refer to workforce reductions, as well as the justifications often given for such decisions. Traditionally, downsizing was viewed as a way for struggling organisations to cut costs, though increasingly it has also been viewed as part of a proactive strategy concerned with further enhancing efficiencies in otherwise healthy organisations. Relatedly, it has become much more pervasive and has spread far beyond the mass layoffs of blue-collar workers in declining US manufacturers where such activity initially attracted most attention. Downsizing has become an international phenomenon, affecting workers across countries, sectors and industries, and at all levels of the organisational hierarchy. The impact of downsizing and job loss has also been captured in popular culture as the subject of various films. In the 1980s, *Roger and Me* (1989) explored the impact of mass layoffs of automobile workers in Flint, Michigan, while *The Full Monty* (1997) and *Mondays in the Sun* (2002) explored the consequences for groups of laid-off industrial workers in the UK and Spain respectively. More recently, George Clooney starred in the 2009 movie *Up in the Air* where he plays corporate downsizer Ryan Bingham, while in *Company Men* (2010) Ben Affleck is a successful white-collar businessman who becomes a victim of downsizing during the global financial crisis. As Datta et al. state, 'given its magnitude and impact employee downsizing can legitimately be viewed as one of the most far reaching and significant management issues of the current era' (2010: 282). Such activity also illustrates the differences between viewing workers as a resource to be utilised and disposed of when necessary, and an asset to be nurtured and developed in the long term, as well as the inherent tensions between the *human* and *resource* dimensions of contemporary HRM.

The purpose of this chapter is to provide an overview of the downsizing phenomenon, as follows. First, the chapter explores the origins and conceptual ambiguity surrounding the term. Second, it considers some of the motivations and explanations typically offered for downsizing decisions, and notes how such decisions are not necessarily motivated by external threats or organisational underperformance but can also be a deliberate strategy in seemingly healthy organisations as part of an attempt to further improve metrics of organisational performance. Third, the various forms that downsizing can take are considered. These are further explored in relation to the empirical evidence available regarding the employment practices and HR strategies adopted during the global financial crisis of 2008. The final section then considers the evidence regarding the outcomes of downsizing for both employers and organisations before drawing some conclusions.

WHAT IS DOWNSIZING?

In recent decades, the term downsizing has become a common term in policy and practice circles, and has also attracted the interest of academic researchers. However, the expression has been used by different commentators to refer to several related but distinct phenomena. The notion thus remains conceptually ambiguous and it is therefore important to clarify at the outset how the term is interpreted in this chapter. Some of the earliest uses of the word downsizing, meaning to make something smaller, can be traced to the US automobile industry in the 1970s when companies including Chrysler, Ford and General Motors began 'downsizing' cars in favour of smaller, more fuel-efficient vehicles (Kraft, 1980). The downsizing of organisations can, however, be traced to the early 1980s, when the expression was used to refer more specifically to organisational restructuring and staffing cuts. One example is a report in the *New York Times* in 1982 which concerns layoffs at the Manville Corporation, a troubled producer of asbestos products at a time when asbestos had been identified as a carcinogen (*New York Times*, November 2, 1982). Downsizing emerged as a term to describe organisational restructuring, especially among organisations beginning to question the dominant 'Big is Better' management philosophy in favour of a 'Small is Beautiful' perspective (Whetten, 1980). Yet while organisational downsizing and restructuring can primarily involve the reorganisation of non-human assets and resources (DeWitt, 1998), it quickly became synonymous with employment downsizing, and especially compulsory redundancies. Although such measures may be the most visible examples of downsizing, they are not the only form it can take. Rather than immediate job cuts, a reduction in the size of the workforce may be achieved more gradually over the medium and long term through natural attrition and retirement, as well as cautious recruitment strategies during a period of growth (Budros, 2002; Freeman and Cameron, 1993). Further confusion is created by the tendency to use an array of euphemistic terms to refer to the act of making workforce reductions, many of which imply that reductions are a rational and technical management exercise, and underplay the potentially deeply unpleasant human impact (see Table 20.1). Workers who find themselves to be the victims of downsizing efforts also use various idiomatic expressions to refer to losing their job, including ‘being given a pink slip (US)/P45 (UK)’, ‘being sent down the road’, ‘given your cards’, ‘made redundant’ or simply ‘fired’ (Redman and Keithley, 1998).

Academic researchers have also offered their own definitions, although these too tend to vary. For some downsizing is used as a general term to refer to a programme of organisational restructuring. Such definitions include ‘a set of activities undertaken on the part of management of an organisation designed to improve organisational efficiency, productivity and/or competitiveness’ (Cameron, 1994), and ‘organisational restructuring that aims at overall performance improvement by improving effectiveness, productivity and/or competitiveness’ (Thornhill and Saunders, 1998). However, as noted earlier, while restructuring certainly could include workforce reductions it is also conceivable that in some cases it might involve changes to structures, resources and work arrangements but without a net loss in the number of workers employed. Some observers therefore focus specifically upon employment downsizing. Definitions of employment downsizing include ‘the planned elimination of positions or jobs’ (Cascio, 1993: 95), or simply ‘intended reductions in personnel’ (Freeman and Cameron, 1993). Interestingly, other commentators suggest that employment downsizing is not concerned simply with making workforce reductions but that justification and motivation are also important. For Cappelli (2000: x) downsizing differs from traditional layoffs due to low demand because they are driven instead by a search for operating efficiencies. It is to these espoused justifications and motivations that we now turn.

WHY DO ORGANISATIONS DOWNSIZE?

Forms

Early debates around downsizing in the form of large-scale workforce reductions were associated with organisations encountering

Table 20.1 Management expressions for downsizing

Building down	Compressing	Consolidating	Contracting	Declining	De-hiring
Demassing	Decruiting	Dismantling	Downshifting	Functionalising	Leaning up
Ratcheting down	Rationalising	Reallocating	Reassigning	Rebalancing	Rebuilding
Redeploying	Redesigning	Redirecting	Reduction in force	Re-engineering	Renewing
Reorganising	Reshaping	Resizing	Retrenching	Revitalising	Rightsizing
Slimming	Slivering	Streamlining	Restructuring	Laying off	Attrition
Staff cuts	Staff losses	Workforce reduction	Dropping staff	Positions abolished	Reductions
Involuntary redundancy	Lowering staffing	Shedding jobs	Personnel reductions	Decline in workforce	Workforce reduction

Sources: Adapted from Cameron (1994) and Palmer et al. (1997).

difficulties. The US automobile industry of the 1980s is a good illustration, with General Motors, Ford and Chrysler all closing plants and reducing the size of their workforce. Cuts were attributed to poor performance due to high production costs, increased international competition and declining market share. Between 1979 and 1989 the US motor and vehicle and equipment industry saw a net loss of 105,000 jobs (Singleton, 1992), and in 1991 General Motors announced a further 70,000 job cuts and the closure of 21 plants (*New York Times*, 19 December, 1991). Technology firms also made workforce reductions in response to more challenging market conditions, and in 1993 IBM announced compulsory job cuts for the first time in its entire history, as its mainframe business had become increasingly challenged by developments in personal computing and client/user servers. New CEO Louis Gerstner stated how, 'shortly after I joined the company, I set as my highest priority to right-size the company as quickly as we could', resulting in an estimated 35,000 job losses (*New York Times*, 17 January 1993). About the same time there were also significant job cuts at troubled retailer Sears (50,000 losses) and aerospace firm Boeing (28,000 job losses) due to difficult market conditions (*Time*, 18 April 2017). However, as well as these high-profile cuts which were believed to be a reaction to the challenging economic conditions of the 1980s and early 1990s, there were job reductions made under seemingly healthy conditions. At telecommunications firm AT&T, for example, a decision was made to reduce the size of the workforce by 13%, resulting in the loss of 40,000 jobs at a time of growth and when many of the company's divisions were profitable. In this case the decision to downsize was not a response to crisis but was described by the CEO as restructuring which aimed 'to get ahead of the game a little bit and focus upon what the markets will look like a few years hence' (*New York Times*, 3 January 1996). Such was the scale of downsizing in the USA at the time the *New York Times* dedicated a week to exploring the phenomenon in March 1996.

Academic commentators have thus tended to make a distinction between reactive and proactive downsizing strategies (Freeman and Erhardt, 2012; Kozlowski et al., 1993; Zatzick et al., 2009). Reactive downsizing is where decisions to make job cuts are primarily in response to changing environmental conditions and where there has been a decline in organisational performance. Faced with such challenges, firms might pursue a programme of restructuring to reduce costs, including workforce reductions. In contrast, proactive downsizing is concerned with decisions to make workforce reductions when there is not necessarily an immediate threat or need to cut costs; instead cuts are concerned with enhancing organisational efficiency and performance, in anticipation of future change. Freeman and Erhardt suggest that the difference between reactive and proactive downsizing is 'akin to that between losing weight and promoting health' (2012: 88).

Antecedents

As well as the general justification for downsizing, various researchers have also attempted to shed light upon the antecedents (Budros, 1997; Cascio, 2010; Freeman and Erhardt, 2012; McKinley and Lin, 2012), which may be external or internal in nature (Cascio, 2010). In terms of external factors, often decisions to make workforce reductions have been associated with organisations experiencing significant market challenges and a downturn in customer demand. In some cases the downturn may be thought to reflect an enduring structural change or even terminal decline. An example might be the decline in the photofinishing/processing industry since the advent of digital photography. For instance, the Kodak organisation, which enjoyed sales of $29 billion in 1990 and employed 145,000 staff at its peak, achieved $2 billion sales in 2015 and shrunk the workforce to 8,000 (*New York*

Times, 20 March 2015). In others, a decline in demand might be viewed as a temporary consequence of deteriorating economic conditions such as a recession, resulting in job losses during the downturn with workers rehired when conditions improve. Globalisation might also have an impact resulting in the intensification of competition, increasing job creation closer to emerging international markets, as well as the relocation of jobs to lower cost economies and the decline of employment in traditional markets. Advances in technology might also mean that fewer workers are now required. Common examples include developments in robotics which enable highly automated manufacturing processes, automated (driverless) transportation, and the use of self-service facilities in service environments. Yet besides these now commonplace examples, an interesting study by Freyer and Osborne (2013) ranked over 700 occupations in terms of their likelihood of future computerisation, and concluded that over 50% of jobs in the USA are at 'high risk' of computerisation in the next two decades. Although the focus in the past has generally been on the automation of routine tasks, developments in algorithms and Big Data increasingly now mean that computer technology can be used to conduct complex manual as well as non-routine cognitive tasks. Examples might include the automation of hitherto labour-intensive tasks such as interpreting medical images in a healthcare setting, or conducting desk research in a law firm.

However, in addition to external factors which might influence decisions to downsize there are those internal to the organisation. This is important given that organisations faced with similar external challenges and opportunities associated with prevailing economic conditions, technological advancement and globalisation can be found to act in quite different ways. In other words, scope for management choice remains, but what influences management choice? Why is it that even in lightly regulated liberal market regimes such as the USA we can find examples of organisations espousing strong commitments to maintaining stable employment, including Southwest Airlines, Lincoln Electric and SAS? In such contexts downsizing is seen to be at odds with a high-commitment HRM strategy given that employment security is normally considered to be a key aspect of such strategies (Pfeffer, 1998). These approaches may also be informed by other contextual factors including corporate governance, executive incentive mechanisms as well as the functional backgrounds of top management teams. For example, in countries like the USA where executive pay is often linked to stock performance it has been argued that this provides incentives for executives to downsize to boost short-term financial performance. Indeed, it was noted in the 1990s how the stock market often 'rewarded' downsizing announcements, although it has been suggested that this reward effect has since diminished. Commentary in the US business press, however, seems to suggest that the effect of downsizing on share price depends upon the perceived rationale for workforce cuts. For example, in 2013 downsizing announcements at Merck, Siemens, Cisco Systems and HP all led to a boost in share price, while a similar announcement at struggling Blackberry phones had a negligible impact (CNN, October 1, 2013). One explanation is that while reactive downsizing in the case of Blackberry might not lead to a share price increase, announcements by firms in healthier shape may still be rewarded for engaging in more proactive downsizing.

In sum, downsizing decisions are normally believed to be economically driven, and are often justified in terms of improving efficiency and enhancing competitiveness by becoming more 'lean' (Budros, 1999; Cappelli, 1999; Cascio, 2010; Datta et al., 2010; Tyler and Wilkinson, 2007). However, the precise reasons driving such decisions can vary. A study of downsizing announcements in the *Wall Street Journal* between 1990 and 2007 revealed the most common reasons given included a demand slump, reorganisation, restructuring, excess supply and plant closure (Hallock et al., 2012). Nevertheless, we must be wary of officially reported justifications given in company press releases since organisations seek to manage the expectations of their various stakeholders. Consequently, an employer might prefer to present workforce reductions to employees and trade unions as a last resort given difficult market conditions, while firms might have an interest in presenting decisions to investors, the media and competitors as part of a more proactive efficiency drive. It is also likely that a single downsizing decision by an employer can be both reactive and proactive in nature, and this will be influenced by a combination of internal and external factors.

EXTENT AND SPREAD

As the discussion so far has illustrated, much of the downsizing debate has focused upon the context of the USA during the 1980s and early 1990s, at a time when many large, high-profile US corporations were making significant reductions to their workforce. Since then the number of 'mass layoff events' in the USA – those involving at least 50 employees from a single employer – spiked in 2001–2002 during the recession in the early 2000s (21,821 job losses) and peaked in 2009 at the height of the global financial crisis (28,346 job losses) (see Figure 20.1). Around 11.5 million people are believed to have lost their jobs in the period 1995 to 2007 (Lewine et al., 2010), while another 8.5 million jobs were lost during the period 2008 to 2010 during the global financial crisis (Cascio, 2012). This equates to as many as 2,000 job losses each day in the 1990s, and 4,000 each day between 2000 and 2007 (DeMeuse and Dai, 2012). Some of the largest reported layoffs during the global financial crisis included cuts at Citigroup (financial services, 2008: 50,000 layoffs), Caterpillar (industrial goods, 2009: 20,000 layoffs) and General Motors

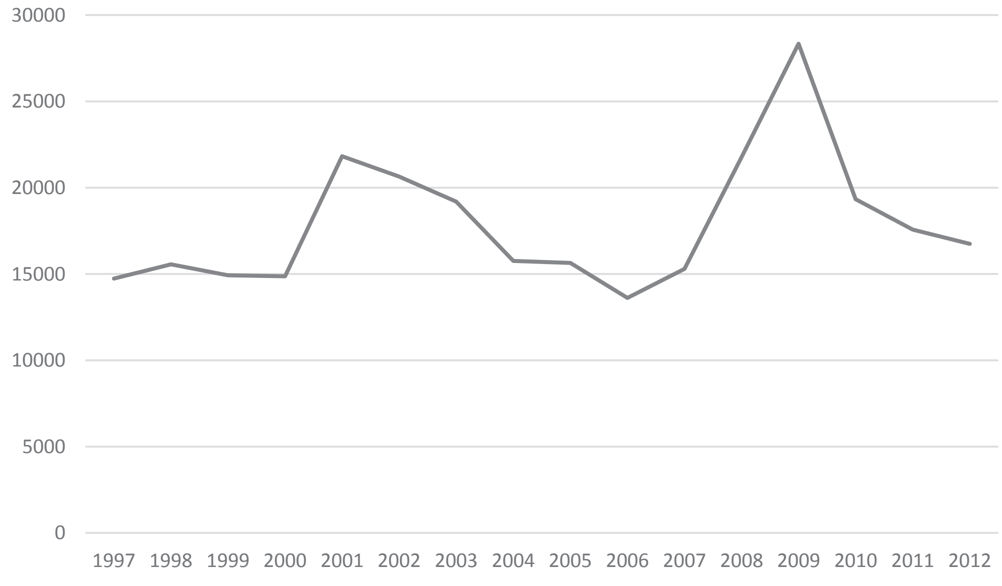

Figure 20.1 Number of mass layoff events (US) involving at least 50 employees from a single employer, 1997–2012

Source: Bureau for Labour Statistics (US), 2013.

Note: The collection of Mass Layoffs Data was discontinued in 2013.

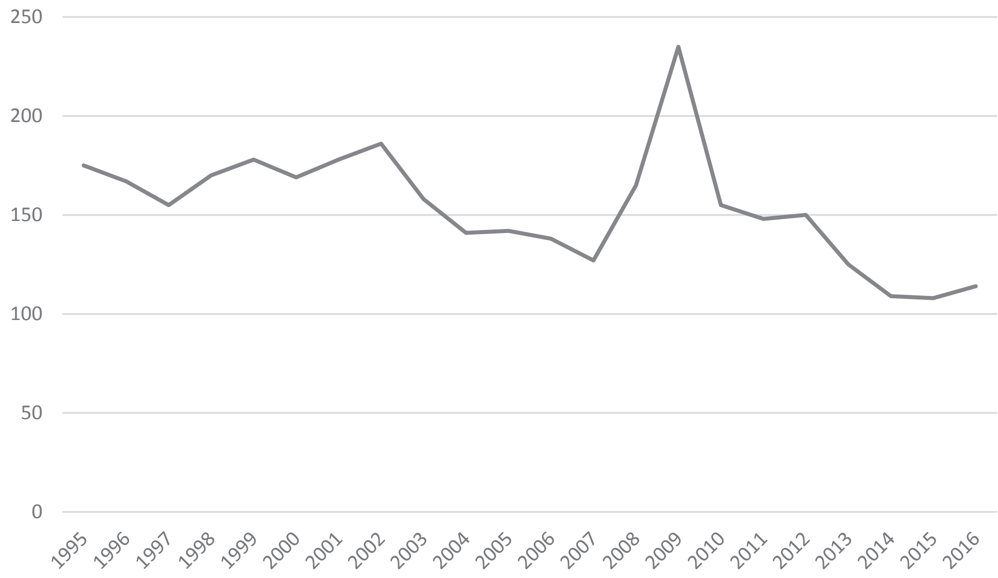

Figure 20.2 ILO redundancy levels (thousands), UK

Source: ONS (UK), 2017.

(automotive, 2009: 47,000 layoffs) (*Fortune*, 20 September 2015).

However, downsizing activity is not simply a US phenomenon but can be observed across the world (Datta et al., 2010; De Meuse and Dai, 2012). In the UK, we can also see how, over the last two decades, the number of redundancies spiked in 2002 (186,000) and peaked in 2009 during the financial crisis (235,000) but has since declined to one of the lowest levels in recent decades (see Figure 20.2).

Studies have also investigated downsizing activity across the world, including the former Soviet Union (Filatotchev et al., 2000), Australia (Innes et al., 2004), South Korea (Alakent and Lee, 2010), Thailand, Philippines and East Asia (Mellahi and Guermat, 2009), Ireland (Harney et al., 2017), the UK and France (Goyer et al., 2016), Chile (Bohle et al., 2017) and Spain (Muñoz-Bullón and Sánchez-Bueno, 2014). Other studies have examined the emergence of downsizing activity in countries not traditionally associated with such practices, including Japan, China, Hong Kong and Taiwan (Datta et al., 2012; Luan et al., 2012; Tzafir et al., 2012). In post-war Japan, many large organisations had traditions of lifetime employment where employees recruited from school or university would stay with a single employer until retirement. Such traditions were supported by complementary HR practices including an emphasis upon internal career pathways, internal promotion and seniority-based pay. However, it has been suggested that while such practices may have been feasible and sustainable in times of economic growth, more challenging conditions since the 1990s have resulted in a weakening of job security commitments in Japan (Inagami, 1996). Some have noted that while established domestically owned Japanese firms were typically reluctant to downsize, they appeared to find ‘strength in numbers’ during the 1990s as instances of downsizing became more common (Ahmadjian and Robinson, 2001). There have also been significant changes in work and employment in China (Lee Cooke, 2012). Since 1949 socialist China had a highly centralised system of personnel management as part of the state-planned economic regime. Personnel policies and practices were highly centralised and formalised, and monitored by the Ministry of Labour and Ministry of Personnel. Though wages were typically modest, a job for life was the norm for the three-quarters of urban employees who worked in state-owned firms. However, since the 1980s China has adopted a more ‘open door’ economic policy and employment in private enterprises has increased while that in state enterprises has declined. The 1990s also saw large-scale downsizing of state-owned enterprises as well as government and public sector organisations (Lee Cooke, 2012), with employment in state-owned enterprises almost halving from 70 million in 1997 to 37 million in 2005. However, some commentators argue that many loss-making ‘zombie’ SOEs remain, and that especially in the traditional smokestack industries they are reliant upon government support and bank loans, and resist making mass layoffs to prevent social unrest (*Financial Times*, 29 February 2016).

There are of course also significant international variations in employment protection legislation, making it relatively straightforward to dismiss workers in some countries, such as the USA and most of the English-speaking Anglo-Saxon nations, but more difficult and expensive in many continental European nations, including Belgium, Italy, Germany and France. Where employment protection is strong, firms need to consult with governments, workers and trade unions, as well as to make costly severance payments to laid-off workers. As a result, we might expect employers to be more reluctant to downsize, and to view workforce reductions as a last resort rather than a normal business practice. The OECD produces a useful ranking of employment protection legislation internationally, which assesses the procedures and costs involved in making individual or collective dismissals across the world and illustrates how these differ significantly (www.oecd.org/els/emp/oecdindicatorsofemploymentprotection.htm).

HOW DO FIRMS DOWNSIZE?

Although in everyday parlance the term downsizing is often used to refer to redundancies and permanent layoffs, there are a range of practices an employer can use to reduce the size of the workforce, and each has its own advantages and disadvantages (Wilkinson et al., 2016). In this vein, Greenhalgh et al. (1988) developed a ‘hierarchy of workforce reduction strategies’, each with different implications for employee well-being and potential cost savings for the organisation. First is natural attrition and employee turnover, in effect reducing the size of the workforce by not replacing people who leave the organisation. The main advantage of this approach is that it avoids potential conflict because it is based upon people leaving voluntarily. Though probably the best option in terms of employee well-being, the impact in terms of short-term cost savings might be modest. The employer also has little control over who leaves or when, and there may also be an impact upon the workload and morale of remaining workers. Second is induced redeployment where the employer offers early retirement or voluntary severance incentives. This might also include additional short-term cost-saving measures such as the option to work reduced hours or to take unpaid leave. These initiatives allow firms to expedite cost savings while trying to protect employee well-being, as all measures are voluntary and fall short of compelling people to leave. However, volunteers might include the talent an organisation is keen to retain, and while early retirement avoids the stigma of redundancy and may be highly desirable to some employees, inevitably it is limited to a single demographic of the workforce. A risk with all ‘voluntary’ options is that in practice employees are targeted and encouraged to ‘volunteer’. The third step in the hierarchy involves *involuntary* initiatives including redeployment, demotion and downgrading, reduced hours and enforced unpaid leave. While such compulsory measures may not be pleasant for employees they are likely still to be preferable to job losses. Where layoffs are deemed necessary, it is suggested that these can be implemented in two different ways. First, layoffs with outplacement assistance, advance notice and job search counselling. Second, layoffs with minimal support, an option likely to deliver the greatest short-term cost savings but which also has the most detrimental impact on employee well-being (Greenhalgh et al., 1988). A similar typology has been devised by Iverson and Zatzick (2007) and their 'downsizing harshness continuum' which ranges from no downsizing at one end (lowest harshness), to implementing alternative cost-saving practices and voluntary layoffs, and then compulsory redundancies combined with other cost-saving measures (highest harshness). The above continua are therefore useful in clarifying the range of options available to employers seeking to make cost savings with or without job cuts, as well as the different consequences for workers and organisations.

Downsizing Strategies

It is not necessarily the case that employers will engage in cost-saving measures or workforce reductions by moving step by step from one end of a continuum to another. Much will depend upon the circumstances. In this respect, Cameron (1994) identifies three main downsizing strategies. First, workforce reduction strategies which aim to quickly reduce the number of employees in an organisation. To achieve this a wide range of measures may be used simultaneously, including early retirement, severance and buy-out packages, golden parachutes, attrition, layoffs and firings. This approach has been described as 'throwing a grenade in a crowded room, closing the door and expecting the explosion to eliminate a certain number of the workforce' (p. 197). While this approach might be adopted in a crisis it is difficult to predict who or how people will be affected, or to predict the medium- and long-term consequences. This can be contrasted with a more medium-term work redesign strategy which aims to reduce the amount of work as well as the number of workers. It is therefore more proactive in nature and requires organisations to redesign functions, groups, divisions and tasks. Such restructuring and reorganisation is not a quick fix and is more oriented towards achieving efficiencies in the medium and long term. Third are what Cameron (1994) terms systematic strategies. A key difference here is that the search for greater efficiencies becomes part of an ongoing cultural and attitudinal change rather than a time-bound restructuring project. As a result, it is the most long-term-oriented approach and unlikely to deliver significant cost savings in the short term. However, as with all typologies these three strategies are not necessarily mutually exclusive. For example, firms might suddenly invoke workforce reductions in response to an immediate threat (reactive downsizing), as well as engaging in more fundamental aspects of workforce design and systematic strategies, perhaps under more stable conditions, as part of a proactive attempt to enhance organisational performance (Johnstone, 2018). Even in times of crisis, not all organisations will respond in the same way (Bacon, 2008). As Cascio notes, some might focus upon an immediate headcount reduction or 'pure employment downsizing' with an emphasis on short-term payroll savings. This is the approach often believed to characterise employer behaviour in lightly regulated liberal market economies such as those of the USA and UK. Alternatively, crisis-hit organisations might aim to avoid compulsory layoffs where possible, in favour of an approach which emphasises measures that are 'less harsh' (Iverson and Zatzick, 2007). These might include pay cuts, short-time working and temporary layoffs. Some employers might also combine headcount reductions with practices to mitigate job losses including redeployment, retraining and relocation, which Cascio labels the 'three Rs' of 'responsible restructuring'. Such approaches are more common in some continental European countries including Germany (Cascio, 2002).

Downsizing and Alternatives to Downsizing During the Great Recession of 2008

A good illustration of the range of options available to organisations when faced with a sudden external threat is the Great Recession of 2008. The global financial crisis, as it also became known, began in the USA and quickly spread to Europe and rippled around the world. Firms encountering a downturn in the macroeconomic environment and depressed market conditions might be expected to respond by reducing employment levels (Cooper et al., 2012; Datta and Basuil, 2015), and it is estimated that 61 million jobs were lost globally since the crisis (ILO, 2015). However, firms might also make changes to their employment practices, including freezing wages and bonuses, reducing overtime, diminishing opportunities for promotion, reallocating jobs and responsibilities, reducing expenditure on training and development, revising pension provision and adjusting working time (Lai et al., 2016; Roche et al., 2013; van Wanrooy et al., 2013). In the USA, the recession was associated with a dramatic weakening of the labour market, with unemployment rising from 5% in December 2007 to 10.2% in October 2009, and the unemployment level rising from 7.6 million to 15.7 million in the same period (BLS, 2009). However, in the UK, another nation severely affected by the economic crisis, the evidence suggests that although unemployment rose to 8%, overall employment and unemployment figures were remarkably resilient given the severity of the crisis and compared with previous recessions (Coulter, 2016; van Wanrooy et al., 2013). While some 3.5 million workers were made redundant between 2008 and 2012, this is comparable with the five years to 2000, a period of more buoyant economic conditions (Philpott, 2013). The overall redundancy rate was also similar in 2004 and 2011. Various explanations have been offered for the seemingly resilient employment levels in the UK in times of crisis. Economic factors, including strong conditions pre-recession, low interest rates and a squeeze on real pay might all have provided some financial cushioning to firms. It is also possible that firms had made decisions to eschew workforce reductions and hoard labour (Coulter, 2016; van Wanrooy et al., 2013). As Coulter notes, 'a possibility is that, with healthier balance sheets, firms responded to economic difficulty by maintaining their workforce as much as possible rather than engaging in short-term cost-cutting' (2016). A further possibility is that British employers mitigated employment losses by implementing alternative flexible working arrangements (van Wanrooy et al., 2013).

Fortunately, the latest WERS11 survey of British workplaces provides some insights to these questions (see Table 20.2) (van Wanrooy et al., 2013). The survey reveals that most employers (75%) made at least one employment-related response to the challenging economic environment, with those more severely affected implementing more measures. The most common adjustments including freezing and cutting pay (41%), freezing recruitment (28%), reorganising work (25%) and postponing expansion plans (22%). Other measures included reducing overtime (19%), adjusting training provision (17%), use of agency staff (15%) and working hours (14%). In terms of cuts to employment levels, 13% of organisations made compulsory redundancies and 7% made voluntary redundancies. This could be argued to provide some support for the view that firms were perhaps using alternative flexibility measures to ameliorate the need for downsizing or that permanent workforce reductions were viewed as a last resort by employers. Yet while we have insights into the aggregate responses of British employers to the recession at a

Table 20.2 Employment-related changes (%) made in response to recession, 2011 (van Wanrooy et al., 2013)

Freeze or cut in wages	41
Freeze on filling vacant posts	28
Change in the organisation of work	25
Postpone workforce expansion	22
Reduce paid overtime	19
Reduce training expenditure	17
Reduce agency or temporary staff	15
Reduce basic hours	14
Compulsory redundancies	13
Voluntary redundancies	7
Reduce non-wage benefits	7
Enforce unpaid leave	3
Increase agency or temporary staff	3
Other response	2
No action taken	25

labour market level, we have less insight into exactly how and why particular employers responded as they did at enterprise level or how different adjustments were combined. Were British employers favouring alternative flexibility measures such as working time and pay flexibility to mitigate redundancies and protect jobs, perhaps reflecting the diffusion of high-commitment-oriented HRM? Or does it reflect the diffusion of a 'new employment deal' in recent years (Cappelli, 1999), characterised by the increased utilisation of contingent labour, a decline in job security and the expansion of precarious employment? Such questions can be difficult to answer from large-scale quantitative datasets like WERS (van Wanrooy et al., 2013), and can benefit from qualitative enquiry. One such study revealed how an automotive parts manufacturer heavily affected by recession avoided redundancies because the organisation had a numerically flexible workforce predicated upon the use of agency workers. When the crisis hit, the firm could quickly reduce the size of the workforce without the need for mass redundancies by disposing with agency workers (Johnstone, 2018). Thus, while the organisation avoided making large-scale redundancies, this was not because of a commitment to 'employment stabilisation' or 'responsible restructuring' HR philosophy (Cascio, 2005; 2010; Teague and Roche, 2014). Rather, it reflected a pre-existing flexibility model which prioritised numerical flexibility through agency workers that enabled the firm to adjust the size of the workforce easily without the need for downsizing. While it is difficult to generalise from a single case, it does raise the possibility that the shift towards more market-led employment models and the increased utilisation of flexible work arrangements might partly explain why downsizing was less prevalent than we might have expected given the severity of the crisis. This would also be consistent with other case study evidence which suggests a much harsher reality of restructuring and the introduction of harder HRM practices, even in organisations more mildly affected by recession or hitherto known for their commitment oriented HRM (Cook et al., 2016; Johnstone and Wilkinson, 2018).

However, in Germany, another country deeply affected by recession but where employment levels remained relatively stable, only a minority of companies massively laid off workers (Burda and Hunt, 2011). Again, potential explanations include the utilisation of alternative flexibility practices, and especially short-time working and working time accounts. Short-time working (*Kurzarbeit*) means that in the event of a temporary downturn, working time can be reduced. Firms encountering difficulties can apply for a short-time working programme which is administered by the Employment Agency (Balleer et al., 2016). In practice this means that if an employer wants to reduce labour costs by 20%, instead of laying off 20% of the workforce, the employer can reduce working time by 20%, for example from 5 days a week to 4. If the programme is approved by the Employment Agency, the company is required to pay only for the hours worked, while a proportion of the shortfall (up to 67%) is made up by the government in the form a short-time working allowance. Approved short-time working can last 12 months, or up to 24 months in exceptional circumstances. At the peak of the crisis, 5.2% German workers (almost 1.5 million) worked short time, and Siemens was reported to have shifted 19,000 staff to reduced hours (*New York Times*, 2015). A key advantage of short-time working is that it enables organisations to save costs by temporarily reducing working time during low demand without the need for dismissals. It also means organisations retain skilled employees, and can quickly return to normal when conditions improve. For workers the main benefit is enhanced job security (Eurofound, 2017). The second main measure believed to help sustain German jobs during the downturn is the use of working time accounts (*Arbeitzeitkonten*). These are firm-level agreements that allow employers to offer overtime without additional pay for the employee on condition that working time is later reduced by an equal time during a specified period (usually a year). This also means that during a downturn a worker with surplus hours can work fewer hours without a wage cut, and thus avoid the loss of income associated with short-time working or unpaid leave. The use of working time accounts in Germany spread in the 1990s, and by 2011 it was estimated that over one-third of organisations and around 50% workers had access to one (Balleer et al., 2016). Again, it has been suggested that working time accounts were widely used by German companies during the 2008–2009 recession to temporarily reduce costs while sustaining employment (Eurofound, 2017).

OUTCOMES OF DOWNSIZING

Much downsizing activity is driven by an economic rationale and the belief that workforce reductions will improve organisational performance (Cascio, 2010). This assumption has attracted extensive interest from academic researchers keen to assess the extent to which downsizing actually helps organisations achieve their desired goals. However, the findings remain ‘equivocal at best’ (Freeman and Erhardt, 2012), with several suggesting that downsized firms do not improve their performance (Cascio, 1993; Chadwick et al., 2004; DeMeuse et al., 2003; Guthrie and Datta, 2008; Krishnan et al., 2007). For example, one study assessed key financial indices three years after downsizing and revealed very little impact – positive or negative – on company performance (Cascio, 1997). A later study extended this to assess the impact over a longer timeframe and revealed that companies which downsized over the period 1982 to 2000 did not perform significantly better than their more stable peers (Cascio and Young, 2003). Some research has revealed no significant impact of downsizing on financial performance (DeMeuse et al., 1994), while a subsequent study by the same authors revealed that performance falls following downsizing but later recovers to a similar level as companies which never downsized (DeMeuse et al., 2004). The authors propose that there may be a ‘healing period’ post-downsizing, but also note how downsized organisations never outperformed non-downsized companies in the entire period studied (DeMeuse et al., 2004), while a more recent study reveals how firms that downsize are significantly more likely to declare bankruptcy than their non-downsizing peers (Zorn et al., 2017). Downsizing has also been shown to have negative implications in terms of product quality, efficiency, productivity, creativity, innovation, firm credibility, customer satisfaction and workplace performance (DeMeuse and Dai, 2012; McMahan et al., 2012). It is perhaps no wonder then than some commentators have concluded that 'rather than becoming lean and mean, firms often end up lean and lame' (Henkoff, 1994: 58). Nevertheless, it is difficult to know with certainty what would have happened to the performance of downsized organisations had they not made workforce reductions (DeMeuse and Dai, 2012). Some suggest the need for a more contingent approach to help establish why downsizing might seem to 'work' better in some contexts and fail in others. From this perspective it is too simple to conclude that downsizing is inherently good or bad in terms of its impact on organisational performance, without establishing potentially important contextual factors including who was downsized, the rationale for downsizing and how the downsizing process was managed (Datta et al., 2012). As Cascio (2010) reminds us, all other things remaining equal, there are two main ways for organisations to improve economic performance: increasing revenues or reducing costs. Yet in the real world all other things do not remain equal. For organisations there are the direct costs of severance pay and buyouts for laid-off workers, as well as costs of later recruiting and retraining new workers. However, there are also very important indirect costs, namely the impact of downsizing on workers, a topic which has attracted extensive interest from psychology researchers.

The evidence in this respect is largely negative and suggests that workers perceive downsizing as a breach of the implicit psychological contract of mutual trust between employers and employees (Rust et al., 2003). Studies have revealed that downsizing can have negative effects upon, among other things, employee motivation, engagement, loyalty, performance and organisational citizenship behaviours. For the downsized worker, the evidence suggests that job loss has a negative impact in terms of financial loss and hardship, health and well-being (Hallock et al., 2012). Job loss is also associated with social strain, decreased motivation, negative career and work attitudes, low self-esteem, loss of identity, depression and stress (DeMeuse et al., 2012; Pugh et al., 2003; Tziner et al., 2012). Yet the impact of downsizing is not just felt by the workers who are displaced, but also those who remain with the organisation. Employees staying with the organisation are reported to feel various emotions including guilt, fear, anger and sadness. Those experiencing 'survivor syndrome' (Brockner et al., 1988; Brockner et al., 1993), might encounter stress, mental and physical health problems, depression, decreased satisfaction, distrust, powerlessness, as well as lower morale, commitment, loyalty and attachment to the organisation (Siegrist and Dargaono, 2012; Tziner et al., 2012). This might translate into dysfunctional employee behaviours including tardiness, absenteeism, physical and psychological withdrawal, increased voluntary turnover, and even sabotage and theft (Datta et al., 2010; DeMeuse et al., 2012). Further research also shows that downsizing can be debilitating for the 'layoff agents' – the so-called executioners – charged with implementing and managing workforce reductions (McKinley and Lin, 2012). In sum, much of the evidence on the outcomes of downsizing suggests that it fails to enhance organisational performance and can actually have very negative consequences for all involved. As Pfeffer and Sutton (2006) conclude, it may be the case that downsizing activity is simply not 'evidence based'.

If most of the evidence suggests that downsizing can be detrimental rather than advantageous, why do organisations still decide to make workforce reductions? One argument is that downsizing is generally a last resort for ailing organisations struggling for survival and that no organisation necessarily wants to make workforce reductions. This may be true in helping to understand instances of reactive downsizing, but it does not explain proactive downsizing in otherwise healthy organisations. Some authors draw upon neo-institutional theory (DiMaggio and Powell, 1983) to explain the pervasiveness of downsizing in recent decades (Budros, 2000; McKinley et al., 2000, McKinley and Lin, 2012). McKinley and Lin suggest that there were strong pressures in the 1990s for organisations to 'get lean' (coercive isomorphism) as well as to imitate what 'successful' organisations were doing (mimetic isomorphism). In addition, as high-profile iconic organisations begin to downsize the practice then gains greater legitimacy among managers and encourages a cloning response (normative isomorphism). The legitimacy of downsizing is arguably reinforced through a system of business school education which is dominated by financial concerns rather than HRM or employment relations issues. In combination, these factors might explain why proactive downsizing became 'institutionalised' as a legitimate and acceptable way of doing business in otherwise healthy organisations, and was no longer simply a 'last resort' for struggling organisations (McKinley et al., 2000). Another relevant explanation might be found in the notion of 'disconnected capitalism' developed by Thompson (2003). The core argument is that the increased significance in capital markets in driving firm behaviour means firms must engage in a variety of short-term measures and perpetual restructuring to meet shareholder expectations. Such measures are also incentivised through executive rewards tied to stock options. This context effectively undermines the stable conditions central to theories of high-commitment HRM, such as the ability to provide job security. From this perspective, even enlightened local managers might find themselves constrained in their ability to develop commitment-based HR practices due to the pressures to meet corporate financial objectives (Thompson, 2016).

CONCLUSION

Downsizing has become one of the most controversial aspects of work and employment in recent decades, and the term has been used loosely to refer to a range of organisational and employment phenomena. In this chapter we have interpreted downsizing in simple terms as deliberate reductions in positions, jobs and staff (Cascio, 1993; Freeman and Cameron, 1993). Often this involves layoffs and redundancies but reductions can also be achieved through a variety of other mechanisms including natural attrition and early retirement. In the 1980s decisions to make workforce reductions were often associated with organisations experiencing difficulties due to the vagaries of market conditions or market decline. However, decisions to reduce staff have increasingly been made by seemingly healthy organisations seeking to enhance organisational efficiency and performance. Downsizing can therefore be reactive or proactive in nature (Freeman and Erhardt, 2012). Much research attention has been paid to establishing the antecedents of downsizing decisions, and studies have identified a wide range of factors including changing customer demand, globalisation, technology, and institutional environment. Internal factors include corporate governance, executive reward and incentive systems, HR philosophy, and the composition and functional background of the top management team (Cascio, 2012).

The evidence also demonstrates that downsizing is widespread and no longer limited to blue-collar workers in troubled industries. Downsizing is increasingly global in nature, affecting workers at all levels in the organisational hierarchy and throughout the economic cycle.

At the same time there are important differences in how workforce reductions happen depending upon the institutional environment and employment protection legislation. However, the process of downsizing has received relatively less attention in the research literature. While some commentators have devised various typologies of downsizing approaches and strategies (Cameron, 1994; Greenhalgh et al., 1988; Iverson and Zatzick, 2007), few studies have explored the 'black box' processes of downsizing at organisational level (Datta et al., 2010, 12; Mellahi and Wilkinson, 2010). Yet in contrast to the extensive attention paid by both organisations and researchers to recruitment and selection processes, we know much less about workforce reduction processes (DeMeuse and Dai, 2012). Nevertheless, some effort has been made to establish the outcomes of downsizing for organisations and for employees. While the evidence is inconclusive, there is nevertheless a significant body of studies which reveals that downsizing often fails to lead to economic advantages, and can actually have very negative consequences for everyone involved (Cascio, 2012; DeMeuse and Dai, 2012).

There is, however, an opportunity to develop a richer understanding of the context, processes, meanings and outcomes of downsizing, as well as the contextual conditions associated with both positive and negative evaluations and experiences. Limitations of existing studies include inconsistency in the conceptualisation of downsizing, as well as a tendency to focus upon the direct effects rather than the moderating effects which may influence the outcomes. Often studies focus on investigating either the impact on employee outcomes or the impact on organisational outcomes. As a result, after several decades of research, 'very little can be said with certainty regarding the antecedents and consequences of employee downsizing' (Datta et al., 2010; 337). Yet the organisational quest to improve efficiency and productivity is unlikely to go away and firms will always be looking for ways to achieve more with less. Often this will mean pressure to control labour costs and employment levels, including more flexible working arrangements, as well as permanent workforce reductions. As a result, organisational appetites for downsizing and workforce reductions are unlikely to be satisfied anytime soon, and the phenomenon continues to be an important but relatively underexplored area in need of further research.

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21

Employee Engagement: The Past, the Present, and the Future

Ji Koung Kim and Jeffery A. LePine

INTRODUCTION

Employee engagement has been a 'hot' topic among practitioners for about two decades. Over that time period, there were reports in the business press and related outlets which indicated that engaged employees are more likely to be satisfied and perform at higher levels, as well as enact behaviors that contribute to the bottom line of their organizations (e.g., Harter, Schmidt, Killhan, & Agrawal 2009; Kruse, 2012; Reilly, 2014). Today, employee engagement is considered to be a source of competitive advantage that allows organizations to gain an upper hand over rival firms (Gruman & Saks, 2011; Macey, Schneider, Barbera, & Young, 2009). Perhaps due in part to the importance placed on engagement by practitioners, the concept has also gained in popularity among scholars. Indeed, the number of articles in Google Scholar's database with 'employee engagement,' 'job engagement,', or 'work engagement' in the title has grown exponentially over the last three decades, from 12 in the 1990s, to 1,137 in the 2000s, to 5,864 (and counting) during the current decade.

The vast amount of scholarly research on engagement has largely reinforced the sanguine picture that the business press has painted. At the individual (employee) level, meta-analytic reviews indicate that engagement has a positive association with both task and contextual performance (Christian, Garza, & Slaughter, 2011). In addition, scholars have found that engagement is related to an array of positive employee attitudes and behaviors, including job involvement, job satisfaction, intrinsic motivation, increased effort, and lower absenteeism (e.g., Rich, LePine, & Crawford, 2010; Stairs & Galpin, 2010). Research also indicates that employee engagement is positively associated with desirable outcomes at the organization or business unit level. Based on studies conducted by the Gallup Organization, Harter and colleagues (Harter, Schmidt, & Hayes, 2002; Harter et al., 2009) reported positive associations between employee engagement and indicators of organizational/unit performance, such as profitability, productivity, customer satisfaction, and unit success rate. In short, engaged employees generally produce positive (and lucrative) outcomes, for both themselves as well as their employers.

However, despite the proliferation of engagement research, the concept itself has been a source of great confusion. The uncertainty surrounding this construct primarily stems from three intertwined issues. First, scholars have been unable to agree on what engagement entails. In other words, the literature lacks a clear, agreed-upon construct definition upon which a cohesive literature can accumulate. Engagement "is subject to a number of variations, including 'work engagement', 'personal engagement', 'job engagement', 'staff engagement', 'employee engagement', and just simply 'engagement', each lending itself to a range of different definitions" (Truss, Delbridge, Alfes, Shantz, & Soane, 2014: 3). Second, and perhaps somewhat understandably considering the lack of consensus regarding a construct definition, scholars have been unable to agree upon the 'best' way to operationalize engagement. For example, engagement has been operationalized as a motivational construct consisting of three sub-dimensions (Rich et al., 2010), as a type of job or work attitude (see Harter et al., 2002; Harter et al., 2009), as an opposite score of burnout (Maslach & Leiter, 1997), and as the positive antipode (or conceptual opposite) of burnout (Schaufeli, Salanova, González-Romá, & Bakker, 2002). The lack of agreement regarding how to conceptualize and operationalize engagement is especially problematic, as it leads to "confusion as to whether engagement is conceptually and empirically different from other constructs" (Christian et al., 2011: 90). The lack of consensus regarding the conceptual space of engagement breeds criticisms of the construct being 'old wine in a new bottle' (Jeung, 2011; Schaufeli, 2014). The third cause of confusion is the presence of multiple theoretical frames, each with its own definition, operationalization, dimensions, and nomological network. Although the lack of one strong paradigm guiding engagement research is not necessarily problematic in itself, the presence of fundamentally different theoretical frames has hindered our ability to synthesize research results and advance our theoretical and practical understanding.

Perhaps because of these three sources of confusion, engagement has mostly been inconspicuous in the field of human resource management (HRM). Although HRM scholars have recently started to examine the linkages between HR practices and employee engagement (e.g., Alfes, Shantz, Truss, & Soane, 2013; Alfes, Truss, Soane, Rees, & Gatenby, 2013; Brunetto, Teo, Shacklock, & Farr-Wharton, 2012; Li & Frenkel, 2017; Shuck, Reio, & Rocco, 2011), the implications of employee engagement for different HRM functions are still relatively underdeveloped. To fully understand the role of engagement in HRM, we need to move beyond research that simply examines psychological and contextual drivers of engagement, or engagement as a driver of job performance. Instead, researchers need to begin to explore how engagement can be managed through HR practices and policies. Employees' experiences in their respective organizations include numerous activities and interactions with the organization, including selection processes (e.g., recruitment and selection practices), human resource development (e.g., training and development programs), and rewards processes (e.g., employee compensation) that occur outside of everyday role/job performance activities. However, the implications of engagement in these topic areas are relatively unknown, with numerous open questions left unanswered. For instance, how can organizations select employees that are more likely to be highly engaged in their work? How can organizations design jobs that maximize employee engagement? How do different types of reward systems enhance or diminish employee engagement? The purpose of this chapter is to address questions such as these.

Our chapter proceeds as follows. First, we review definitions and theoretical perspectives underlying engagement research, followed by a brief overview of different ways this construct is operationalized in both academic and practitioner-based scholarship. Second, we conduct a critical analysis of the two most widely used frameworks of engagement – Kahn's (1990) psychological conditions approach and the job demands–resources (JD-R) model (Demerouti, Bakker, Nachreiner, & Schaufeli, 2001) – and provide our suggestions as to when each framework (and respective measurement of engagement) is most appropriate. Third, we discuss the implications of employee engagement for different functions of HRM, including job design, recruitment and selection procedures, training and development, and employee rewards. We conclude this chapter with a discussion of general takeaways.

WHAT IS ENGAGEMENT? DEFINITIONS AND THEORETICAL PERSPECTIVES

As outlined above, engagement research is rather fragmented, with multiple definitions, measures, and theoretical frameworks. In the following section, we provide a brief overview of the most widely employed approaches in engagement research.

Kahn's Framework of Engagement

With nearly 5,000 Google Scholar citations, William Kahn's 1990 article published in the *Academy of Management Journal* has played an influential role in developing the concept of engagement. Kahn (1990: 694) defined engagement as the "harnessing of organization members' selves to their work roles; in engagement, people employ and express themselves physically, cognitively, and emotionally during role performances." In other words, Kahn argued that engagement refers to the extent to which employees are willing to devote their physical, cognitive, and emotional energies in performing their jobs at work. In two qualitative ethnographic studies of summer camp counselors and employees of an architecture firm, Kahn identified three psychological conditions that must be satisfied in order for employees to engage in their work roles.

The first condition, meaningfulness, refers to employees' sense of return on investment regarding their role performance. According to Kahn, this psychological condition is satisfied when employees' tasks, roles, and work interactions make them feel worthwhile, valued, and valuable at work. That is, employees experience meaningfulness when elements of their work and the work environment foster incentives for them to invest their energies into their work role performance. Consistent with Kahn's theorizing, quantitative reviews of the literature show that positive characteristics of the job, work environment, and workplace interactions are strongly associated with employee engagement. For example, building on Hackman and Oldham's (1976) job characteristics theory, Christian and colleagues (2011) found that job characteristics that enhance employee perceptions of meaningfulness, such as task significance (the extent to which the job has a positive impact on others), feedback (the extent to which employees are given information about their role performance), autonomy (the extent to which employees are provided with freedom in carrying out their work), and job complexity (the extent to which the job is multifaceted rather than consisting of a single task), are positively related to engagement.

The second psychological condition that leads to employee engagement is safety, or the "sense of being able to show and employ self without fear of negative consequences to self-image, status, or career" (Kahn, 1990: 705). This condition is met when aspects of the social system embedded within one's work environment, such as interpersonal relationships, within and between group dynamics, leadership styles, and organization norms and culture, provide employees with situations that are predictable, consistent, and non-threatening. When these elements of the social environment at work provide feelings of trustworthiness, security, and predictability, employees are more likely to be willing to invest their physical, cognitive, and emotional energies in their work. For instance, employees' perceptions of organizational support, positive social-exchange relationships with supervisors, and a positive workplace climate have all been found to enhance employee engagement (e.g., Christian et al., 2011; Crawford, LePine, & Rich, 2010; Crawford, Rich, Buckman, & Bergeron, 2014).

The third psychological condition in Kahn's framework is availability, which refers to the "sense of possessing the physical, emotional, and psychological resources necessary for investing self in role performance" (1990: 705). Employees experience psychological availability when either their work environments or personal endowments (a) provide them with the necessary physical, cognitive, and emotional resources to invest in their jobs and (b) minimize situations and/or distractions that diminish these resources. Along these lines, empirical research has found that positive dispositional characteristics such as core self-evaluations (Rich et al., 2010) and proactive personality (Christian et al., 2011) enhance employee engagement, while negative work situations such as role conflict and role overload (Crawford et al., 2010) diminish employee engagement.

Kahn's conceptualization of engagement is often operationalized using the job engagement scale (JES; Rich et al., 2010). This instrument consists of 18 items – 6 for each dimension of engagement (physical, cognitive, and emotional engagement) – and operationalizes engagement as a higher order factor consisting of these three dimensions (see Table 21.1 for sample items). The JES possesses good psychometric properties, showing discriminant validity from related constructs such as job involvement, job satisfaction, and intrinsic motivation, as well as good criterion validity in regard to task and contextual performance (Rich et al., 2010).

To summarize, Kahn's (1990; 1992) conceptualization of engagement refers to employees' willingness to invest their physical, cognitive, and emotional energies into employing and expressing their preferred self at work. Employees are more likely to devote their energies (i.e., engage) when their work, work environment, and personal endowments offer psychological experiences of meaningfulness, safety, and availability. Kahn's framework is depicted in Figure 21.1.

Table 21.1 Sample items from engagement measures

Job Engagement Scale (Rich et al., 2010)	*Utrecht Work Engagement Scale (Schaufeli et al., 2002)*	*Gallup Organization Engagement Scale (Q[12])*
Physical engagement 1. I work with intensity on my job 2. I exert my full effort to my job *Emotional engagement* 1. I am enthusiastic in my job 2. I feel energetic at my job *Cognitive engagement* 1. At work, my mind is focused on my job 2. At work, I pay a lot of attention to my job	*Vigor* 1. When I get up in the morning, I feel like going to work 2. I can continue working for very long periods at a time *Dedication* 1. To me, my job is challenging 2. My job inspires me *Absorption* 1. When I am working, I forget everything else around me 2. Time flies when I am working	1. I know what is expected of me at work 2. I have the materials and equipment I need to do my work right 3. My supervisor, or someone at work, seems to care about me as a person 4. I have a best friend at work

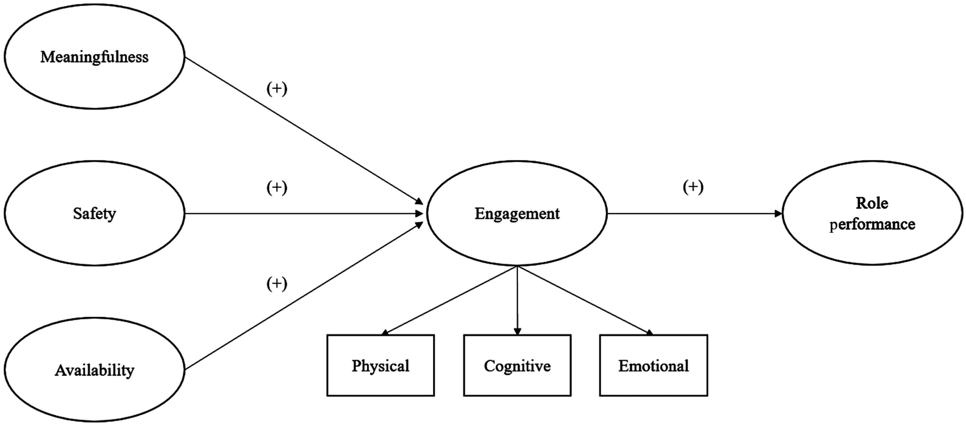

Figure 21.1 Kahn's psychological needs satisfaction model of engagement

Engagement as the Opposite of Burnout

Although Kahn (1990) is widely credited with introducing the concept of engagement, it took about a decade for scholarly interest in this topic to emerge in earnest. Interestingly, however, the increased interest in engagement during this period can be attributed to research on another well-known concept (Bakker, Demerouti, & Sanz-Vergel, 2014; Bakker, Schaufeli, Leiter, & Taris, 2008; Schaufeli, 2014). Specifically, Maslach and Leiter (1997) argued that engagement is the antithesis of burnout, which refers to a state of psychological and physical exhaustion stemming from one's work. Specifically, they proposed that engagement consists of three dimensions, namely, energy, involvement, and efficacy, which are direct opposites of the three dimensions of burnout (emotional exhaustion, depersonalization, and lack of personal accomplishment). Maslach and Leiter's (1997) conceptualization of employee engagement is reflected in operationalizing engagement as the reverse score of burnout from the Maslach Burnout Inventory – General Survey (MBI-GS; Schaufeli, Leiter, Maslach, & Jackson, 1996).

Building on this stream of research, Schaufeli and colleagues (e.g., Demerouti et al., 2001; Schaufeli & Bakker, 2004; Schaufeli, Bakker, & Van Rhenen, 2009; Schaufeli et al., 2002; Xanthopoulou, Bakker, Demerouti, & Schaufeli, 2009) viewed engagement as an independent construct that is conceptually opposed to burnout (i.e., the antipode of burnout): "a positive, fulfilling, work-related state of mind that is characterized by vigor, dedication, and absorption" (2002: 74). Vigor reflects an individual state characterized by high levels of energy, resilience, willingness to invest oneself at work, and persistence when faced with difficult situations. Dedication refers to experiences of significance, enthusiasm, and challenge as well as a willingness to involve oneself at work. Finally, absorption indicates being concentrated and fully occupied in one's work (Bakker et al., 2014). Based on the definition and dimensions of engagement outlined above, Schaufeli and colleagues argued that although burnout and engagement are opposite concepts, they should be measured independent from each other with different instruments, because:

> in contrast to both the other elements of burnout and engagement that are direct opposites (exhaustion vs. vigor and cynicism vs. dedication), reduced efficacy and absorption are not each other's direct opposites, rather they are conceptually distinct aspects that are not the end points of some underlying continuum. (2002: 74)

Consistent with this line of thinking, Schaufeli et al. (2002) developed the Utrecht Work Engagement Scale (UWES). This scale consists of 17 items that capture the three dimensions of work engagement (vigor, dedication, and absorption). The UWES demonstrates good psychometric properties, and has been validated in numerous countries such as Australia, Belgium, Canada, Finland, France, Germany, the Netherlands, Norway, South Africa, Spain, Japan, and Italy (Balducci, Fraccaroli, & Schaufeli, 2010; Schaufeli, Bakker, & Salanova, 2006; Shimazu et al., 2008).

The view of engagement as the antipode of burnout has been widely applied in the literature; however, it is perhaps most prominent in research on the job demands–resources (JD-R) model (Demerouti et al., 2001). According to the JD-R framework, employee engagement and burnout at work are determined by job resources and job demands. Job resources refer to "physical, psychological, social, or organizational aspects of the job that help to either achieve work goals, reduce job demands and the associated physiological and psychological costs, or stimulate personal growth, learning, and development" (Bakker et al., 2014: 392; see also Bakker & Demerouti, 2007). Job resources include aspects of one's work environment, such as organizational or supervisor support, job autonomy, positive and useful feedback, as well as personal characteristics such as core self-evaluations, self-esteem, and personality variables (Alarcon, Eschleman, & Bowling, 2009; Bakker & Demerouti, 2007; Rich et al., 2010; Xanthopoulou et al., 2009). In contrast, job demands refer to elements of the job that require physical, emotional, and/or cognitive effort on the part of the employee (Demerouti et al., 2001). Examples of job demands include ambiguity surrounding one's role at work, role conflict, stress, high workloads, and time pressure (Alarcon, 2011; Bakker et al., 2014; Lee & Ashforth, 1996).

The JD-R model proposes that employees with ample job resources are more likely to experience feelings of vigor, dedication, and absorption at work – and thus display high levels of engagement – and less likely to experience feelings of emotional exhaustion and cynicism (i.e., burnout). In contrast, the model proposes that job demands diminish employee engagement while increasing burnout. Although both resources and demands are conceptualized as antecedents of engagement and burnout, researchers have concluded that job resources are a stronger predictor of engagement, while job demands are a stronger predictor of burnout (Bakker et al., 2014; Christian et al., 2011). A meta-analytic review of the literature by Crawford et al. (2010) largely supports the JD-R model. Job demands such as administrative hassles, emotional conflicts with colleagues, organizational politics, resource inadequacies, role conflict, and role overload were found to be positively related to burnout, while job resources such as autonomy, feedback, opportunity for development, positive workplace climate, rewards and recognition, support, job variety, and work role fit were found to be positively related to engagement. Importantly, however, Crawford and his colleagues also found that relationships between job demands and engagement appear to be highly dependent on the nature of the demand. Job demands that employees typically appraise as hindrances (e.g., situational constrains, hassles, politics, role ambiguity, role conflict, role overload, resource inadequacies) were found to be negatively associated with engagement, while job demands that employees typically appraise as challenges (e.g., job complexity, job responsibility, pressure to complete tasks, time urgency, quantitative and subjective workload) were found to be positively associated with engagement.

In sum, research on the JD-R model, which views engagement as the conceptual opposite of burnout (and measures it using the UWES), proposes that employee engagement may be enhanced by job resources and challenging job demands, and may be depressed with hindering job demands.

The Gallup Organization's Approach to Engagement

While Kahn's conceptualization of engagement and the JD-R model have gained traction over the past couple decades in academia, the Gallup Organization has contributed greatly to engagement research among practitioners. In fact, Gallup is widely credited with coining the term 'engagement' (Schaufeli, 2014). Whereas engagement research conducted under the two theoretical frameworks outlined above has primarily focused on *individual* consequences of engagement, studies conducted by Gallup have shown that engaged employees also make a positive contribution to the overall *organization* as well (e.g., Harter et al., 2002; 2009; Harter, Schmidt, Agrawal, Plowman, & Blue, 2016).

The Gallup Organization defines employee engagement as "an individual's involvement and satisfaction with as well as enthusiasm for work" (Harter et al., 2002: 269). Thus, it appears that the Gallup conceptualization of engagement has a much stronger affective orientation as compared to the two perspectives discussed above. It may be important to note that Gallup's conceptualization of employee engagement and its measure, the Q^{12}, was developed as a managerial tool to improve jobs and enhance employees' satisfaction. As such, although Gallup's conceptualization and operationalization of engagement is effective in predicting positive work attitudes such as job satisfaction, it also has been met with some criticisms, especially regarding construct validity.

Other Approaches to Engagement

The three perspectives outlined above are the most widely employed frameworks that guide engagement research for academics and practitioners. However, scholars have also proposed alternative conceptualizations and theoretical frameworks. For instance, Saks (2006: 603) proposed that engagement is a social-exchange mechanism through which employees reciprocate the organization for the resources it provides, such as organizational and supervisory support, rewards and recognition, and positive job characteristics. According to the author, "the amount of cognitive, emotional, and physical resources that an individual is prepared to devote in the performance of one's work roles is contingent on the economic and socioemotional resources received from the organization." In addition, Saks (2006) also argued that engagement takes different forms depending on the target of engagement. That is, engagement can be further categorized as 'job engagement' (the investment of one's energies to performing one's work role) and 'organizational engagement' (engaging in one's role as a member of the organization). Although this distinction suggests that different types of engagement may have differential effects on employee outcomes such as job performance, organizational citizenship behavior, and organizational commitment, findings indicate the two types of engagement are highly correlated and generally do not have differential effects on outcome variables.

Building on Kahn's (1990) framework, Rothbard (2001) conceptualized role engagement as a motivational construct consisting of two components – attention and absorption. Attention refers to cognitive availability as well as the amount of cognitive resources individuals spend thinking about a role. Absorption is defined as the extent to which an individual is engrossed in a role, and the intensity of one's focus. An interesting aspect of this conceptualization is that in contrast to prior frameworks of engagement – such as Kahn's approach and the JD-R framework – the author does not constrain engagement to one's *work* role. Rothbard suggests that individuals engage in multiple roles – for instance, a person can be engaged in his/her role as an employee, and as a father, mother, spouse, etc., at home. The extent to which individuals engage in their roles is influenced by whether one's role is psychologically depleting vs. enriching, as well as the interplay between multiple roles.

From their narrative review of the engagement literature, Macey and Schneider (2008) proposed that engagement can be viewed as having three broad facets: psychological state engagement, behavioral engagement, and trait engagement. Although we agree with Macey and Schneider's observation that engagement has been defined by scholars in fundamentally different ways, we also believe that the latter two facets correspond to other existing constructs (e.g., trait conscientiousness and organizational citizenship behavior) and that the original conceptualization and follow-up work has viewed engagement as an affectively laden and motivationally relevant psychological state. Thus, to maintain theoretical precision, we adopt this focus here.

Critical Analysis

The engagement frameworks offered by Kahn (1990), Schaufeli et al. (2002), and Gallup (e.g., Harter et al., 2002; 2009) have been widely used in both academic and practitioner-oriented research. However, these schools of thought have developed relatively independent of each other over the last several decades. As such, there are several inconsistencies between the perspectives and their respective measures (Byrne, Peters, and Weston, 2016). Below, we highlight the merits and limitations of these engagement frameworks and provide suggestions for the appropriateness of each framework and accompanying instrument depending on different research objectives.

Kahn

Kahn's (1990) rich inductive account of engagement has provided scholars with a solid conceptual foundation that stands nearly three decades later. However, there are several issues surrounding his framework that should be noted. Perhaps most critical is the lack of clarity on how engagement should be operationalized. For example, Rich et al.'s (2010) interpretation and operationalization of Kahn's work casts engagement as a motivational concept reflecting the willingness or tendency to exert physical, cognitive, and emotional energies to their work roles. However, Kahn's (1990) conceptualization of engagement also alludes to processes through which individuals invest and withdraw their selves-in-roles. That is, the extent to which employees engage may be influenced by how they identify, or possess "perceptions of oneness" (Ashforth & Mael, 1989: 20), with their work, work environment, and/or the organization. Unfortunately, these processes have mostly been relegated to the background, and it is unknown whether accounting for them would alter our understanding of engagement's functioning.

Relatedly, existing research is quite inconsistent in its view regarding the stability of employee engagement. Kahn viewed engagement as a fluctuating state, determined by the extent to which individuals invest or withdraw their physical, cognitive, and emotional energies from their work activities:

> The research reported here was designed to generate a theoretical framework within which to understand these 'self-in-role' processes and to suggest directions for future research. My specific concern was the moments in which people bring themselves into or remove themselves from particular task behaviors. My guiding assumption was that people are constantly bringing in and leaving out various depths of their selves during the course of their work days. They do so to respond to the momentary ebbs and flows of those days and to express their selves at some times and defend them at others. By focusing on moments of task performances, I sought to identify variables that explained the processes by which people adjust their selves-in-roles. (1990: 692–693)

In short, Kahn's conceptualization dictates that in addition to *between-person* differences, engagement also displays *within-person* variation. However, scholars have rarely examined the 'ebbs and flows' of employees' work days, and its influence on the extent to which employees engage themselves to their work (one exception is Sonnentag's 2003 study, in which she reported daily fluctuations of engagement, even after accounting for stable work conditions and individual-level engagement). Moreover, it is unclear whether these ebbs and flows are temporal in nature and involve all activities that are bounded by time, or whether the ebbs and flows might correspond more tightly to the activities themselves. Whereas the former view would be consistent with concepts such as mood (a temporary state that affects the 'whole'), the latter is more akin to an attitude (a more stable state that is attached to an object).

Schaufeli et al.

Schaufeli et al.'s (2002) conceptualization of employee engagement as the antipode of employee burnout, as well as their UWES instrument, have undoubtedly made a significant contribution to engagement research. Indeed, though Kahn's seminal article was published 12 years in advance, the proliferation of engagement research began in earnest after Schaufeli and colleagues developed the UWES. However, criticisms of the JD-R framework and the UWES have emerged in recent years. As outlined in previous sections of this chapter, the UWES was developed by Schaufeli and colleagues because of the limitations in operationalizing engagement as the reverse score of burnout. However, recent findings indicate that engagement measured by the UWES instrument may not be distinct from engagement operationalized as the reverse score of burnout using the Maslach Burnout Inventory (MBI). For instance, Cole, Walter, Bedeian, and O'Boyle (2012) found that (a) dimensions of engagement (operationalized using the UWES) and burnout (operationalized using the MBI) correlate highly with each other, (b) dimensions of engagement and burnout have similar patterns of correlations with variables in the nomological network, and (c) effect sizes of engagement on correlates are reduced significantly when controlling for burnout. Cole et al. summarized these findings by arguing that:

> employee engagement, as gauged by the UWES, overlaps to such an extent with job burnout, as gauged by the MBI, that it effectively taps an existing construct under a new label. This lack of independence, instantiated using the most highly regarded inventories of engagement and burnout, creates a serious risk of misalignment between theory and measurement. A potential hazard is that using different terms for a similar phenomenon produces confusion within a research community, leading to miscommunication and misunderstandings that can impede theory development. This concern is compounded in that the advancement of existing theory relies on future researchers' ability to build on previous work. (2012: 1573)

The Gallup Approach

The work on engagement using the Gallup measure served to popularize engagement and build empirical evidence that investing in employees' engagement may provide organizations with a competitive advantage over their rivals and is 'good business.' Scholarly research, however, shows that the Q^{12} engagement measure does not show discriminant validity from other established constructs – chief among them job satisfaction (Harter et al., 2002). Therefore, although the Q^{12} may serve as a criterion to use when evaluating HR-related policies and practices, it may be problematic in the context of research intended to understand the nature and functioning of the engagement construct in particular. Again, although the criticisms surrounding the Gallup definition of engagement as well as the Q^{12} are valid, their contributions to engagement research cannot be underestimated.

Synthesis

These three frameworks of engagement have played an important role in developing engagement as a construct of interest for academics and practitioners. However, there are differences between the three in terms of their primary objectives. That is, the Gallup Organization's approach leans toward practical implications of engagement, while Kahn and Schaufeli et al.'s respective frameworks focus more on theoretical development with academics as the primary target audience.

In other words, Gallup's engagement stands on its own with respect to its purpose of helping organizations obtain positive outcomes for themselves and their employees via engagement. As such, we focus on comparisons between Kahn and Schaufeli et al. in the following section.

As described above, although both the Kahn and the Schaufeli et al. conceptualizations and operationalizations of engagement are widely used by scholars, researchers are faced with the practical question of which to adopt in their own research. Indeed, findings by Byrne and colleagues (2016) show that the UWES and the JES are *not* interchangeable. Considering the fact that these two scales were developed to measure the same construct, this revelation is quite concerning, as it hinders our ability to build on previous research and advance our knowledge base (Suddaby, 2010). Across five independent field samples, Byrne et al. found that although the UWES and the JES were related to each other and showed similar relationships with certain covariates, the two scales showed disparate relationships with key variables in the nomological network – including job performance, job commitment, psychological meaningfulness, stress, and burnout. Although there are no straightforward answers to the question of how these inconsistencies may be reconciled, Byrne and colleagues do provide some important guidelines. First, we need to consider the possibility that although the UWES and the JES are indeed measuring engagement, the two instruments may be assessing *difference aspects* of engagement. According to Byrne et al.,

> the UWES captures 'a general, positive, job attitude [that] leads individuals to contribute rather than withhold desirable inputs from their work' (Harrison, Newman, & Roth, 2006, p. 320, brackets for clarity). Our results support this perspective. Our findings also support Kahn's (1990) engagement defined as 'the harnessing of organization members' selves to their work roles; in engagement, people employ and express themselves physically, cognitively, and emotionally during role performances' (p. 694). Furthermore, the UWES and JES are moderately correlated in all but one sample. Thus, from our results we infer the two measures assess at least some portion of the same construct of engagement. (2016: 1216)

Second, we need to assess each measure for its comparative strengths (and weaknesses), and decide which instrument is more appropriate for a particular research objective. We emphasize that our suggestions are by no means an attempt to advocate for one approach above the other. Indeed, each perspective has its respective strengths. Our goal is to highlight contexts in which the UWES (or the JES) may shine brightest.

The UWES's strengths lie in its ability to assess a broader domain than the JES (Byrne et al., 2016). Indeed, the UWES has significantly higher correlations with variables in its nomological network (e.g., job performance, strains, organizational commitment, burnout, stress, and psychological availability) in comparison to the JES. That is, UWES has higher *predictive* validity of employees' desirable attitudes and behaviors because it is a broader construct. Thus, when the research objective is to assess employees' overarching psychological states, or to make predictions regarding positive outcomes where the concern is to achieve the highest possible validity coefficient, the UWES may be more appropriate. In contrast, the JES captures a more focused engagement concept, one that concentrates on the energies employed in employees' work role performances. As such, this measure shows less contamination with related constructs, and has higher *discriminant validity*, making it more appropriate for scholarly research aimed toward "identifying the edges of engagement's construct domain" (Byrne et al., 2016: 1218).

HRM IMPLICATIONS AND FUTURE RESEARCH DIRECTIONS

Research indicates that engaged employees are more likely to exhibit positive behaviors in the context of their everyday roles, such as task and contextual performance (e.g., Christian et al., 2011; Rich et al., 2010). In turn, these employee behaviors positively contribute to organizational well-being and performance, and serve as sources of competitive advantage (Macey et al., 2009). However, the role of HRM systems in increasing employee engagement – both during role performance and in the context of other workplace activities – is relatively underdeveloped in the literature. In the following section, we highlight how organizations and managers can implement practices and policies across different HR functions to enhance employee engagement, and provide suggestions for future research.

Selecting for Engagement

Prior research has not focused much attention on how organizations can select job candidates who are more likely to be engaged as employees. However, several studies provide insight into dispositional characteristics that may be indicative of who is likely to be engaged at work. For example, in their meta-analysis, Christian et al. (2011) reported positive correlations between three individual characteristics – conscientiousness, positive affect, and proactive personality – and engagement. In addition, Rich et al. (2010) found that employees high in core self-evaluation (a higher order construct characterized by high levels of self-esteem, generalized self-efficacy, internal locus of control, and emotional stability; Judge, Erez, Bono, & Thoresen, 2003) are more likely to invest their physical, cognitive, and emotional energies in their work. Although these findings provide a good starting point, the studies above were conducted with employee, rather than job candidate, samples. As such, future studies need to examine the linkages between candidates' dispositional characteristics and their levels of engagement as employees over time to establish predictive validity. Given the importance of human capital in building sustainable competitive advantage in today's environment (Hatch & Dyer, 2004), selecting individuals who are more likely to engage themselves to their work can be a cost-effective, yet powerful method through which organizations rise above their competitors.

Designing Jobs for Engagement

Among the different functional areas of HRM, job design has received the most attention from engagement scholars. In particular, researchers have focused on how characteristics of the job either enhance or diminish employee engagement (Hackman & Oldham, 1976). For instance, Christian et al. (2011) found positive meta-analytic correlations between job characteristics associated with perceptions of meaningfulness, such as task significance and task variety, and employee engagement. In contrast to Christian and colleagues, who theorized that positive job characteristics influence employee engagement via Kahn's psychological conditions, Crawford and colleagues (2010) employed the JD-R framework and proposed that positive job characteristics, such as autonomy, feedback, positive workplace climate, job variety, and job responsibility, act as resources or challenge demands, while negative aspects of the job such as administrative hassles act as hindrance demands. As we noted earlier in this chapter, their findings show that job characteristics defined as resources or challenge demands boost employee engagement, while job characteristics depicted as hindrance demands diminish engagement. Although these findings show the potential of job design in the management of employee engagement, they focus primarily on the structure and characteristics of the work itself. However, jobs also consist of relational elements that shape how employees perceive their experiences at work (Grant, 2007). Given that psychological perceptions of safety and availability can stem from interactions with other organizational members such as coworkers and leaders (Kahn, 1990), the manner in which organizations design relational structures between individuals and groups can also have important implications for employee engagement. However, this element of job design has not been examined in the literature, and thus provides a promising avenue for future research.

Train and Develop for Engagement

Training and development that imparts the knowledge, skills, abilities, and resources to carry out a task (i.e., availability) may be another means by which employee engagement could be enhanced. Indeed, meta-analytic research has found that opportunities for development are positively associated with engagement (Crawford et al., 2010). As Kahn (1990) theorized, work-related knowledge, skills, and abilities (KSAs) and resources enhance engagement, and, in turn, employee role performances, by engendering feelings of availability and efficacy. Researchers have also suggested ways in which organizations could leverage engagement to enhance effectiveness in training. In this regard, Colquitt, LePine, and Noe's (2000) meta-analytic integration of the training literature suggests that employees are more likely to invest their efforts during training when they perceive that training will lead to positive outcomes (valence), when they perceive that they can effectively participate in the program (self-efficacy), when they do not feel anxious about participating in the program, and when they receive sufficient support from their supervisor and peers. Comparing this framework to Kahn's psychological conditions of engagement, valence, self-efficacy, and low anxiety/support are akin to meaningfulness, availability, and safety, respectively. In other words, to ensure that employees are highly engaged to learn during training and development regimens provided by the organization (and are able to subsequently transfer what they learn to their work roles), programs should be structured in a way that employees perceive meaningfulness, availability, and safety *prior* to and *during* their participation.

Recognition and Rewards for Engagement

Recognition and rewards is a particularly fascinating topic in regard to employee engagement, especially when one considers that engagement has been positioned, at least tacitly, as an implicit form of motivation. Indeed, and as we have already mentioned, some of the core ideas expressed by Kahn (1990) are similar in form to those expressed in other well-known formulations of intrinsic motivation (e.g., Hackman & Oldham, 1976). On the one hand, researchers have found that rewards decrease intrinsic motivation (Deci, Koestner, & Ryan, 1999; Deci & Ryan, 1985), and thus, by extension, we might expect that recognition and rewards decrease engagement. On the other hand, recognition and rewards act as a signal of the organization's acknowledgement and appreciation of the employees' efforts, and thus can foster positive attitudes and behaviors (Gupta & Shaw, 2014). Extending this logic, therefore, it is plausible that recognition and rewards are positively associated with employee engagement. Although the relationship between monetary rewards and employee engagement has yet to be fully resolved in the literature, the Crawford et al. (2010) meta-analysis indicates support for the latter view. That is, rewards and recognition are positively correlated with employee engagement. Although research is needed to explore why this relationship exists, it is possible that rewards boost employee perceptions of meaningfulness (i.e., 'I am making a difference in this organization, and that is why I am being rewarded'), as well as availability (i.e., 'the organization provides me with sufficient resources').

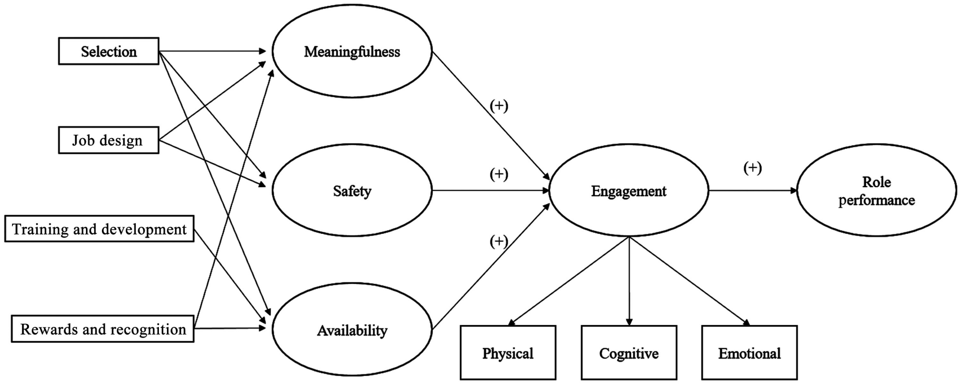

Figure 21.2 Integrative model of HRM practices and policies and engagement

Synthesis

In sum, effectively utilizing HRM functions can help organizations reap the benefits of having an engaged workforce. Specifically, organizations can either select candidates who are more likely to engage, or boost current employees' psychological perceptions of meaningfulness, safety, and availability through HRM practices such as job design, training and development, and employee reward systems. Given the benefits that accrue to organizations with highly engaged employees – such as higher productivity, profitability, and customer satisfaction, and lower absenteeism, turnover, and safety incidents (Harter et al., 2016) – developing HRM practices aimed toward enhancing employee engagement is good business that can help organizations obtain competitive advantage over their rivals. We provide an integrative model of HRM practices, policies, and engagement in Figure 21.2.

CONCLUSION

Considering that academics' and practitioners' interest in employee engagement only started to take off at the turn of the century, it is quite remarkable how much research has been conducted on this topic. Although this literature is quite broad in its perspective, meta-analytic work and other reviews seem to suggest some agreement with regard to a few foundational issues.

- Kahn's (1990) view of engagement has taken firm root in the literature. Kahn's view of the nature and functioning of engagement was developed inductively, was not derived from related concepts (e.g., burnout), and provided a sound basis for operationalization.
- The choice of which engagement measure to use depends on the purpose of the research. If the purpose is to capture a broad affective–motivational state to validate an HR-related practice, then there are several choices available, the most popular being the UWES (Schaufeli et al., 2002). If the research is intended to capture engagement as defined by Kahn, or where there is a concern about distinguishing engagement from related affective–motivational states, then the researcher should choose a validated scale developed with Kahn's view in mind (e.g., May, Gilson & Harter, 2004; Rich et al., 2010).
- Although not much research has focused directly on how HR policies and practices could be used to manage employee engagement, related meta-analytic and theoretical work suggests that efforts in this area could be worthwhile.

Of course, although we as a field have come a long way in our understanding of engagement, there are still many important questions to address. For example, we need to explore a greater range of possibilities regarding how HR practices might influence employee effectiveness. As one possibility, consider that when defined as the willingness or tendency to exert energies into role performances, engagement is positioned as proximal driver of role performance, whereby its ultimate effect on role performance may be determined by employee capabilities to perform competently. In other words, engagement may be important to job performance, but this may only be true if employees have what it takes to perform well. Thus, while HR practices that impart KSAs to employees may enhance job performance indirectly through engagement (as we argued earlier), they may also moderate the relationship between engagement and job performance.

In the end, we hope that our chapter provides insights about engagement that may be helpful to scholars and practitioners. We do see signs of an emerging consensus about engagement in the literature. However, there are many questions that still need to be addressed.

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Working Time and Work–Life Balance

Janet Walsh

INTRODUCTION

There has been intense debate about the time demands and pressures of work and their impact on employees' ability to coordinate their work and non-work commitments. Such concerns were evident in the work of Arlie Hochschild (1997) who argued more than 20 years ago that employees were experiencing a 'time squeeze'. Since that time the 'time bind' of long-hours jobs has spread to most higher income industrialised countries and most especially for managerial, professional and technical employees (Lyness et al., 2012). For less skilled employees, there has been a marked increase in the diversity of working time arrangements, including greater variability and unpredictability of work schedules and unsocial hours.

In this context governments and employers have become increasingly involved in formulating and implementing policies designed to enhance the ability of employees to manage their work and life demands. Some countries, such as France, have sought to limit the duration of the working week and imposed constraints on the connectivity of employees. At the firm level, work–life interventions have recently assumed an experimental form, most notably at the Boston Consulting Group (Perlow, 2012) and Best Buy Inc. (Perlow and Kelly, 2014). In both cases, there has been a concerted attempt to tackle 'face time' cultures and presenteeism by pioneering durable solutions to employees' work–life challenges, rather than merely ameliorating their symptoms.

This chapter examines trends in working time, the debate about employees' temporal pressures and long-hours working, and the effects of work–life conflict on employees and their organisations. Following this, evidence on individual work time strategies is considered, as well as work–life policy-making, including how work–life initiatives can assist employees in managing their work and personal lives. Finally, the recent development of work redesign initiatives is examined.

TRENDS IN WORKING TIME: THE TIME SQUEEZE?

There is a widely held view that the time demands and pressures of work have escalated and that individuals are struggling to meet their work–life challenges. In the United States, the phenomenon of overwork, defined as working 50 or more hours a week, is increasingly prevalent, with a substantial and rising proportion of the labour force working long hours each week (Cha and Weeden, 2014: 457; Hamermesh and Stancanelli, 2015: 1007). In Japan, there is growing public anxiety about rising levels of unpaid overtime and the incidence of *karoshi*, namely death by overwork. While the 'time bind' may be most pronounced in the United States and Japan, it is also believed to be a matter of concern in many other industrialised countries (Lyness et al., 2012: 1023). Long hours and intense work pressure increasingly characterise many managerial, professional and technical jobs, even in countries with highly regulated labour markets.

Several factors underscore contemporary concerns about the temporal pressures of work. Perceptions of an intensification of work activity reflect, at least in part, employment reductions that have accompanied successive waves of organisational restructuring. For those employees who have retained their jobs, greater job insecurity and work pressure have often been the consequence (Moen et al., 2013). The globalisation of work systems appears to have increased the times when many employees are available for work, most notably through the spread of lean production techniques and the growth of 24/7 operations (Berg et al., 2014). In service industries, employers are now able to anticipate fluctuations in customer demand through electronic point-of-sale systems, thereby leading to greater variability in employees' work schedules and hours (Kossek, 2016). For many employees in lower level job roles, working time has become more diverse, unpredictable and unsocial (Henly and Lambert, 2014: 986).

Mobile communication technologies, such as tablets, smartphones, laptops, are another imperative for change in working time. Employers can now more intensively monitor the time employees spend on work even when they are located at home or elsewhere. In addition, clients, managers and peers can communicate with employees outside of conventional work hours thereby facilitating 24/7 access and a blurring of the boundaries between work and home. As Moen et al. argue, 'time at work has … become problematic, as old boundaries and rules (such as a 40-hr workweek, and work-free weekends) no longer seem to apply' (2013: 83). Consequently, employees perceive that their work time demands have become more intense and that work is increasingly 'boundaryless' (Kossek, 2016).

Perceptions of a 'time squeeze' are also fuelled by changes in people's domestic obligations. Jacobs and Gerson (2001), drawing on American evidence, observed that the shift from male-breadwinner families to dual-income and lone-parent households was critical to understanding why employees felt overworked. They found that the relative stability of working hours had masked a large increase in the combined working time of married couples. From this perspective it was the growth of dual-earner households that underpinned people's perceptions of a 'time squeeze', with women's employment activity providing the main increase in couples' working time.

Certainly, gender role expectations and caregiving responsibilities can exert an influential effect on people's hours of work. Full-time male employees appear to be significantly more likely to work long hours than their female counterparts. It is arguable that male managers can work long hours because many are married to full-time homemakers who facilitate such intense work activity (Brett and Stroh, 2003). Drawing on US data, Cha (2010) found that having a husband who works long hours significantly increases a woman's likelihood of quitting, while having a wife who works long hours does not appear to increase a man's probability of quitting. Moreover, this gendered pattern is more evident among professional and managerial employees, where the inclination to work long hours is pronounced. The trend towards overwork (i.e. working 50 or more hours a week) has also exacerbated the gender wage gap. Given that more men work long hours, men's wages have increased relative to women's. In this context Cha and Weeden argue that 'overwork rests on a social foundation that is highly gendered (2014: 478)'.

LONG WORK HOURS: A UNIFORM TREND?

Although employees are experiencing temporal pressures at work, the trend towards long hours is more pronounced in some countries than others. Employees' ability to control their hours and work schedules (start and finish times) appears to vary significantly across industrialised countries (Lyness et al., 2012: 1023). Countries, such as the United States, that do not seek to regulate employees' maximum weekly hours, through either legislation or collective contractual agreements, have significantly higher proportions of employees working long hours. Hamermesh and Stancanelli note that: 'U.S. workers appear to be performing more work at less desirable times as well as working longer hours than their counterparts in other rich countries' (2015: 1008).

By contrast, European countries have tended to regulate more actively working hours, most notably maximum weekly work hours and minimum leave entitlements. Several European countries, such as France, have reduced full-time work weeks to fewer than 40 hours. France, for example, mandated a 35-hour workweek in 2000, while in 2017, a 'right to disconnect' from e-mails and telephone calls was introduced. However, even across Europe, it is possible to detect important cross-national differences. Drawing on data for 21 countries, Lyness et al. (2012) reveal significant variations in workers' ability to control their work schedules (e.g. start and finish times, and hours). In particular, Nordic countries were characterised by greater employee control over work schedules and work hours, while Eastern European countries had relatively longer standard work weeks and lower levels of employee control.

Three broad types of working time configurations are believed to be prominent worldwide. Berg et al. (2014: 807) describe these configurations as *unilateral*, *negotiated* and *mandated* and argue that they reflect differences in labour market institutions and the nature of power relations between employers and employees. A *unilateral* configuration (e.g. the United States) is associated with weak legal regulation of working hours and substantial employer control over working time arrangements. In *negotiated* configurations, such as Sweden, working time practices, including paid leave and flexible schedules, are regulated through negotiations between employers and employee representatives, notably trade unions, and extended to employees through multi-level collective agreements. A *mandated* configuration, exemplified by France, is characterised by a prominent role for the state in the regulation of working time. Such regulations are extended through collective agreements to encompass most employees.

Of course, the three working time configurations are considered 'ideal types' and most countries may combine elements of two or even three configurations (Berg et al., 2014: 807). Nevertheless, such analysis sensitises us to international variations in working time practices and suggests that the phenomenon of overwork may be more pronounced in some countries, such as the United States, than others.

WORKING HOURS AND 'FACE TIME'

Despite different working time configurations, the tendency for managerial and professional employees to work long hours appears to be a common feature of many industrialised countries. Moen et al.'s study of professionals and managers reveals that many perceived their work to be a 'moving platform of ever increasing job demands' (2013: 81). Similarly, Hewlett and Luce (2006) observe that work pressure and work hours have increased dramatically for managers and professionals in many industries, including manufacturing, finance, media, medicine, law, consulting and accounting, often leading to work weeks of 70 hours or more. These 'extreme jobs', moreover, have certain hallmarks, including unpredictable and fast-paced work flows, continuous availability to clients, large amounts of travel and extensive physical presence at the workplace (Hewlett and Luce, 2006: 51). Workers in high-status long-hours jobs, it is argued, have 'gained control over *when* they work at the expense of *how long* they work' (Lyness et al., 2012: 1043).

It is not simply the case that managers and professionals are working longer hours, however. They are also trapped in a state of constant connectivity, sometimes referred to as a '24/7 cycle of responsiveness' (Perlow, 2012: 6). In her research at the Boston Consulting Group, Perlow (2012) found that when the consultants were 'always on', their work time became more unpredictable. She further observed that 'by being constantly connected to work, they seemed to be reinforcing … the very pressures that caused them to need to be available' (p. 7). Inevitably responsiveness became embedded in the way that the consultants worked and was expected by partners and clients. The consequences were that individuals experienced very limited control over their work and personal lives and were unable to question their ways of working more generally. An important dimension of the need to be continually responsive relates to the role of the client. The unpredictable timing of client needs along with the difficulty of 'handing off' clients to other colleagues constrain the temporal flexibility of professional service employees (Briscoe, 2007: 297). Individuals are compelled to respond to client demands that are unpredictable because workers cannot easily substitute for one another in providing those services.

Mobile communication technologies also help to reinforce the 'always-on' nature of managerial and professional work. Although wireless e-mail may enhance the sense of individual control, it also appears to lengthen people's work hours and augment their work pressures. Research on a high-technology firm indicated that employees attributed their communications-related stress *solely* to the volume of email handled and the extra time e-mail added to the workday (Barley et al., 2011). The authors concluded that the inbox served as a 'continuous and tangible reminder of how overloaded one was' (p. 901). Smartphones and email transform work in other ways, moreover. The growth of personal texting and e-mail communications is believed to have increased the pace and frequency of work and personal interactions during the work day, thereby leading to greater work–life interruptions (Kossek, 2016: 260). Individuals are unable to concentrate on their work or non-work roles without the intrusion of constant communications from mobile devices.

The tendency to engage in physical presenteeism at the workplace is another factor underpinning the long work hours of professional and managerial employees. In 'knowledge-based' occupations, such as technical, professional and managerial work, the output of individuals may be difficult to ascertain, so managers use 'face time' or an employee's physical presence at work as evidence of their productivity and effort. Perlow's (1998) study of the work patterns of American software engineers demonstrates that managers actively shaped employees' expectations about working time by imposing work demands, such as meetings, deadlines and extra work; monitoring employees, for instance checking work and observing individuals in the execution of tasks; and, finally, by managers displaying or 'modelling' the work activities and behaviours they sought from their subordinates. The behaviour of co-workers, too, can be a contributory factor. An examination of law firms (Landers et al., 1996) suggests that junior lawyers were inclined to work longer hours if co-workers increased their hours. Such 'positional competition' compels individuals to work progressively longer hours thus leading to an outcome that is less optimal than one in which fewer hours are worked. This vicious cycle of escalating work hours has been aptly described as a prisoner's dilemma (Eastman, 1998).

Although 'face time' may increase people's work hours, employees may derive personal benefits from simply being physically present at work. In their study of professional office workers, Elsbach et al. (2010: 737) found that passive face time, defined as 'the amount of time one is passively observed (i.e. without any interpersonal interaction) at the work site', affected observers' evaluations of the personal traits of individuals. Expected face time, or being seen at work *during* conventional work hours, meant individuals were perceived as 'responsible' and 'dependable'. However, extracurricular face time, which refers to being seen at work *outside* normal hours (e.g. early or late in the day and weekends), was most beneficial as participants in the study were perceived as both 'committed' and 'dedicated'. Importantly, perceptions of individuals based on passive face time were made spontaneously and without reference to any evaluation of their performance. The implication of this study is that managers are likely to form biased judgements about employees simply due to their physical presence in the office.

In addition to physical presenteeism, the intensity of people's workloads is a critical factor affecting the propensity to work long hours. Individuals who experience heavy work pressure, including high job demands, work and role overload, are more inclined to work longer hours. Those individuals who have strong career identities and are heavily committed to their work are also more likely to work longer hours (Ng and Feldman, 2008). Furthermore, psychological factors may influence the tendency of people to work long hours. Brett and Stroh (2003) found that male managers who worked the longest hours (61 or more hours a week) not only benefited financially, but also experienced a heightened sense of self-esteem and accomplishment. Indeed, some commentators dispute the notion that long work hours can be equated with overwork. The female finance executives in Blair-Loy's (2004: 306) study did not perceive long hours as overwork because many were strongly committed to their work activity, occasionally to the extent that they experienced 'a heightened sense of purpose and meaning'. Similarly, Hewlett and Luce (2006) found that individuals worked extreme hours mainly because their work was stimulating and challenging.

While long hours may not be perceived as uniformly burdensome, there is evidence that such work patterns can damage people's health and psychological well-being. Indeed, it is the potentially negative impact of work hours on people's health and well-being that has precipitated the legal regulation of working time, particularly in Europe. An analysis of 21 studies concluded that people who worked longer hours experienced poorer physical and psychological health (Sparks et al., 1997), while a meta-analytic review found that long work hours were associated with greater job stress and mental strain (Ng and Feldman, 2008). Moreover, Deery et al. (2014) found that a distinctive form of presenteeism – attending work while ill – was associated with employees taking longer absence spells. It is suggested that the incidence of presenteeism is rising due to the reluctance of employees to take time off work in times of uncertainty, downsizing and staff shortages.

Of course, managers and professionals are not simply passive but may seek to strategise around their workloads to lessen the detrimental effects of long hours and work stress on their lives. In response to the escalation of work time demands, Moen et al. (2013: 81) found that managers and professionals engaged in distinct strategies of 'time-work', including *prioritising* time (e.g. placing non-work demands above job demands); *scaling back* obligations (e.g. reducing non-work or work tasks), and *time shifting* of obligations (e.g. moving work to times and places more convenient). However, while there was evidence of individuals engaging in 'time-work' strategies, they made few attempts to develop policies or solutions that would eliminate their work–life stresses. Most managers and professionals tended to view the time pressures of their jobs as an 'inevitable part of work and life' (p. 104) and were therefore reluctant to challenge their work demands.

In summary, even when working time is regulated, as is the case in European countries, long working hours remain a pervasive characteristic of many managerial and professional jobs. In this context legislation has not precipitated major shifts in working time norms, at least for these occupational groups. It is against this backdrop that public concern about employees' work–life balance has grown, particularly regarding the impact of long work hours on employees' work and personal lives.

WORKING HOURS AND WORK–LIFE INTERFERENCE

Much of the debate about employees' work–life experiences presumes that excessively long working hours precipitates conflict between an individual's work and non-work roles and activities. Such non-work roles do not simply include family, but may also comprise activities associated with a person's health, friendships, education, community involvement and leisure activities (Keeney et al., 2013). A person's involvement in multiple roles may not necessarily have deleterious consequences, however. Indeed, multiple roles can have a positive impact on employees' well-being, particularly when the roles are fulfilling and rewarding (Greenhaus and Powell, 2006: 73). Nearly one in four female managers in Ruderman et al.'s (2002) study perceived that their personal lives provided psychological benefits, including feelings of confidence and self-esteem, which served to enhance their work performance. Indeed, an individual's commitment to multiple roles, such as parent, spouse and employee, was significantly associated with life satisfaction and a positive sense of self-worth and self-esteem.

Nevertheless, although participation in work and multiple life domains can be beneficial, it is generally acknowledged that there is a point beyond which such commitments can become 'burdensome' and 'stressful' (Ruderman et al., 2002: 73). Within this context long work hours can be an important catalyst for work–life interference, commonly defined as 'a form of interrole conflict in which the role pressures from the work and family domains are mutually incompatible in some respect' (Greenhaus and Beutell, 1985: 77; Ng and Feldman, 2008). Overtime or extra hours heighten people's experience of work–life conflict, particularly when the hours are unpredictable or the overtime is involuntary (Kelly et al., 2008: 320; Henly and Lambert, 2014). Furthermore, overwork, including work time demands, perceived overload and time pressures, is significantly related to work–life conflict (Michel et al., 2011).

A rather more controversial issue is whether specific types of employees are more prone to work–life conflict than others. Certainly, the evidence indicates that dual-earner couples and individuals with caring responsibilities, such as young children, large families and dependent elders, are more likely to experience work–life conflict (Eby et al., 2005).

It is also plausible that disparities in work and life role pressures might lead to gender differences in perceptions of work–life conflict. In some studies (but not others) women report more work to family conflict than men, particularly when working longer hours (Gutek et al., 1991). Drawing on a broader concept of work–life interference, Keeney et al. (2013) found that women reported higher work interference with certain life domains, including health, leisure, household management, friendships and romantic relationships, but not others, such as family. They speculate that women may view caring for families as a duty, thereby leaving less energy available for activities in other life domains.

Generally, studies suggest that greater levels of work–life conflict are associated with stress at work and increased burnout (Allen et al., 2000). Work–life conflict also appears to promote lower levels of job and life satisfaction, as well as physical and mental health complaints, including fatigue, nervous tension and depression (Allen et al., 2000: 293). Furthermore, work–life conflict has serious organisational consequences. People with high levels of work–life conflict tend to be less satisfied with their careers (Martins et al., 2002) and jobs in general (Allen et al., 2000). There is also a tendency for individuals experiencing work–life conflict to display less organisational commitment and higher turnover (Allen et al., 2000). Finally, work–life conflict and work stress are related to lower levels of self-reported job performance (Kelly et al., 2008).

Evidence of the negative outcomes associated with work–life conflict has led to the development of policies that might alleviate such role pressures. The focus of human resource policy-making has thus led to measures that are designed to facilitate better work–life integration, including organisational design interventions to change established work practices. It is the nature of these organisational work–life policies and interventions that will be explored in the next section.

WORK–LIFE POLICIES

Ryan and Kossek (2008: 295) define work–life policies as 'any organizational programs or officially sanctioned practices designed to assist employees with the integration of paid work with other important life roles such as family, education, or leisure'. In recent years many countries have expanded the provision of work–life benefits to assist employees in reconciling their work and personal life demands. Governments have sought to regulate working time practices, in some cases limiting maximum weekly working hours, as well improving employee entitlements to maternity and parental leave, flexible work and public childcare provision (Kelly et al., 2008). Nevertheless, there are important variations between countries in the provision of work–life benefits. In Northern Europe, especially the Nordic countries, there have been strong state policies on parental leave and work–life benefits. In other countries such as the United States, employers have traditionally played a much more important role in the provision of work–life policies, although they have generally not compensated for low levels of state provision.

The availability of work–life policies at organisational level is complicated, however, not least because managers are often uncertain whether and which organisational initiatives reduce work–life conflict (Kelly et al., 2008). A further problem is that employees may experience different work–life challenges depending on age, caregiving responsibilities, work hours, occupation and job level. Hence, employees with children may have higher levels of work interference with family, but younger employees may experience higher levels of work interference with education (Keeney et al., 2013). Different segments of the workforce therefore may have different work–life preferences. Organisational work–life policies may therefore need to take account of the requirements of all employees rather than simply those with children.

Individuals may also be attracted to distinct types of work–life policies depending on how they manage the work–life interface. Some individuals, referred to as separators (Kossek, 2016) or segmentors (Rothbard et al., 2005), seek to keep the work and personal life domains separate and are likely to undertake work or complete assignments only in the workplace. By imposing a separation between work–life boundaries, an individual is more able to concentrate in a sustained way on either their work or non-work roles. By contrast, integrators prefer to blend their work and non-work roles, such as taking extra work home or working during vacations. Blurring role boundaries in this way may give individuals flexibility, thereby enabling them to cope with multiple demands in their lives. Kossek (2016) has identified a third work–life boundary management style – cyclers – who move between work–life separation and integration on a periodic basis, for instance individuals in seasonal or project-based jobs.

Organisational work–life policies may foster either integration or segmentation of the work and non-work domains (Rothbard et al., 2005). On-site childcare is oriented towards work–life integration as employees can interact with their children at the workplace. At some professional service and technology firms, such as Google, the provision of 24-hour restaurants, physiotherapists, doctors, dentists and sleep pods encourages employees to integrate work and life more closely. By contrast, flexitime may foster greater segmentation of work–life boundaries as it allows employees to leave work to engage in family, community activities or leisure pursuits.

Work–life researchers have proposed that managers should gather information about employees' work–life boundary management styles to develop more inclusive work–life policies (Kossek, 2016: 269). Kossek and Lautsch (2008) have developed a work–life assessment intervention that enables individuals to identify their boundary management styles, primarily whether they are integrators, separators or cyclers. However, even if work–life policies take account of employees' boundary management styles, individuals may still be reluctant to use such initiatives. The next section moves on to explore the factors that influence the utilisation of work–life policies and the barriers to implementation.

Barriers to Utilisation

Although organisations can offer a range of work–life policies, employees may not take advantage of these benefits. Employees may be reluctant to utilise part-time or flexible work schedules because they fear such policies will hinder their career advancement and reduce chances for promotion. Moreover, such beliefs may be especially pronounced in organisations which value 'face time' as an indicator of an employees' productivity or commitment. The uneven and sometimes patchy use of work–life policies may also reflect what Hochschild (1997: 31) termed the 'impermeable "clay layer" of middle management'. Work–life policies may be underutilised because line managers are reluctant to allow their employees to participate or apply the policies inconsistently.

The social context of the workplace appears to play a critical role in influencing employees' decisions to use work–life policies. Supportive organisational work–family/life cultures, defined as 'the extent to which an organisation supports and values the integration of employees' work and family lives', are associated with greater utilisation rates of work–life benefits (Thompson et al., 1999). Furthermore, employees who perceive a supportive organizational work–life culture report lower levels of work–life conflict and greater attachment to their organisations (p. 409). People's interpersonal relationships within workplaces also affect the ability of employees to manage their work and life demands. Social support from managers and co-workers appears to reduce the likelihood of employees experiencing work–life conflict, as do mentoring relationships (Anderson et al., 2002; Nielson et al., 2001). Hence, a supportive organisational work–life culture, including supportive managers and co-workers, positively influences people's decisions to utilise work–life programmes, as well as their general work attitudes and behaviour.

Employee Backlash and Policy Implementation

Not surprisingly, the traditional focus of work–life policies has been on employees with children or other caregiving responsibilities. Hence, employees without family responsibilities can feel 'excluded' and thus inequitably treated. Perceptions of exclusion can occur due to the informal actions of managers, notably in the allocation of tasks and workloads. For instance, single or non-parent employees may have to work around the schedules of users of flexible work policies and to complete any unfinished work, regardless of their own activities outside of work. Users of work–life policies may therefore experience a backlash due to the perception that they are receiving, in some way, privileged treatment at the expense of their co-workers.

The prospect of employee backlash has drawn attention to the implementation process of work–life policies. Ryan and Kossek (2008: 297) emphasise four attributes of successful implementation:

- Supervisor support
- Universal application
- Negotiability
- Quality of communication.

Supervisor support for work–life policies is especially important as line managers often determine employees' access to, and use, of policies. There has been, however, a lack of clarity as to what types of behaviours constitute supportive supervision. Hammer et al. (2011: 136) have filled this research gap by identifying four components of family supportive supervision:

- Emotional support (e.g. supervisors listening to, and demonstrating concern for, their employees' work–life needs).
- Instrumental support (e.g. supervisors actively responding to employees' work and family needs, such as helping workers manage their schedule conflicts and communicating support for use of flexible working).
- Role-modelling behaviours (e.g. supervisors modelling how to integrate work and personal life activities through their behaviours at work).
- Creative work–family management (e.g. supervisors actively restructuring work so that employees can operate more effectively in both the work and non-work domains).

In developing this work, Hammer et al. (2011) designed a training intervention to increase the uptake of family supportive supervisory behaviours. When the intervention was introduced into 12 grocery stores in Michigan in the United States, it was found to enhance employees' job satisfaction and well-being, especially for individuals experiencing high work–family conflict prior to the training.

Effective implementation also requires consideration to be given to whether policies cover some or all workers (Ryan and Kossek, 2008). *Universal application* of policies reduces perceptions of inequity and facilitates the wider engagement of employees. However, universalism may be less important in those countries where entitlement to work–life policies, such as flexible working, is mandated for all employees (e.g. the UK). Organisations also need to consider the extent of *negotiability* of work–life policies. Although negotiation allows policies to be geared to individual needs, it may be managed unfairly and hinder perceptions that work policies are inclusive of all employees. Finally, work–life policies need to be *communicated* openly to ensure that policies are perceived as accessible, as well as signalling senior management support for improved work–life integration.

Organisational Benefits of Work–Life Policies

Although many employers do not attempt to quantify the costs of work–life policies, the business case benefits, such as reduced turnover and absenteeism, increased recruitment and retention, are widely cited rationales for their introduction. However, some commentators remain unconvinced of the business case, arguing that work–life policies do not necessarily enhance organisational effectiveness (Sutton and Noe, 2005). Kelly et al. (2008: 307) note that the empirical evidence on the business case for work–life initiatives is relatively weak but nevertheless observe that many organisations still implement work–life policies, possibly because they are responding to isomorphic pressures to be good employers. Much appears to depend on whether studies measure either use or availability of work–life initiatives, with most research finding that use reduces work–life conflict while availability is associated with more ambiguous outcomes.

Certainly organisations may benefit from some types of work–life policies more than others. While the evidence is mixed in respect of childcare support (Goff et al., 1990; Kossek and Nichol, 1992), there appear to be many organisational benefits associated with flexible work schedules, including positive effects on employees' job satisfaction, productivity and absenteeism (Baltes et al., 1999; Deery et al., 2014). Indeed, it has been shown that employees who have access to flexible scheduling tend to have significantly greater organisational commitment regardless of the extent to which they have used such arrangements (Scandura and Lankau, 1997). Furthermore, flexible schedules appear to be beneficial for employee well-being. Thomas and Ganster (1995) found that flexible schedules reduced work-family conflict, enhanced job satisfaction and improved people's psychological and physical health (namely, depression, cholesterol levels). Telecommuting may also have positive consequences for employees and organisations, including work–family conflict, job satisfaction and employee satisfaction, although much depends on its duration and frequency (Gajendran and Harrison, 2007).

In general, then, work–life policies can have positive consequences for individuals and their organisations. Employees whose organisations provide more work–life policies appear to hold more positive work attitudes, including greater organisational commitment and less intention to leave their organisations (Thompson et al., 1999). Furthermore, work–life policies may engender among employees a 'generalised sense of obligation to the workplace', with people more likely to engage in organisational citizenship behaviour, such as assisting co-workers and supervisors with their job duties and suggesting improvements (Lambert, 2000: 811). Fewer studies have sought to investigate the impact of work–life policies on organisational performance. There is some evidence, however, that work–life programmes have positive effects on the productivity of firms (Clifton and Shepard, 2004; Konrad and Mangel, 2000) and shareholder return (Arthur and Cook, 2004).

Organisational and Work Redesign

Although work–life policies can have positive consequences for both employee well-being and organisational effectiveness, employees may fear career penalties or social stigmatisation and therefore be reluctant to use them. Moreover, even if employees use work–life initiatives, these arrangements may merely assist employees to accommodate to their work demands without leading to any meaningful changes in the structure of work or the 'face time' culture of organisations (Perlow and Kelly, 2014). For some commentators, work–life policies are insufficiently proactive and therefore they simply ameliorate, rather than prevent, the work–life stresses experienced by individuals in organisations (Kossek et al., 2014: 54).

Such criticisms warrant a different approach to work–life interventions. In this context Leslie Perlow and Erin Kelly have pioneered a series of change initiatives, referred to as the Work Redesign Model, which involve systemic and coordinated changes in work practices and organisational culture, including 'cultural assumptions, interactions, work practices, and reward systems' (2014: 127). Although Perlow and Kelly were involved in different initiatives, known as the 'predictability, teaming and openness' (PTO) experiment and the 'results-oriented work environment' (ROWE), similarities are evident in the rationale, implementation and outcomes of both interventions. First, the aim was to move away from a *face time* culture to a *results-oriented* workplace with a focus on improving employees' work and personal lives. Second, both PTO and ROWE were developed by senior *line* managers who participated in the work practices they were seeking to change. In both organisations, moreover, senior management depicted the experiments as a 'smart business move' rather than a work–life programme therefore making them a mainstream initiative (Perlow and Kelly, 2014: 118). Finally, employees in the two companies were encouraged to challenge norms around their work schedules, including their interaction patterns and work practices, as well as to engage imaginatively and collectively with one another about how best to achieve change.

Predictability, Teaming and Openness

The Boston Consulting Group collaborated with Leslie Perlow in an experiment that allowed some consulting teams to choose a predictable period of time off a week, such as one full day or one evening, where team members would be free from their work responsibilities (Perlow, 2012). The period of 'predictable time off' required individuals to stop work completely with no checking of e-mail or voicemail thereby encouraging the consultants to break their pattern of responsiveness to clients and colleagues (Perlow and Porter, 2009). The experiment was also underpinned by regular dialogue, communication flows and openness in teams, including a kick off meeting attended by partners and a weekly check in to discuss progress. At the end of the process successful PTO teams were found to have developed 'new ways of prioritizing work, eliminating less important or unnecessary work and communicating more effectively.' (Perlow and Kelly, 2014: 116). The assessment of BCG's CEO was unequivocally positive:

> [PTO] has proven not only to enhance work–life balance, making careers much more sustainable, but also to improve client value delivery, consultant development, business services team effectiveness, and overall case experience. It is becoming part of the culture – the future of BCG. (Cited in Perlow, 2012: 5–6)

Results-Oriented Work Environment

ROWE was developed by human resource managers at an American retail company, Best Buy Co., Inc., and targeted at professionals working at its headquarters in Minneapolis. The aim of ROWE was to enable employees to work anytime, anywhere, 'as long as the work gets done' and they achieved positive results (see Perlow and Kelly, 2014: 125). Individuals and teams were therefore empowered to work in a variety of ways so long as they achieved their own goals and responsibilities. The sociologists Phyllis Moen and Erin Kelly subsequently conducted research in the company to examine ROWE's effects and found that the initiative had had a beneficial impact on employees, including their schedule control, work–family conflict, health and well-being, and organisational outcomes, such as productivity and turnover (Perlow and Kelly, 2014: 118). Since 2008, ROWE has spread to more than 30 organisations, including call centres and the public sector.

While these initiatives are promising, there may be barriers to their widespread diffusion. First, experiments of this nature require sustained senior management support. Many senior managers, however, may be disinclined to promote initiatives that disrupt and challenge existing work arrangements. For instance, at Best Buy a new CEO eliminated the ROWE experiment in 2013 despite its demonstrated business benefits. Second, as Perlow and Kelly (2014: 128) acknowledge, these change initiatives require considerable investment in time and resources which organisations may be reluctant to allow. Third, although PTO has proven to be resilient at BCG, there may be difficulties in sustaining such changes, particularly after the period of initial experimentation. Finally, some commentators are sceptical about the meaningful nature of the initiatives. For instance, Blair-Loy et al. contend that PTO 'remains a far cry from a work schedule most would consider suitable for parents with primary caregiving responsibility' (2015: 442).

CONCLUSION

Employees' struggle to reconcile their work and personal lifestyle commitments has been the focus of considerable attention from both academics and policy-makers in recent years. Intense concern has focused over the time demands and pressures of work, precipitated in part by the imperatives of globalisation, corporate restructuring and new information and communication technologies. It is apparent that perceptions of the 'time bind' may be more acute in some countries than others, largely reflecting differences in labour market regulations and welfare provision. Nevertheless, two general trends are evident. First, work time practices are now more unpredictable, irregular and unsocial, especially for employees in lower level job roles. Second, there is reason to believe that managerial, professional and technical employees are experiencing pressures to work longer hours and more intensively in most upper income industrialised countries.

In this context academic research has sought to investigate, and develop better analytical understanding of, the causes and effects of 'face time' and physical presenteeism in the workplace and the dynamics of long-hours working. The relationship between long hours, work time demands and work–life conflict and their health and well-being outcomes has also been examined. In respect of policy, academic research has identified more precisely the problems of conventional work–life initiatives, including their patchy uptake, and the attributes of effective implementation, including the components of family supportive supervisory behaviours (Hammer et al., 2011). Accompanying such endeavours has been an especially interesting set of interventions in real-world organisational settings that have sought to change the work conditions and interaction patterns that engender long hours and 'overwork'. The aim of such initiatives has been to improve employees' work and personal lives, as well as their health and well-being. Work–life policy-making has therefore shifted to 'prevention-focused organizational change initiatives' (Kossek et al., 2014) that seek to eliminate, rather than ameliorate, employees' work–life stresses.

Nevertheless, our knowledge of 'prevention-focused' change initiatives is limited thus far to American workplaces. There has been little research on organisational interventions in other industrialised countries with different socio-cultural understandings of work time. Moreover, there has been a tendency among researchers to focus somewhat disproportionately on the work–life experiences and temporal pressures of professional and managerial employees. Kossek and Lautsch (2018: 6) note, however, that while employees across all occupations may experience work–life challenges relating to working time, schedules and workloads, they may not necessarily be the 'same set of challenges'.

While there has been research on the work–life outcomes of unpredictable work timing in retail jobs (cf. Henly and Lambert, 2014), more studies are required of the work time experiences of employees in a wider range of lower level job roles, especially those individuals working on zero-hour contracts and 'on call' work time arrangements.

Finally, given the popularity of the 'business case' for work–life interventions, research on the effects of specific policies and initiatives on a range of indicators of job and organisational performance would serve to shed light on the 'bottom line' implications of such programmes. Such research would fill an important gap in our knowledge of the organisational effects of different work–life policies.

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23

The Changing Face of Work Design Research: Past, Present, and Future Directions

Sharon K. Parker, Caroline Knight and Sandra Ohly

> I used to work in restaurants beforehand. But then it's like there's a boss sitting out over there, they don't pay you well. So it's better working with Uber because it's like you have your own vehicle, you're driving it. (Uber worker; Goods, Veen, & Barratt, 2017)

> Good work is shaped by working practices that benefit employees through good reward schemes and terms and conditions, having a secure position, better training and development, good communication, and ways of working that support task discretion and involve employees in securing business improvements. (Taylor, 2017, p. 7)

INTRODUCTION

These quotes both demonstrate the importance of different aspects of work. The first quote by an Uber worker highlights how autonomy in the workplace can lead to a greater sense of motivation and satisfaction in the job. The second quote, from a UK report for the government that reviewed modern working practices, emphasizes several factors that are thought to characterize 'good-quality' jobs and lead to workers being energized, engaged, and motivated. Both of these quotes capture the core focus of work design research. They highlight that the way jobs are structured and organized, or their work design, can have a profound impact on employees' psychological states and behavior. Indeed, the way jobs are designed can also affect organizational success, as shown by the proliferation of popular practices that have work design issues at their core (such as lean production, empowerment, high-performance systems, team work, re-engineering, and, recently, holocracy).

Our goal in this chapter is to review where we are at with work design research. To begin, we briefly review classic work design theories and research, followed by an outline of some alternative theoretical perspectives (see also Parker, 2014; Parker, Morgeson, & Johns, 2017). We then return to the dominant concern of mainstream work design research – the relationship between work characteristics and outcomes – and we identify several ways this approach has been developed to better meet the needs of the contemporary workplace. We conclude this chapter by suggesting avenues for further methodological and theoretical developments.

CLASSIC THEORY AND STUDIES

Derived from Taylorism and scientific management principles (Taylor, 1911), jobs in the early twentieth century were broken down into their most simplified elements to reduce training times, with managers closely controlling the work. Not surprisingly, the early work design theories that arose in response to these boring and alienating jobs mainly focused on work characteristics that lead to motivation and favorable job attitudes. Herzberg, Mausner, and Snyderman (1959) proposed that 'motivator' factors such as level of recognition lead to job satisfaction, while an absence of extrinsic 'hygiene' factors, such as salary, lead to job dissatisfaction. Although research has failed to support this model (e.g., Hulin & Smith, 1967), it inspired the practice of job enrichment, or the creation of challenging and responsible jobs to promote motivation and performance (Paul, Robertson, & Herzberg, 1969).

The principle of job enrichment was further supported by the job characteristics model (JCM) by Hackman and Oldham (1980), which proposed that five job characteristics (task variety, autonomy, feedback, significance, and identity) promote individual motivation, job satisfaction, and performance through critical psychological states such as experienced meaningfulness. The beneficial effects of jobs with these characteristics are expected to be greater for individuals high on growth need strength who have a preference for growth and learning at work. Meta-analytic evidence largely supports this idea (Spector, 1985).

Two early meta-analytic studies supported the core proposition of the JCM, showing the five job characteristics collectively relate to attitudinal outcomes such as job satisfaction and motivation, as well as, to a weaker extent, ratings of work effectiveness and absenteeism (Fried & Ferris, 1987; Loher, Noe, Moeller, & Fitzgerald, 1985). An expanded meta-analysis supported the importance of work characteristics affecting these outcomes, as well as other outcomes (organizational commitment, role perceptions, turnover intentions), and identified experienced meaning as the most important state mediating the relationship between job characteristics and outcomes (Humphrey, Nahrgang, & Morgeson, 2007). The conclusions of these meta-analyses rest mostly on cross-sectional designs and self-reports but, as we discuss later, longitudinal and intervention studies largely support the notion that work characteristics cause important outcomes.

While JCM and job enrichment are mainly concerned with individual jobs, the sociotechnical systems approach to work design emphasizes group work (Trist & Bamforth, 1951). An early study showed that a new mechanistic method of coal mining destroyed the social support system that coal miners relied on and fragmented the work, with consequent high absence rates and poor work motivation (Trist & Bamforth, 1951). In a second coal mine, the destructive effects of the new mechanistic method were alleviated because miners found a way to realize a form of group work (Cherns, 1995). This early research led to the idea of autonomous work teams that enable employees to work on complete tasks and that grant employees substantive collective autonomy.

Subsequent research typically shows positive attitudinal effects of autonomous work groups (for a review see Sonnentag, 1996), with evidence somewhat less consistent for performance. For example, one study showed benefits of autonomous work groups for employee satisfaction, but not for productivity (Wall, Kemp, Jackson, & Clegg, 1986), whereas another showed increased productivity and a decrease in customer complaints (Antoni, 1997). Nevertheless, the idea that autonomous work groups are always beneficial for employees has also been challenged by studies adopting a more critical approach. In particular, Barker (1993) showed that employees in autonomous teams exercised a high level of control over each other's behavior. The long-term effects of such 'concertive control' on team members' well-being and motivation need further inquiry. In recent times, research has focused on the notion of team empowerment, which encompasses the idea of structural empowerment, by delegating authority, information, and support to teams, as well as psychological empowerment, through promoting shared beliefs among team members (Chen, Sharma, Edinger, Shapiro & Fahr, 2011). Team empowerment has been associated with better performance in virtual teams (Kirkman, Rosen, Tesluk, & Gibson, 2004), suggesting that attempts to improve it may be particularly beneficial in remote teams.

ADDITIONAL THEORETICAL PERSPECTIVES ON WORK DESIGN

The JCM approach rests on the assumption that individuals have needs that are fulfilled by the characteristics of their jobs, and thus lead to satisfaction, work motivation, and performance. However, the social information processing perspective emphasizes the role of the social context as an influence on how individuals interpret events and job characteristics (Salancik & Pfeffer, 1978). For example, an employee who perceives low autonomy in their job might do so because the level compares unfavorably with others who have more complex jobs (Oldham et al., 1982). There is indeed evidence to suggest that social cues do affect perceptions of work characteristics, but overall these studies suggest the effects are weaker than those of objective job features (Taber & Taylor, 1990). Likewise, studies show that social factors have less influence on attitudinal and performance outcomes than objective work design features (Griffin, 1983; Pierce, Dunham, & Blackburn, 1979). Thus social cues are important, but they do not usurp the motivating value of work characteristics per se.

An attempt to integrate work design and work stress research is the Demand-Control model by (Karasek, 1979; Karasek & Theorell, 1990). Karasek proposed that high job demands will negatively affect well-being when job control is low, and high demands will promote an active approach to work when job control is high. Empirical support for the interaction between demands and control is mixed (de Lange, Taris, Kompier, Houtman, & Bongers, 2003; Taris & Kompier, 2005), with studies pointing to the importance of additional conditions such as social support (Van Yperen & Hagedoorn, 2003) or proactive personality (Parker & Sprigg, 1999). Nevertheless, Karasek's model has been particularly associated with the idea that high job demands are not necessarily detrimental for performance outcomes.

The Job Demands-Resources (JD-R; Bakker & Demerouti, 2007; 2008) model evolved, in part, from Karasek's model, by suggesting that a whole range of job resources and demands interact in the interplay between stress, and health and well-being. Whereas Karasek's model involved only one job resource, decision-latitude, and job demands, the JD-R model is a heuristic model that allows the inclusion of *any* resource or demand (Schaufeli & Taris, 2014). In the presence of high job resources, positive outcomes such as health and well-being, performance, and workplace safety are predicted, whereas low job resources are argued to lead to negative outcomes such as burnout, stress, and absenteeism. Further, the negative effect of high job demands can be buffered by the presence of high job resources (Bakker & Demerouti, 2007; 2008). This model has been supported by much research, including meta-analyses (e.g., Halbesleben, 2010; Nahrgang, Morgeson & Hofmann, 2011) and longitudinal studies (e.g., Hakanan, Schaufeli, & Ahola, 2008; Schaufeli, Bakker, & Van Rhenen, 2009).

In keeping with the idea that high job demands are not necessarily detrimental, a later distinction was made between challenge and hindrance demands (Van den Broeck, De Cuyper, De Witte, & Vansteenkiste, 2010), with demands identified as challenges being positively associated with work engagement, a work-related state of mind in which individuals experience vigor (high energy and mental resilience), dedication (sense of significance and enthusiasm), and absorption (a sense of 'flow' and time passing quickly), in their work (Schaufeli, Salanova, Gonzalez-Roma, & Bakker, 2002). Demands identified as hindrances were negatively associated with work engagement (Crawford, LePine, & Rich, 2010). This suggests that individual differences in the type of job demands moderate the relationships between job demands and positive work outcomes.

Despite the recent dominance of the JD-R model in the literature, some key criticisms of the model include failing to predict specific relationships between individual resources, demands, and outcomes, failing to explain how and why particular resources and demands interact to produce certain outcomes, and failing to predict which demands may be considered challenges or hindrances (Schaufeli & Taris, 2014).

Although both Karasek's job Demand-Control model and the JD-R model consider the role of job demands, the specific demands of role conflict, role ambiguity, and role overload have been the focus of a specific approach: role theory. The negative effects of role ambiguity and conflict on outcomes such as turnover, commitment, and job strain are well noted (Parker, Van den Broeck, & Holman, 2017). Designing jobs that promote positive role characteristics is therefore important for positive work outcomes. Job crafting (Wrzesniewski & Dutton, 2001), whereby individuals shape their roles to enhance sense of meaning, is one way in which positive role characteristics may be engendered. Job autonomy allows individuals the flexibility to craft their jobs.

Psychological empowerment is also relevant to any discussion of work design. Psychological empowerment refers to the motivational state of experiencing meaning, impact, competence (or self-efficacy), and a sense of choice (or self-determination) (Conger & Kanungo, 1988; Spreitzer, 1995). There is a large conceptual overlap between empowerment and the critical psychological states in the JCM, and there is evidence that psychological empowerment mediates the relationship between work characteristics and outcomes (for a review see Parker & Ohly, 2007). Nevertheless, the literature on psychological empowerment differs from the JCM in that it recognizes that feelings of empowerment can arise from influences other than the traditional job characteristics, for example, from social support (Corsun & Enz, 1999) or access to information (Spreitzer, 1996).

A quite different perspective on work design is an interdisciplinary one (Campion & McClelland, 1991). This encompasses the motivational approach, which includes the JCM and Herzberg's theory, and the JD-R model. Three other approaches with different recommendations for the design of jobs are also identified, however: first, the mechanistic approach of designing simplified jobs to reduce training costs and chance for error; second, the biological approach which aims at improving the ergonomic design of work to alleviate physical stress; and third, the perceptual-motor approach which is concerned with ensuring that job demands do not exceed cognitive abilities, to reduce overload, errors, and accidents. This classification reminds us that various outcomes of job design are valued in different disciplines. However, it is important to note that the job characteristics typically considered in the motivational approach are also positively associated with outcomes that would be classified under the three other approaches, such as quicker response times (Wall & Jackson, 1995) and efficiency (Campion & McClelland, 1991).

Finally, it is significant to note that most of the work design research and theory described thus far can be considered as coming from a functionalist paradigm. Holman, Clegg, and Waterson (2002; see also Torraco, 2005) review how alternative epistemological perspectives can be helpful in understanding work design.

EXTENSIONS TO THE WORK CHARACTERISTICS APPROACH

In this section, we return to the work characteristics approach, which seeks to understand the relationship between job characteristics and outcomes. Recent models (Morgeson & Campion, 2003; Parker, Wall, & Cordery, 2001) include expansions over and above the JCM in regard to work characteristics, outcomes, mechanisms, contingencies, and antecedents of work design. We consider each of these extensions next.

Extended Work Characteristics

There are important characteristics of work over and above the big five of the JCM (Edwards, Scully, & Brtek, 1999; Roberts & Glick, 1981). In their Work Design Questionnaire, Morgeson and Humphrey (2006) distinguished 21 work features within four broad categories of work characteristics: task characteristics (e.g., autonomy, job feedback), knowledge characteristics (e.g., problem-solving demands), social (e.g., interdependence, feedback from others), and contextual (e.g., work conditions). Social work characteristics have long been of interest (e.g., Karasek & Theorell's (1990) demands-control-support model), and their importance is confirmed by meta-analytic evidence showing that social characteristics explain substantive amounts of variance in job behaviors and job attitudes beyond traditional job characteristics (e.g., Halbesleben, 2010; Humphrey et al., 2007).

Changes occurring in the modern workplace also highlight new work characteristics that deserve attention (Parker et al., 2001), such as emotion work (or emotional labor), the requirement to show adequate emotions at work (Zapf, 2002), electronic performance monitoring, the use of systems to collect, store, analyze, and report the actions of individuals or groups (Nebeker & Tatum, 1993), or increased demands to be available after hours (Dettmers, Vahle-Hinz, Bamberg, Friedrich, & Keller, 2016).

Expanded Outcomes

What are the consequences of work design? Influenced by the JCM, a strong focus has been on the effect of work design on employees' job attitudes and affective reactions, particularly motivation and job satisfaction (see Wall et al., 1986). From a behavioral perspective, most attention has been given to absence, turnover, and performance. Over and above these outcomes, health has been an increasingly important focus. In terms of mental health, work characteristics have been linked to burnout (Bakker, Demerouti, & Euwema, 2005), depression, anxiety, and psychological distress (Karasek, 1979; Parker, 2003; Stansfeld, Fuhrer, Head, Ferrie, et al., 1997). Overall, there is consistent evidence of the negative effects of excess demands or lack of control on mental and somatic health (e.g., Nixon, Mazzola, Bauer, Krueger, & Spector, 2011; Spector, 1986).

One recommendation has been to expand the investigation of performance outcomes beyond productivity-oriented indicators to include, for example, customer satisfaction, creativity, and innovation, and proactive behavior. In the few studies considering the effect of work design on customers, job control appears to be a key factor (e.g., Dormann & Kaiser, 2002). Job control and job complexity also show consistent positive relationships with employee creativity (Harrison, Neff, Schwall, & Zhao, 2006) and with employee proactivity (Ohly, Sonnentag, & Pluntke, 2006; Parker, Williams, & Turner, 2006).

As well as an expanded set of outcomes, the developments in multi-level techniques have led to more sophisticated explorations of outcomes at different levels, for example within individuals (Elfering et al., 2005; Fisher, 2002) or at multiple levels, including team and individual motivation (e.g., Chen & Kanfer, 2006).

Extended Mechanisms

As discussed already, experienced meaningfulness is one of the most important mechanisms established in work design research. Thus, enriched job characteristics result in a stronger sense of meaning, which leads to job satisfaction and motivation. Nevertheless, there are other motivational mechanisms such as sense of social worth and social impact (Grant, 2008) or proactive forms of motivation such as role-breadth self-efficacy, flexible role orientation, and control orientation (for a review see Parker & Ohly, 2007). Nevertheless, as Parker & Ohly (2007) have argued, work design theory has yet to fully incorporate advances in motivation theory, for example, with regard to goal generation and goal striving.

As well as motivational pathways, there is also good evidence for a learning mechanism. Job characteristics like autonomy can allow employees to develop, and apply, greater knowledge, more appropriate task strategies, and meta-cognitive strategies (Frese & Zapf, 1994). As a specific example, a work design initiative that gave machine operators greater opportunity for fault correction, coupled with access to information and technical support, led to an increase in fault-management knowledge (Leach, Wall, & Jackson, 2003). Thus, when individuals can choose strategies to deal with work problems and learn from feedback, their knowledge improves (Parker, 2014). The Work Design Growth Model (WDGM; Parker, 2017) extends this idea and proposes longer-term developmental outcomes such as cognitive development resulting through cognitive, behavioral, and affective processes including skills change, change in self-views (such as increased self-efficacy), and learning new behaviors such as proactivity, job crafting, and identity exploration,

In terms of identity, Parker (2014; 2017) argued that work design is important for occupational and role identity, as well as self-identity, with opportunities for growth, positive developmental experiences, and openness to experience all being important facilitators. For example, professional identity can be negatively affected by introducing technology which limits individuals' interactions with suppliers (Johns, 2010). Identity development may be explained by the satisfaction of basic work-related needs such as autonomy, competence, and a sense of belonging to the workplace/team (Grolnick, 1997). This is thought to lead to higher self-esteem, acceptance of the self, and therefore identity (Kernis, 2000). In terms of moral development, more complex jobs allow individuals to understand different perspectives and the moral impact of different work behaviors (Parker & Axtell, 2001). Simplified jobs may, on the other hand, limit motivation to consider the moral implications of a situation, reduce perspective-taking, and encourage a 'not my job' attitude (Parker, 2014).

As the number of work design outcomes expand, so too do the potential explanatory mechanisms. We have highlighted some above, but others exist.

Contingencies Over and Above Growth Need Strength

Contingencies refer to the factors that affect whether and to what extent work design leads to predicted outcomes. Traditionally, individuals with high growth need strength and are thought to feel more motivated by enriched work characteristics which meet their needs. A wide array of other potential individual differences have been considered as moderators, however, with inconsistent findings (e.g., see Morgeson & Campion, 2003).

Interestingly, the person–environment fit literature has not been well integrated into work design research. Three forms of fit can be distinguished (Cable & DeRue, 2002). Person–organization fit describes the perceived match of individual and organizational values, and is linked to organizational identification and low turnover. The research on growth need strength fits within this perspective. Need–supplies fit refers to the perception of rewards a job supplies in return for performance, and is related to job and career satisfaction. Demands–abilities fit, the perceived congruence between demands of a job and a person's abilities, moderates the relationship between job scope and strain such that strain only results when perceived fit is low (Xie & Johns, 1995). Neither the moderating role of rewards, nor abilities, has had much consideration in work design research.

The relevance of contingencies will depend on both the work characteristics and the outcome being considered, suggesting the futility in seeking global moderators of work characteristics–outcome relationships. Although understanding individual contingencies can help to identify whom work redesign will most benefit, practical implications are limited because jobs are most often redesigned for many employees. Nevertheless, if contextual contingencies are ignored, inappropriate work design may result.

Two contextual factors that have had particular attention are interdependence and uncertainty (Cummings & Blumberg, 1987). Evidence is somewhat mixed for interdependence (e.g., Sprigg, Jackson, & Parker, 2000). However, for uncertainty, there is quite consistent evidence from production contexts that job enrichment, especially job autonomy, is most powerful in enhancing performance when uncertainty is high (e.g., Wall, Corbett, Martin, Clegg, et al., 1990). Other contextual factors include how well the change process is introduced, the organization's 'readiness' for work redesign, and the level of employee job security (Pearson, 1992). There has been some research considering national cultural influences, but more is needed (e.g., Robert, Probst, Martocchio, Drasgow, & Lawler, 2000).

Drawing on socio-technical systems theory, it has often been proposed that broader work organization and human resource systems (e.g., reward, training, information systems) need to align with the work design in order for it to be effective (e.g., Parker & Cordery, 2007). Contrary to this idea of alignment, however, Morgeson, Johnson, Campion, Medsker, and Mumford (2006) found that work redesign into autonomous work groups only had a positive effect on self-reported performance when reward, feedback, and information systems were poor, suggesting a substituting rather than a synergistic effect.

Influences on, and Causes of, Work Characteristics

Work design does not exist in a vacuum. Job characteristics derive from, and are embedded within, a larger organizational system. The greater the level of organizational formalization and centralization, the lower the autonomy, variety, and task identity (Pierce & Dunham, 1978; Rousseau, 1978a). At the same time, work characteristics are not only perceived differently by job incumbents, but differentially crafted by them. A final extension, therefore, has been to consider factors that shape, influence, or constrain work characteristics.

An array of contextual factors influence and constrain the choice of work design, including factors internal to the organization (e.g., management style, technology, or nature of the tasks) and factors external to the organization (e.g., the uncertainty of the environment, customer demands, the nature of the labor market). One implication of these broader influences on work design is that it means work can be 'redesigned' in ways over and above direct manipulation of job characteristics, such as by removing demarcation barriers or leaders to delegate greater authority.

In particular, organizational practices have an important role, with job characteristics mediating between such practices and outcomes. Examples include lean production (Jackson & Mullarkey, 2000; Parker, 2003), temporary employment contracts (Parker, Griffin, Sprigg, & Wall, 2002), just-in-time (Jackson & Martin, 1996), performance monitoring (Carayon, 1994), teleworking (Feldman & Gainey, 1997), and team working (Kirkman & Rosen, 1999). An implication is that work design can be deliberately changed to bring about better outcomes. Unfortunately, organizational inertia can mitigate the positive effect of integrated manufacturing on work design, as work design is typically neglected when new technologies and practices are introduced (e.g., Waterson et al., 1999). The role of organizational inertia, and other such forces, in moderating how new practices affect work design is clearly an important area for further inquiry.

A further important consideration is the role of the job incumbent in influencing his/her work design. Though more recently termed job crafting (Tims, Bakker, & Derks, 2013; Wrzesniewski and Dutton, 2001), the idea that individuals mold their work characteristics to fit their individual abilities or personalities is a long-standing one (role making, Graen, 1976; task revision, Staw & Boettger, 1990). Recent support for this idea comes from a large-scale meta-analysis involving 122 independent samples (Rudolph, Katz, Lavigne, & Zacher, 2017). Findings revealed that job crafting was strongly associated with proactive personality, promotion regulatory focus, and work engagement. Furthermore, increasing challenging job demands as a form of job crafting were positively associated with objective work performance whereas decreasing hindrance demands were related to (lower) turnover intentions. Other research has examined how self-efficacy and proactive behavior affect work design and vice versa. Frese, Garst, and Fay (2007) showed that job control and job complexity were associated with greater personal initiative, which led, in the longer term, to even higher levels of job control and job complexity. This more dynamic perspective on how work design is affected by individuals holds much promise, especially within the knowledge worker context, as we elaborate shortly.

Most recently, the numerous causes of good work design have been synthesized into a multi-level model which aims to integrate the literature from various disciplines (Parker et al., 2017). This model summarizes antecedents at the global, national, and occupational levels as well as at the organizational, work group, and individual levels. In particular, two indirect effects on work design are noted: (a) factors affecting formal decision-making processes via influencing managers' work-design-related motivation, knowledge, skills, and abilities (KSAs); and (b) factors shaping informal work design processes via influencing employees' work-design-related motivation, KSAs and opportunities. In the former, managers make strategic decisions (e.g., Oppenauer & Van de Voorde, 2016), such as deciding how to divide and allocate tasks within a team, while in the latter an individual or team crafts their job to make it more interesting or challenging, for example, by negotiating extra duties, or rotating tasks. Importantly, this model highlights the need to consider both higher (e.g., global) and lower (e.g., work group) levels of work design influences together, marking a move away from traditional models which tend to be discipline-specific and focused on a single level only. Doing so is likely to enable the effective design of better-quality jobs despite world-scale change.

FURTHER DIRECTIONS

The above extensions better align work characteristics theory to the emerging work context. Here, we focus on three important avenues for theoretical development that have been relatively neglected in reviews thus far.

Work Design and Organizing

Several theorists have proposed that the meaning of organization is changing, and, with it, the need to reorient theories in our field (Heath & Sitkin, 2001; Rousseau, 1997). In particular, rather than thinking of 'organization' as an entity, the recommended emphasis is on organization as a dynamic process, or 'organizing'. Understanding organizing is particularly important in light of the increasingly fluid, flexible, complex, and rapidly changing firms and work roles that characterize today's organizations (Rousseau, 1997). Such contexts, it is argued, require much more attention to 'how people solve the dynamic problems of aligning goals and co-ordinating action' (Heath & Sitkin, 2001, p. 54).

We propose two implications of an organizing emphasis for work design theory. First, work design might affect processes important for organizing, such as trust, communication, collaboration, group mental models, and group norms. There is some evidence that this is so (e.g., Grant, 2008; Parker & Axtell, 2001). Nevertheless, by far the bulk of work design research has focused on individual-level motivational or well-being mechanisms, with little attention on how work design affects collective processes, or even how it affects individual-level attitudes and behaviors that are especially important for collective action. The same observation is true in the group-level research. While there are exceptions (e.g., Tesluk & Mathieu, 1999), overall, there are few studies linking group work design and organizing outcomes. We see great potential in addressing questions such as how the level of self-management of a group affects the level of implicit task coordination (Rico, Sánchez-Manzanares, & Gibson, 2008), the use and effectiveness of team processes (Marks et al., 2001), the development of 'swift trust,' and other such collective attitudes, cognitions, and behaviors.

A second implication of thinking about work design in relation to organizing is that work design *is* a way of organizing. Work design choices are inherently choices about how to organize. For example, a self-managing work group represents a different way of achieving a collective goal than a supervisor-led team. One consequence of thinking about work design in this way is that it suggests a more holistic approach to the study of work design. Rather than looking at individual work characteristics and their relationship with outcomes, which has been the dominant focus of late, one might describe how the tasks, jobs, roles, and projects are organized, focusing on the whole set of work characteristics, along with the consequences of those organizing choices. Such an approach implies methods that enable a detailed and contextualized descriptions of the overall work design and its consequences (cf. Trist & Bamforth, 1951).

Work Design for Knowledge Workers and Professionals

Not surprisingly given its origins, work design research has primarily focused on the value of enriching simplified jobs, typically in contexts such as manufacturing and call centers where jobs are relatively deskilled. This work has extended to nurses, teachers, and other such samples, where enrichment principles also have resonance. However, many professional and knowledge work jobs already possess relatively high levels of autonomy, variety, and challenge, and hence the reduction of workload pressure might be more important in this context. Elsbach and Hargadon (2006) proposed that, to avoid professional work becoming 'relentlessly mindful and stress inducing' (p. 471), each work day should be designed with scheduled bouts of mindless, cognitively undemanding work tasks inserted between more challenging and time-pressured work tasks that make up most of the day. Along similar lines, Ohly, Göritz, and Schmitt (2017) found that employees experience higher levels of energy following work on a highly routinized task (tasks which become automatic over time due to repetition and practice; Ohly et al., 2017). This suggests that working on routinized tasks during the day helps employees recover from work demands and maintain their energy levels.

Another angle is to change the way that work demands are perceived. High job demands can positively relate to performance (LePine, Podsakoff, & LePine, 2005) and job attitudes (Podsakoff, LePine, & LePine, 2007), possibly because they might be seen as challenging and give the opportunity to reach work-related goals. Because high job demands also lead to strain reactions, more research is needed to determine the conditions that enable the perception of high demands as challenging or hindering (see, for example, Prem, Ohly, Kubicek, & Korunka, 2017). It is also important to identify how to protect employees against long-term health consequences of demands, such as by promoting recovery (e.g., Sonnentag & Zijlstra, 2006).

We also suggest much more attention to technology, which is changing the face of professional/knowledge work settings. In particular, how does the introduction of artificial intelligence (AI) and robots change the nature of knowledge work? For example, it is likely that computer programming will diminish the need for some routine jobs, requiring workers to retrain. We have already witnessed the 'smart' revolution, with, for example, smartphones boasting voice and speech recognition, mobile apps helping so-called 'gig', or contract, workers (e.g., Uber taxi drivers, fast food delivery workers) source work, smart watches acting as health and fitness trackers, and smart self-service shop counters. This revolution is increasingly extending to other arenas. Within healthcare, mathematical algorithms are being trialed to speed up the process and accuracy of diagnosing conditions and planning treatment (e.g., Dilsizian & Siegel, 2014; Olczak et al., 2017), and, within the transport sector, driverless cars and trucks are nearing fruition. How will old roles be affected and new ones, as yet unimagined, be designed? Will new roles be characterized by higher levels of autonomy and challenge as the need for unskilled workers decreases? How will individual, organizational, national, and global outcomes be affected, including unemployment? These are key questions that future research will need to address.

Finally, focusing on professional and knowledge work also gives rise to a question about outcomes. In particular, how can work design promote the development of capability necessary for effective performance in challenging contexts? For example, job enrichment under conditions of managed workload might promote the creativity that is often essential for this type of work (Elsbach & Hargadon, 2006). Likewise, certain combinations of autonomy and feedback might promote the development of more effective self-regulation skills, which are argued to be especially important for performance in novel and complex settings. A further example is that interventions such as job rotation could increase managers' understanding of the bigger picture, as well as to broaden social networks, both of which are important for successful managerial performance. One might also recognize that for this group, as well as for others such as portfolio workers or contract workers working for multiple organizations, outcomes such as organizational commitment are less relevant than occupational commitment.

Theory and Research on Work Design Interventions

Despite much research on the topic of work design, research assessing work design interventions is surprisingly lacking. Several studies of work redesign have been conducted over the years (e.g., Grant, 2008; Griffin, 1991), yet their results have not been synthesized. This is likely due to the lack of communication between the different disciplines in which these redesigns have occurred, and the different causes and consequences which have been assessed, which do not allow for easy statistical, or indeed narrative, synthesis. The impact of work redesigns on health and well-being is probably the most researched area; however, reviews of such interventions suggest inconsistent results (e.g., Bhui, Dinos, Stansfeld, & White, 2012; Richardson & Rothstein, 2008). A recent review argued for the importance of considering employment factors (e.g., skills training, pay schemes, performance management) as mitigators of the relationship between work redesign and health outcomes (Daniels, Gedikli, Watson, Semkina, & Vaughn, 2017). For instance, a conclusion from the review is that well-being outcomes of work redesign might be improved by training workers to proactively craft their own jobs, in conjunction with the redesign, and that system-wide changes which improve both job design and employment practices are likely to be helpful. In particular, they found that employee participation, manager support, and integration of work redesigns into organizational systems were important for intervention success.

Current research into the role of organizationally led work redesign interventions on performance as a primary outcome reveals a myriad of disciplines in which such interventions have occurred, including occupational psychology, health and safety, organizational behavior, ergonomics, and manufacturing and production (Knight & Parker, under revision). Some are well known, for example, Griffin's (1991) intervention that involved enlarging and enriching jobs in the banking sector by installing new operations and feedback systems. Others are more recent, such as Guimaraes and colleagues (2015), who used participatory techniques to design teams in a furniture company, improving ergonomic workstation design and process flow while decreasing workload, and Bellé and colleagues (2014) introduced transformational leadership, contact with beneficiaries, and self-persuasion in the public sector. Interestingly, while performance is a key concern for organizations, surprisingly few intervention studies have actually assessed aspects of work design in relation to performance. Even fewer have adopted high-quality research designs (e.g. longitudinal, randomized, controlled experiments) that allow causality to be robustly assessed. These issues with study heterogeneity and quality make it difficult to draw conclusions.

As discussed above, at the individual level, work redesign in the form of job crafting can enhance performance (e.g., van Wingerden, Derks, & Bakker, 2017; Gordon et al., 2017), job resources (e.g., van den Heuvel, Demerouti, & Peeters, 2015), and well-being (Tims et al., 2013).

In sum, while studies show promising effects of work redesign at both the organizational and individual levels, it is not yet clear what works for whom or why. More research is needed to further synthesize what is known and elucidate recommendations for future research and practice, thus driving work redesign intervention research forward.

CONCLUSION

Despite much research around work design and its effect on important outcomes such as mental health, performance, and job satisfaction, good-quality jobs are not as widespread as one might expect. National-level surveys suggest high demands and low control persist in many jobs (e.g., the Bristol Stress and Health Survey; Smith, Johal, Wadsworth, Peters, & Davey Smith, 2000) and that organizations do not always make good work design choices when introducing new technologies and practices. For these reasons, work design deserves continued attention from researchers. We need to become better at translating research findings to practice, such as by developing evidence-based tools, processes, and guidance to analyze work design and facilitate its redesign. We also need to systematically track work characteristics at a national level, identifying the prevalence of key work characteristics as well as how they are influenced by new trends and policies. By actively aiming to influence practice and policy, academics can not only respond to changes in work design, but shape them.

As well as better applying what we know, work design research needs to keep pace with the profound changes that are occurring in the wider work context and among the workforce itself. We proposed three particularly important avenues for further research – investigating how work design can promote organizing, how it can help support the effectiveness and well-being of knowledge workers, and how and why work design interventions work. We believe that by updating theory along these and related lines, work design research will flourish and guide the effective design of contemporary and future jobs.

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PART III

Contemporary Issues

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24

Strategic HRM: Where Do We Go from Here?

Dorothea Roumpi and John E. Delery

INTRODUCTION

Rooted in the pioneering work of scholars such as Beer, Spector, Lawrence, Mills, and Walton (1984), Dyer (1984), Fombrun, Tichy, and Devanna (1984), and Kochan, Katz, and McKersie (1986), strategic human resource management is now a long stream of scholarly research that spans the boundaries of human resource management (HRM) and strategy. Strategic HRM, broadly conceptualized as 'the pattern of planned human resource deployments and activities intended to enable the firm to achieve its goals' (Wright & McMahan, 1992: 298), typically focuses on the relationship between HRM activities (individual practices or systems of HRM practices) and various organizational outcomes (Becker & Huselid, 2006; Huselid, 1995; Jackson, Schuler, & Jiang, 2014). The pursuit of identifying, understanding, and explicating this relationship between HRM and organizational outcomes has yielded several theoretical frameworks and even more empirical studies.

In terms of the theory of strategic HRM, the field has received a lot of criticism. As Chadwick and Dabu (2009) noted, strategic HRM 'has been widely perceived to be largely atheoretic and phenomenologically driven' (253) and the call for a strong strategic HRM theory has been persistent (e.g., Delery, 1998; Snell, Youndt, & Wright, 1996; Wright, Dunford, & Snell, 2001). Despite this criticism, three main theoretical approaches seem to have guided most of the strategic HRM research: the behavioral perspective, the Ability–Motivation–Opportunity (AMO) framework, and the resource-based view. First, the behavioral perspective (Jackson, Schuler, & Rivero, 1989; Schuler & Jackson, 1987) emphasizes the role of HRM practices as a means of influencing and directing individual behaviors and, subsequently, organizational outcomes. The AMO framework suggests that HRM practices have an impact on employees' abilities (knowledge, skills, abilities, and other characteristics), motivation (the direction of employees' efforts), and opportunity or empowerment, which, in turn, are translated into performance at the individual and organizational level (Appelbaum, Bailey, Berg, & Kalleberg, 2000; Delery & Shaw, 2001; Purcell & Hutchinson, 2007; Subramony, 2009). Finally, the Resource Based View (RBV), linking sustainable competitive advantage to valuable, rare, inimitable, and non-substitutable resources (Barney, 1991; Penrose, 1959; Wernerfelt, 1984), gave rise to the organizational processes advantage (superior organizational processes, such as HRM systems, can lead to sustainable competitive advantage) vs. human capital advantage (human capital resources can lead to sustainable competitive advantage) debate (Boxall, 1998). This debate highlights the different treatment of RBV by strategy and HRM scholars, but also the potential this theoretical perspective offers to bridge the micro–macro divide (Delery & Roumpi, 2017; Nyberg & Wright, 2015; Wright, McMahan, Snell, & Gerhart, 2001).

Numerous strategic HRM studies and meta-analyses have offered abundant empirical support for the link between HRM practices and various organizational outcomes, including but not limited to productivity, financial performance, and quality outcomes (e.g., Arthur, 1992; 1994; Combs, Liu, Hall, & Ketchen, 2006; Delery & Doty, 1996; Gittell, Seider, & Wimbush, 2010; Huselid, 1995; Ichniowski, Shaw, & Prennushi, 1997; Subramony, 2009). Some of these studies focus on specific HRM practices, such as compensation systems (e.g., Shaw, Gupta, & Delery, 2001; Yanadori & Marler, 2006). Others explore the relationship between 'bundles' or 'systems' of HRM practices and organizational outcomes (e.g., Datta, Guthrie, & Wright, 2005; MacDuffie, 1995; Takeuchi, Lepak, Wang, & Takeuchi, 2007; Youndt, Snell, Dean, & Lepak, 1996). This, line of research, however, has received ample criticism for various reasons. For instance, questions regarding causal inferences due to heterogeneity biases, the potential for reverse causality, and the exacerbation of measurement error have been raised by several scholars (e.g., Capelli & Neumark, 2001; Gerhart, 1999; Gerhart, Wright, McMahan, & Snell, 2000; Guest, Michie, Conway, & Sheehan, 2003; Wright, Gardner, Moynihan, Park, Gerhart, & Delery, 2001). Research findings, showing that the relationship between high-performance work systems (HPWS) and firm performance is weakened when controlling for past performance (Wright, Gardner, Moynihan, & Allen, 2005), further add to the skepticism regarding the strategic HRM literature and suggest that the relationships explored within this research stream are probably more complicated. In sum, these concerns regarding the lack of a strong theoretical framework along with the questions regarding the methodological rigor of the relevant empirical studies potentially could pose a significant threat to the development of the field.

Have these concerns regarding the empirical findings and the oft-cited lack of theory taken a toll on the field of strategic HRM? In a recent review of the HRM field, Markouli, Lee, Byington, and Felps (2017) noted a decline in the volume of the new strategic HRM research being published and concluded that strategic HRM 'has become mired in its own complexity and has lost momentum in its search for managerial insights about how to create and capture organizational value' (387). Despite the observed declined emphasis on strategic HRM, we contend that the focus should be on the quality and not the quantity of the relevant research and these concerns should be viewed as a trigger for future research. The strategic HRM field still has a lot to offer and additional studies in key areas are desperately needed. On these grounds, the aim of this chapter is not to offer an extensive review of the existing literature and its issues, but to highlight some research areas that should guide the field into the future. Acknowledging that some of the research questions at the core of the strategic HRM research since its conceptualization have not yet been resolved, we identify four topics that are fruitful avenues for the advancement of the strategic HRM field: the

HRM–organizational outcomes ‘black box’, systems of HRM practices, RBV and bridging the micro–macro divide, and important contextual factors.

THE HRM–ORGANIZATIONAL OUTCOMES ‘BLACK BOX’

The ‘black box’ of the HRM–organizational outcomes relationship refers to the limited knowledge we possess regarding the underlying mechanisms that link specific HRM practices or HRM systems to organizational outcomes (Boxall & Purcell, 2008; Wall & Wood, 2005; Wright & Gardner, 2003). As Guest (2011) emphasized, based on the extant strategic HRM research ‘we are more knowledgeable but not much wiser, in that we have not been able to explain the demonstrated association between HRM and performance with any conviction’ (3). Thus, many scholars have noted (e.g., Becker & Huselid, 2006) that the black box between HRM practices or systems of practices and organizational outcomes is one of the most pressing theoretical and empirical challenges for strategic HRM.

What Do We Know?

Before moving to specific questions regarding the black box, it is important to briefly mention some of the steps that have been taken towards the explication of the HRM practices–organizational outcomes relationships. The AMO framework, for instance, offers an interesting approach to explain the process through which HRM practices are translated into organizational outcomes. Taken either at the individual or the organizational level, some HRM practices (ability-enhancing) can be viewed as generating knowledge, skills, abilities, and other characteristics (KSAOs) or, more broadly, the necessary human capital resources. Other HRM practices (motivation-enhancing) influence the willingness of employees to exert effort toward the strategic goals of the organization, and, finally, another set of practices (opportunity-enhancing) empower employees and offer them the opportunity to contribute to organizational goals (Combs et al., 2006; Delery & Roumpi, 2017; Huselid, 1995; Jiang, Lepak, Hu, & Baer, 2012; Subramony, 2009).

Other attempts to shed light on the HRM–organizational performance black box have focused on specific employee attitudes, such as affective organizational commitment, as mediating mechanisms (Kwon, Bae, & Lawler, 2010). Takeuchi et al. (2007), for instance, showed that collective human capital and perceived establishment social exchange mediate the relationship between high-performance work systems and establishment performance. Similarly, Gittell et al. (2010) showed that high-performance work practices (HPWPs) were positively linked to quality and efficiency outcomes in the context of the healthcare industry and this relationship is mediated by relational coordination (e.g., employees perceive that they are connected with each other, have shared goals, and their communication is improved). Kehoe and Wright (2013) also offered empirical support for the role of affective commitment in the link between high-performance practices and turnover intentions.

Focus on Individual Attitudes and Behaviors (or Maybe Not?)

In the pursuit of a better understanding of the HRM–organizational outcomes relationship, several authors have suggested focusing on individual outcomes (attitudes and behaviors) more proximal to HRM practices (e.g., Becker & Huselid, 2006; Gerhart, 2005). We agree this is an avenue that could potentially offer significant insights. We wonder, however, whether such endeavors are in line with the aim of the strategic HRM research. Strategic HRM, as defined by Wright and McMahan (1992) refers to the HRM practices and policies that are designed and deployed in order to enable organizations to achieve their strategic goals. Though there is no consensus on a specific strategic HRM definition (Boxall & Purcell, 2000), there is some agreement among strategic HRM scholars (e.g., Delery & Shaw, 2001; Wright & Boswell, 2002) that this line of research focuses on a higher level of analysis (e.g., the criterion typically is on organizational or business unit level). As Kaufman (2015) stated: 'the relationship between HRM and firm performance – in most people's eyes effectively defines the core of modern strategic HRM' (396). The proposed focus on the link between HRM practices and individual attitudes and behaviors, while important, can be argued to be a research topic that is more closely related to the micro-side of the HRM research umbrella.

Moreover, under the broader label of HRM, there is a long and vibrant research stream that explains the effect of various HRM practices on individual performance through various mechanisms. For instance, there are ample conceptual explanations and empirical evidence demonstrating that pay-for-performance and other incentive systems are related to important outcomes, such as performance and turnover, through individual attitudes and behavioral intentions (Podsakoff, Bommer, Podsakoff, & MacKenzie, 2006; Shaw, Duffy, Mitra, Lockhart, & Bowler, 2003). Finally, given research results indicating only a weak relationship between HRM practices and firm performance (e.g., when controlling for past performance; Wright et al., 2005), a shift of the attention to the micro-level workings of the HRM–organizational outcomes may be helpful but may also be viewed as premature if we are focused on firm-level phenomena.

Focus on Implementation

Implementation is a research topic that is rather promising in advancing our understanding of the black box and is in line with the aim of strategic HRM (Becker & Huselid, 2006; Guest & Bos-Nehles, 2013; Jiang & Messersmith, 2017). Various scholars have emphasized that HRM practices and systems can be effective only to the extent that they are experienced as they were intended (e.g., Bowen & Ostroff, 2004; Guest, 2011). More specifically, it has been argued that HRM practices can be differentiated as intended or espoused (practices designed to serve the strategic goals of the organization), actual or implemented (the practices that are not only on paper but have been enacted and implemented), and perceived by employees (the practices as they are perceived by the employees) (e.g., Boxall & Purcell, 2008; Khilji & Wang, 2006; Purcell & Hutchinson, 2007). The importance of these distinctions, particularly between intended and implemented HRM practices, is heightened considering research findings indicating that often there is a gap between the two (e.g., Liao, Toya, Lepak, & Hong, 2009). Therefore, the failure of HRM practices or systems to assist organizations in achieving their strategic goals may be attributed to the intended–implemented HRM practices gap (e.g., Wright, McMahan, Snell, & Gerhart, 2001).

The recognition of the intended–implemented HRM practices gap has two important implications for strategic HRM research. First, as aptly stated by Kehoe and Wright (2013), there is a need 'for organizations to move beyond a focus on the effective design or selection of an HR system, to include an emphasis on consistent implementation of and communication about HR practices' (385). It can be argued that having the mechanisms to ensure proper implementation and communication of HRM practices can be an important moderator of the HRM–organizational outcomes relationship. Second, the typical focus of strategic HRM research on formal HRM practices (intended) can be problematic from a methodological perspective (Chadwick & Dabu, 2009). Specifically, this raises questions regarding the credibility of managers as a source of information about the HRM practices and systems (Guest, 2011). In addition, while managers' perspectives may be valid, they are just one perspective. Acknowledging the potential for single-rater bias (Gerhart et al., 2000), Takeuchi et al. (2007), for instance, utilized information from multiple sources (managers and employees). Hence, research drawing information about HRM practices from employees instead of managers or both can be particularly insightful.

SYSTEMS OF HRM PRACTICES

At the heart of the configurational perspective lies the argument that the effectiveness of HRM deployments depends on the combination of practices and policies (e.g., Delery & Doty, 1996; Lepak & Shaw, 2008). This perspective is grounded on the concepts of 'horizontal' or 'internal' fit, suggesting the internal consistency among the HRM deployments, as well as their dynamic interplay, can yield important organizational benefits (Baird & Meshoulam, 1988; Boxalll & Purcell, 2000; Delery, 1998; Delery & Doty, 1996; Wright & McMahan, 1992). Following this rationale, MacDuffie (1995) introduced the concept of 'HRM bundles' which constitute 'interrelated and internally consistent HR practices' (198). Several empirical studies have offered compelling empirical evidence indicating that various types of HRM systems are positively linked to organizational outcomes and that the effect of HRM systems is greater than the effect of individual practices (e.g., Huselid, 1995; Ichniowski et al., 1997; MacDuffie, 1995; Takeuchi et al., 2007).

Given the prominent role HRM systems play in the strategic HRM literature, in the following paragraphs we focus on two main relevant topics. We begin with a brief overview of the various types of HRM systems that have been proposed and discuss issues associated with the composition and the workings of such systems. We then focus on the differentiation of the workforce and the complications it has for future research.

What's in a Name?

Since the introduction of the concept of HRM bundles, a plethora of researchers have adopted the configurational approach and a great range of different types of systems have been proposed. Market-type and internal systems (e.g., Delery & Doty, 1996), high-commitment HR systems (e.g., Arthur, 1994; Lepak & Snell, 2002), high-involvement HRM systems (e.g., Guthrie, Spell, & Nyamori, 2002; Lawler, 1992; MacDuffie, 1995; Zacharatos, Barling, & Iverson, 2005), systems of innovative HRM practices (Ichniowski et al., 1997), and high-performance work systems (e.g., Huselid, 1995; Takeuchi et al., 2007) are only a few of the different systems explained in the literature. This lack of consensus regarding the conceptualization and the subsequent measurement of HRM systems (e.g., Boselie, Dietz, & Boon, 2005; Guest, 2011; Kepes & Delery, 2007; Lepak & Shaw, 2008; Paauwe, 2009; Youndt et al., 1996) has important implications for the conclusions we can draw from extant research (Lepak, Liao, Chung, & Harden, 2006).

This variation in the types of HRM systems, however, is not simply due to subjective preferences in labels. As various scholars have noted (e.g., Lepak et al., 2006; Lepak & Shaw, 2008) these differences can be attributed to the fact that each of these systems has a different organizational objective and focuses on different value creation processes. For instance, high-commitment HRM systems focus on 'developing committed employees who can be trusted to use their discretion to carry out tasks in ways that are consistent with organizational goals' (Arthur, 1994: 672), whereas high-performance work systems have been conceptualized as a set of 'separate but interconnected human resource (HR) practices designed to enhance employees' skills and efforts' (Takeuchi et al., 2007: 1069). Other authors propose system conceptualizations that focus on even narrower organizational objectives. Zhou, Hong, and Liu (2013), for instance, focusing on innovation and subsequent performance, emphasized the importance of collaboration-oriented HRM systems. The authors specified that the aim of a collaboration-oriented HRM system is to develop 'connections and quality relationships with external shareholders and partners' (Zhou et al., 2013: 267). Thus, research that continues to propose and explore HRM systems that have a very specific organizational objective could be a fruitful research avenue.

Composition of HRM Systems

Even though several authors have, since the beginning, indicated measurement issues as one of the most pressing challenges regarding HRM systems, it is probably useful to take a step back and refocus on the composition of such systems. As Lepak et al. (2006: 219–220) argue, 'discussions regarding research design and data analyses issues are somewhat premature without a clear understanding of the conceptual underpinnings of HR systems.' Strategic HRM scholars are, thus, faced with two important questions: Which HRM practices should be included and what is the structure of the relationship among these practices?

In terms of the composition of HRM systems, most researchers typically adopt and adapt lists of HRM practices that other researchers have used in the past without adequately explicating conceptually why these practices belong in the same system. In a similar manner, the strategic HRM research that takes into consideration the interrelatedness of the practices within HRM systems and the overall complexity of these systems (e.g., Chadwick, 2010; Gerhart, 2012) is limited. In the early years of strategic HRM research, several scholars emphasized the importance of the dynamic interplay among HRM practices. Becker, Huselid, Pickus, and Spratt (1997), for instance, suggested that 'deadly combinations' and 'powerful combinations' of HRM practices exist, while Delery (1998) proposed a palette of relationships that might exist among HRM practices, namely additive (each HRM practice has an independent effect), substitutive (when two HRM practices substitute each other), and synergistic (positive or negative). Only a few empirical studies have incorporated the concept of interactions within HRM systems. Delery and Gupta (2016), for example, tested theory-based interactions between HRM practices and showed support for an intricate relationship between participation in decision-making and selective staffing in predicting financial performance.

On this basis, shifting our foci to the composition of HRM systems and the workings of the practices and policies within such systems is an important challenge for researchers in the field of strategic HRM (e.g., Chadwick, 2010; Guest, 2011; Posthuma, Campion, Masimova, & Campion, 2013). In doing so, there are two routes that can be particularly insightful. The first is the traditional approach: develop strong theoretical arguments regarding the dynamic interactions among HRM practices and then empirically explore the proposed relationships. The second route is to take a more exploratory approach. Specifically, we might gain a better understanding of the intricate relationships among HRM practices by using more advanced machine learning techniques, such as decision tree induction (Quinlan, 1990), random forest regression (Liaw & Wiener, 2002), or artificial neural networks (Hiew & Green, 1992). Both routes could potentially offer rich insights regarding the composition of HRM systems and the interactions among various HRM practices.

Differentiated Workforce–Differentiated HRM Systems

Even though the majority of studies focusing on the relationship between HRM systems and organizational outcomes typically explore only one HRM system, it would be erroneous to assume that each organization utilizes only one system of HRM deployments throughout the organization. On the contrary, conceptual arguments and empirical findings indicate that organizations employ multiple HRM systems simultaneously (e.g., Boxall, Ang, & Bartram, 2011; Huselid, 1995; Lepak & Snell, 1999; 2002). It is, thus, important for researchers not to assume that all employees of an organization are covered by one HRM system, and more research is needed in the area of the segmentation of employees within organizations (e.g., Becker & Huselid, 2006; Delery & Shaw, 2001; Huselid & Becker, 2011; Jackson et al., 2014).

The concept of workforce segmentation is not new. Its roots can be traced back to at least the work of Osterman (1987), if not earlier. Moreover, some of the seminal studies in the field of strategic HRM took into consideration the variation of HRM systems within firms. Specifically, Huselid (1995) acknowledged potential differences in the treatment of exempt and non-exempt employees. Lepak and Snell (1999; 2002) proposed and tested a taxonomy of jobs based on their value and uniqueness along with a set of four corresponding HRM systems (alliance, internal development, contracting, and acquisition). Moving forward, strategic HRM scholars focusing on differentiation have a wide range of questions to answer.

Starting with the broad distinction between '(strategic) core employees' and 'non-core employees', most of the existing research focuses on core employees, giving the opportunity for future research to put the underresearched non-core segment of the workforce under the microscope (e.g., Lepak & Shaw, 2008). The strategic core workforce can be viewed as the segment of the workforce that possesses or contributes to the competencies responsible for the organization's competitive advantage (Becker & Huselid, 2006; Delery & Shaw, 2001). Naturally, the strategy of the organization (as well as other factors such as the industry) determines the segmentation of the workforce in the core and non-core groups (Delery & Shaw, 2001). Given that even non-core employees contribute to organizational performance, future research should explore various HRM systems that have the potential to maximize the value creation of non-core employees without significantly depleting resources that should be devoted to the management of core employees. It is also important to consider the various contextual factors that will determine the value of the investment in the HR deployments of non-core employees. For instance, Delery and Shaw (2001) emphasized that the worth of investing in high-performance work systems for the non-core group is contingent on the task interdependence between core and non-core jobs.

Assuming that organizations simultaneously employ multiple HRM systems, more questions for future research arise. First, even though empirical findings and conceptual arguments exist regarding the existence of multiple HRM systems within one organization (e.g., Boxall et al., 2011; Huselid, 1995; Lepak & Snell, 1999; 2002), there is a lack of evidence, at least to our knowledge, showing that employing multiple systems is more effective or efficient. In addition, an important question that calls for further exploration regards the implications of treating different groups of employees with different HRM systems (Huselid & Becker, 2011; Lepak & Shaw, 2008). The differences in the treatment of employees within the same organization can give rise to perceptions of inequality that, in turn, influence employees' work-related attitudes and behaviors (e.g., Colquitt, Conlon, Wesson, Porter, & Ng, 2001). Finally, taking into consideration the potentially negative implications of the simultaneous use of multiple HRM systems, as well as that all workforce segments are part of the same puzzle, it is critical to ensure that the various systems employed are consistent with and complement each other. It is, therefore, critical for future research to move beyond the concepts of internal and external fit and consider the fit among HRM systems.

RBV – BRIDGING THE MICRO–MACRO DIVIDE

RBV (Barney, 1991; Penrose, 1959; Wernerfelt, 1984) is the basis of a research perspective that has been particularly popular in both strategic HRM and strategic research fields and, as such, has the potential to serve as a mechanism for narrowing the gap between the micro and macro domains of management research (Nyberg & Wright, 2015; Wright et al., 2001). However, its application within strategic HRM research has yet to reach this potential (e.g., Delery & Roumpi, 2017). We have observed the development of two separate research streams that have RBV as their backdrop, namely traditional strategic HRM research rooted in mainstream HRM research and strategic human capital that has its roots in business strategy/competitive advantage research, with only limited cross-fertilization.

On the one hand, strategic HRM research grounded in RBV suggests that HRM practices and systems have the potential to generate competitive advantage (e.g., Becker & Gerhart, 1996; Lado & Wilson, 1994). Specifically, HRM practices that generate non-transferable KSAOs (firm-specific human capital) and enhance causal ambiguity and social complexity (e.g., generating complementarities with the unique culture of the organization) have the potential to generate sustainable competitive advantage. On the other hand, strategic human capital research suggests that HRM systems and practices do not meet RBV's 'inimitability' criterion, in that over time other organizations can replicate the focal organization's practices and systems (e.g., Chadwick & Dabu, 2009). Human capital resources and their unique combinations, on the contrary, may meet all the criteria and can be viewed as a potential source of sustainable competitive advantage (e.g., Nyberg, Moliterno, Hale, & Lepak, 2014; Ployhart, Nyberg, Reilly, & Maltarich, 2014).

Can We Meet in the Middle of the Road?

The middle-of-the-road approach exists too. Boon, Eckhardt, Lepak, and Boselie (2017) propose that by integrating the strategic human capital and the strategic HRM research we can gain important insights regarding the emergence process of human capital (e.g., conditions that enable the emergence of human capital resources) as well the motivations associated with employees' willingness to invest in firm-specificity. In a similar manner, Delery and Roumpi (2017) suggest, HRM practices do not simply enable the creation of sustainable advantage by generating human capital and offering motivation and opportunities, but also influence the labor market mechanisms (supply- and demand-side mobility constraints) allowing organizations to retain human capital resources that contribute to the organization's sustainable advantage. Acknowledging that human capital resources are not a tangible or intangible organizational possession (e.g., Castanias & Helfat, 2001; Coff, 1997; Ganco, Ziedonis, & Agarwal, 2015), the search of mechanisms that enable organizations to retain their valued human capital resources can be viewed as a research question with the potential to bring the two research streams closer (Delery & Roumpi, 2017).

Given potential imperfections of the supply (employees searching for alternative employment opportunities) and the demand side (other organizations attempting to 'steal' employees from the focal firm) of the labor market (e.g., information asymmetries) (summarized by Campbell, Coff, & Kryscynski, 2012), HRM practices constitute a useful tool for influencing employee mobility. Regarding the supply-side mobility constraints, numerous studies and conceptual papers have offered compelling support for a link between specific HRM practices or HRM systems and turnover (e.g., Conroy, Gupta, Shaw, & Park, 2014; Huselid, 1995; Nyberg, 2010). Research findings also indicate that this relationship is typically mediated by attitudinal outcomes, such as affective commitment and job satisfaction (e.g., Gardner, Wright, & Moynihan, 2011; Kehoe & Wright, 2013; Lee, Gerhart, Weller, & Trevor, 2008). On the demand side, however, the role of HRM in creating effective mobility constraints has yet to be explored (Delery & Roumpi, 2017). Taking into consideration the important role of unsolicited offers and research findings indicating that even satisfied employees might leave the organization when they are given a compelling offer (e.g., Holtom, Mitchell, Lee, & Inderrieden, 2005; Lee et al., 2008), the link between HRM practices or systems and demand-side mobility constraints is a research area that warrants theoretical and empirical exploration.

IMPORTANT CONTEXTUAL FACTORS

The contingency perspective suggests the effectiveness of HRM practices or systems of practices depends on contextual factors (e.g., Delery & Doty, 1996). The term ‘contextual factors’ is rather broad and signifies the infinite list of elements in the internal and external environment of an organization that potentially can influence the choice and the effectiveness of HRM practices and systems. Therefore, the calls for more strategic HRM research incorporating contextual factors are continuous and persisting (e.g., Lepak & Shaw, 2008).

Focusing on the internal organizational environment, probably the most oft-cited contingency is the overall business strategy of the organization. This contingency has been a core element of the strategic HRM literature and rests on arguments regarding the need for ‘external’ or ‘vertical’ fit (Baird & Meshoulam, 1988; Boxall, 1992; Delery & Doty, 1996; Wright & McMahan, 1992) between organizational strategy and other characteristics and HRM deployments. However, the strategy adopted by an organization is not the only important contingency of its internal environment. The size of the organization is, for instance, an important element of an organizations’ internal environment. As several authors (e.g., De Winne & Sels, 2013; Hayton, 2003) have emphasized, small and medium-sized organizations (SMEs), characterized by different needs and limitations (e.g., financial limitations) than large corporations, offer a unique but underresearched context for strategic HRM research.

In regard to the external organizational environment, Jackson et al. (2014) emphasized that considering potential contingencies is particularly important because the external environment is dynamic and the ability to identify and adapt to changes can be critical for the survival and success of organizations. For instance, industry and industry characteristics (e.g., industry dynamism) have been shown to have an impact on the effectiveness of HRM deployments (Datta et al., 2005; Hayton, 2003). In line with such findings, Chadwick and Dabu (2009) suggested the cautious interpretation of results of studies drawing samples from multiple industries.

In the following paragraphs we briefly discuss two contextual factors that strategic HRM scholars should consider moving forward: technology and national culture and globalization.

Technology

One contextual factor that has drawn the attention of several researchers is technology (e.g., Lepak & Snell, 1998). For instance, the alignment between manufacturing technologies and the compensation system has been shown to have a positive relationship with important organizational outcomes (e.g., Shaw et al., 2001). Technology, however, does not influence only the nature of the HRM practices necessary to align with the technologies utilized by the organization.

The technology used by the organization also changes, at least to some extent, the nature of work and, consequently, the required workforce. Specifically, the number of employees as well as the nature of the jobs (e.g., required knowledge, skills, and abilities) depend significantly on the technology of the organization (e.g., Lepak & Shaw, 2008; Snell & Dean, 1992).

Simultaneously, technology has an impact on the nature of some HRM practices. For instance, technology has enabled the introduction of practices, such as e-recruitment, e-selection, and e-compensation, (e.g., Stone, Deadrick, Lukaszewski, & Johnson, 2015), which, in turn, generate some considerations regarding the synthesis of HRM systems. Moreover, advanced telecommunication options enhance employees' flexibility in terms of where and when their tasks will be performed. Such flexible work arrangements, however, give rise to a paradox. On the one hand, these arrangements offer more control and autonomy, which, in turn, can lead to positive organizational outcomes (e.g., Kossek, Lautsch, & Eaton, 2006). On the other hand, the blurring of the boundaries between work and other life domains can be argued to have negative consequences associated with the productivity of employees and their commitment to the organization and job embeddedness (e.g., spending less time at the organization with coworkers can be argued to weaken the likelihood of developing social ties and internalizing the values of the organization). It is important, therefore, for future research to explore HRM systems that incorporate flexible work arrangements, but also ensure the desired levels of productivity, commitment, and loyalty.

National Culture and Globalization

Among the proposed external environment contingencies, ethnic culture has been argued to play a particularly important role, in that national differences exist in terms of preferences towards specific HRM practices (e.g., Lertxundi & Landeta, 2011, Paauwe, 2004; Stone & Deadrick, 2015). For instance, it has been shown that in countries that are more individualistic, pay-for-performance systems are preferred and used more extensively (e.g., Papamarcos, Latshaw, & Watson, 2007; Schuler & Rogovsky, 1998). In a similar vein, Chen (1995) conducted a comparative study regarding the preferences of American and Chinese individuals regarding the allocation of rewards. The results of this study indicated that employees in China preferred differential allocation of material (e.g., bonuses) and socio-emotional rewards (e.g., photo display), whereas American employees viewed only differential allocation of material rewards favorably. In a recent conceptual paper, Farndale and Sanders (2017) emphasize the impact of national cultural values, namely in-group collectivism, performance orientation, uncertainty avoidance, and power distance, on the relationship between employees' perceptions and understanding of the adopted HRM system ('perceived HRM system strength') and various attitudinal and behavioral outcomes.

Consideration of national culture becomes even more critical in the case of multinational companies (MNCs) that need to adjust their HRM systems in their subsidiaries in different countries. MNCs' case is rather interesting because they are confronted with the phenomenon of 'institutional duality' (Kostova & Roth, 2002). This phenomenon refers to the fragmentation of the external environment of MNCs due to the different and sometime conflicting country-related cultures, regulations, and other environmental pressures (e.g., Rosenzweig & Singh, 1991). Thus, each subsidiary of an MNC is faced with two different institutional environments: an external and an intra-organizational (Kostova, Roth, & Dacin, 2008). Given the HRM practices of an organization are influenced by the relevant laws and the cultural preferences and norms, MNCs are faced with an important challenge associated with the transferability of the HRM practices and systems from one country to another. The challenge of transferring and adjusting HRM practices and systems in the context of MNCs constitutes an important avenue for future research. However, it is important to note that, even though national culture might influence the individual HRM practices, the overall HRM system needs address all three aspects of the AMO framework regardless of the national context.

CONCLUSION

The field of strategic HRM, with its roots in both the micro and macro research terrains, has yielded a long stream of conceptual models and rather consistent empirical findings suggesting a link between HRM practices or systems and important organizational outcomes. This line of scholarly endeavors, however, has not yet reached its full potential. Important questions still remain unanswered and offer promising future research avenues.

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25

Human Resource Management in Developing Countries

Fang Lee Cooke

INTRODUCTION

'Developing countries' (also known as less developed countries) cover a large population spanning several continents and regions with diverse cultural traditions. They also represent a constellation of sovereign states with markedly different political regimes, institutional arrangements, industrial structures, stages of economic development, and national strategies for global economic integration and social development.[1] These diversities and distinctiveness underpin each nation's employment systems and human resource management (HRM) practices. While similar characteristics and HRM challenges may be evident across these nations, specific practices and solutions may differ at national and sub-national level. As it is impossible to cover HRM of all developing countries in one chapter, this chapter focuses mainly on the larger and relatively more developed economies within the developing country category, such as China, India, Malaysia, Vietnam, Russia and South Africa, and other emerging markets. It is important to note at the outset that the intention of this chapter is not to provide a definitive account of the characteristics of HRM of these countries (for more detailed country-specific discussion see Davila and Elvira, 2009; Horwitz and Budhwar, 2015; Budhwar and Mellahi, 2016; Cooke and Kim, 2018). Rather, it aims to outline pressures, features and developments experienced by these nations in the context of economic globalisation and technological transformation to identify key factors shaping the development of HRM in developing countries (see Figure 25.1). For the purpose of this chapter, the term 'developing countries' is used for general discussion, the terms 'emerging economies' and 'transitional economies' are also used to refer to the sub-groups of developing countries that are relatively more developed (emerging economies) or have transitioned from a former socialist regime towards a market economy system, notably in Eastern and Central Europe (transitional economies).

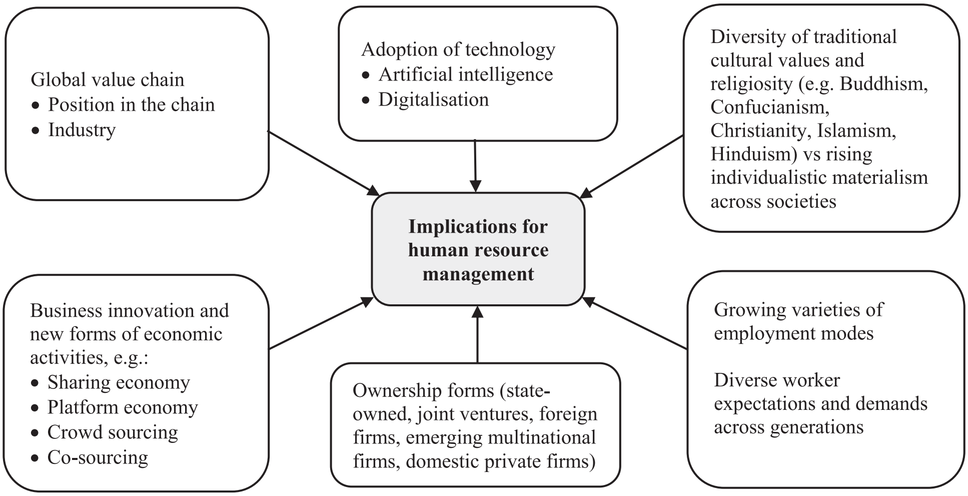

Figure 25.1 Examples of factors influencing HRM in developing countries

As is often the case for a multi-country story, a level of over-simplification and over-generalisation is inevitable.

This chapter consists of six main sections in addition to this introduction and a conclusion. The first outlines some of the features of the political and institutional environment manifested in a number of developing countries. The second section examines diversity and disparity related to people management. This is followed by a summary of the general characteristics of HRM in developing countries, highlighting management mindsets, approaches, differences across ownership forms, as well as deficiencies of strategic HR capabilities. The fourth section assesses the role of premium cities and economic zones in developing countries and HRM implications. In the fifth section, we discuss the impact of technology on HRM. In the sixth section, we highlight a key challenge to HRM – talent shortages – encountered across developing countries. The chapter concludes by arguing that developing countries not only are diverse, but also may be leading in some aspects of technological, business and HRM innovations. These developments challenge existing concepts, theories and practices in HRM. A stereotypical approach to perceiving HRM in these countries should be avoided and some of the new developments found in these countries may be useful for other societal contexts.

POLITICAL AND INSTITUTIONAL ENVIRONMENT

Political and institutional environments are a major factor in understanding HRM practices in developing countries. In fact, institutional context at various levels has been a key feature in studies of HRM in the international HRM field (e.g. Björkman and Welch, 2015; Budhwar, Varma and Patel, 2016; Cooke, Veen and Wood, 2017; Cooke, Wood, Wang and Veen, 2018). For developing countries, a relatively high level of political and economic risk, institutional flux and strong state intervention are some of the common characteristics, albeit the amount of variation in each characteristic may differ. National strategies and plans for development also differ. Changes in political and institutional environment have been a common feature in the last two to three decades as nation states became more open to the world economy and carried out reforms in response to domestic and international pressure (e.g. Budhwar and Mellahi, 2006; Kamoche, 2011; Cooke and Kim, 2018). How have the political and institutional conditions evolved in some of the developing countries? And how have these changes affected employment systems and HRM practices at national and sub-national level?

Take China and India, for example. These two most populated nations in the world are among the most studied developing countries in the HRM field, not least because of their rapid development and growing competitiveness in the global economy. However, the two countries display markedly different political and institutional systems (see Table 25.1), and some Western commentators have been puzzled as to why India, the most populated democratic country in the world, has not been economically more advanced than China, a one-party state. India gained its independence in 1947, two years ahead of the establishment of socialist China in 1949. India has a comprehensive, long-established, and what some would call over-complicated (World Bank, 2006; Bagga, 2013), legal system influenced by British colonialism. Compared with China, India has a language advantage in connecting with the world, as English is one of the official languages (second mother tongue) of the country. The Indian workforce is younger and the wage level is generally lower than those of China. Compared with China, India has a proportionally larger Western-educated elite who influence national economic policy. The rise of Indian economic and political influence has been less sanctioned by Western power. China opened up its economy in 1978 through its ‘open door policy’ (Huang, 2008), whereas India officially adopted its economic liberalisation policy in 1991, although economic reform started before then (Venkata Ratnam and Verma, 2011). India joined the World Trade Organization (WTO) at the beginning of 1995, whereas China accessed at the end of 2001, nearly seven years later. India has a much smaller state sector than China and, some would argue, a much more entrepreneurial and innovative private sector led by Western-educated organisational leaders (e.g. Khanna, 2007; Huang, 2008). As these points illustrate, developing countries often take different and unique roads to economic growth.

An important component of the institutional environment for national HRM and employment relations systems is labour regulation, in the form of legislation, administrative policy and voluntary regulation (e.g. trade union collective agreements). In some developing countries, such as India and South Africa, labour laws are relatively comprehensive compared with other developing countries (Cooke, 2012; Bagga, 2013). In other developing countries, such as China, it is the ineffective enforcement of labour laws, rather than their absence, that has been problematic in protecting workers’ rights and interests. If the slack enforcement of labour laws created opportunities for a low-cost manufacturing base drawing on the plentiful supply of labour and helped to propel China’s economic growth from the mid-1980s to the early 2000s, then this population dividend has been eroded since the mid-2000s (Cai, 2010). This is in part due to the declining growth rate of the population and the unwillingness of the younger generation to accept inferior employment terms and conditions. Recruitment and retention have become an ongoing problem for many employers (Cooke and Wang, 2018).

By contrast, the relatively strict labour laws in India and South Africa, and the comparatively strong union representation in the latter, have restricted the growth of formal employment in India (e.g. Venkata Ratnam and Verma, 2011) and incentivised employers in South Africa to hire illegal immigrants from other African countries with little, if any at all, employment protection. Such a practice has triggered resentment from (unemployed) South African nationals, blaming other African nationals for taking their jobs (e.g. BBC News, 2015). Compared with South Africa, trade unions in other African countries are relatively weak and the regulatory

Table 25.1 An illustration of the political and institutional environment and HRM characteristics of India and China

Key features influencing the HRM system	*India*	*China*
Political system	• Multi-party democracy	• One-party rule since 1949, with other small parties in consultation role that does not challenge the leadership of the Chinese Communist Party
State as the employer	• Labour laws • Arbiter of labour conflicts • Promoting initiatives to achieve peaceful employment relations (ER) and protect labour • Economic development • Holding tripartite meetings with social partners annually • A large but shrinking state sector since the 1990s	• Labour laws • Suppression of labour organisation and movement outside the All-China Federation of Trade Unions leadership • Promoting initiatives to achieve harmonious ER • Economic development • A large but shrinking state sector since the 1980s
Political ideology that affects workplace employment relations	• Empowerment, inclusion and social development	• Building a harmonious society by suppressing/reducing workplace disputes
Labour legislation	• Extensive and complex	• Limited but growing coverage
Trade union	• Multiple unions, both independent and party-affiliated • Inter-union rivalry exists • Union strength once high but has been in decline since the 1980s • Changing attitudes of unions in the wake of economic priority and global competition • Unionism rivalled by professional associations and difficult to establish in new industries (e.g. information technology (IT) and business process outsourcing (BPO))	• Single union, led by the Chinese Communist Party • Union conventionally playing a welfare role with little impact on protecting workers' rights • Widening role of the union since the 2000s in response to the growing private sector • Union membership level is high where union is recognised but with limited power in collective bargaining
Gender issues	• Relatively low female labour market participation, especially in the formal sector • Low level of female unionisation • Gender organising rather active in the informal sector	• High level of female participation in full-time employment • High level of female union membership in unionised firms close to male union membership • Widening gender pay gap since the 1990s as a result of reduction of state intervention in the marketed economy
Societal culture	• Collectivism, paternalism, strong social hierarchy influenced by the caste system	• Collectivism, paternalism, egalitarianism influenced by Confucianism and socialism
Influence of HRM	• Growing in the process of marketisation and globalisation and the isomorphic effect of foreign multinational firms	• Growing in the process of marketisation and globalisation and the isomorphic effect of foreign multinational firms
Pressure for change	• Economic and social development • Global competition	• Economic and social development • Global competition
Drivers of economic growth and innovation	• Private sector • Growing middle class	• Government • State sector • Private entrepreneurs

Source: Adapted and expanded from Cooke (2012a).

processes for collective bargaining and dispute resolution have been marked by their deficiency (Jackson, 2014). This institutional environment enables foreign multinational corporations (MNCs) to adopt a low-cost HR strategy, which often attracts criticism of exploitation of local workers and at times escalates into international political controversies (e.g. Wood and Horwitz, 2016). This suggests that weak institutions do not necessarily always benefit firms by adopting a low-cost HR strategy, as there may be hidden and unanticipated costs that may be damaging to the firm in the longer term.

Within the national setting, regulation and state policy do not affect firms of different ownership to the same extent. For example, state-owned enterprises in China have often been noted for holding (unfair) competitive advantage over firms of other ownership forms, including foreign MNCs, due to the strong institutional support of the former (e.g. Huang, 2008). However, such a 'competitive' edge may be lost, or indeed serve as a liability, when Chinese state-owned firms seek to expand globally and are opposed by various institutions. These include, for example, host-country government protectionism in the name of national security, trade union mobilisation to exert pressure on host governments, negative media coverage, and campaigns from national firms (e.g. Kragelund, 2009; Nyland, Forbes-Mewett and Thomson, 2011; Cooke, 2014). Therefore, the relationship between foreign MNCs and host-country institutions, at national and sub-national levels, is dynamic and interactive. In developing countries where institutional systems are evolving and regulatory power is weak, not only is the degree of autonomy and flexibility of firms' HR policy and practice affected by the evolving and differentiated (e.g. across industrial sector and ownership forms) institutional environment, but also large firms/MNCs with strong bargaining power may pick and choose how they comply with local regulations and play an active role in co-shaping the institutional environment to their advantage (e.g. Child and Tsai, 2005).

DIVERSITY AND DISPARITY

Developing countries are diverse in their cultural traditions as well as the way these traditions influence social relations and HRM (e.g. Khan and Ackers, 2011; Warner, 2011; Rowley and Warner, 2013; Jackson, 2016). In Western countries, employers have encountered national diversity when operating in other countries or as a result of immigration. Diversity, inclusion and respecting religiosity and cultural beliefs are introduced into HR policy. However, this often falls short of providing policies and facilities to accommodate a range of religious and cultural activities/practices during work hours at the workplace. From the perspective of diversity in developing countries, the utility of diversity management that originates from the USA for other societal contexts is heavily criticised, not least for the gap between organisational rhetoric and practice (e.g. Nyambegera, 2011; Tatli and Özbilgin, 2012; Kirton, Robertson and Avdelidou-Fischer, 2016; Hennekam, Tahssain-Gay and Syed, 2017).

By contrast, in multicultural developing countries such as India, Malaysia and Sri Lanka, not only do public holidays reflect some of the major cultural traditions (e.g. Islamic, Hindu and Chinese festivals in Malaysia and Sinhalese, Buddhist, Tamil Thai and Christian festivals in Sri Lanka), but also companies may organise celebratory events and functions to mark the festive occasions. In some societies, ethnic, cultural and religious diversity has existed for centuries and is taken for granted, and research in India has revealed that indigenous employees do not necessarily embrace the US notion of diversity management as part of HRM (e.g. Cooke and Saini, 2012). Forstenlechner, Lettice and Özbilgin's (2012) case study of a finance company in the UAE that failed to improve demographic diversity of the workforce and employment equity by imposing a quota system, illustrates the limited transferability of US-developed diversity management initiatives to developing country contexts. In other Asian countries, such as China, India and Malaysia, affirmative policies and actions in the form of quotas, for example, have yielded some effect in raising gender and ethnic equality, despite the room for improvement that remains (e.g. Cooke, 2010; Tatli, Ozturk and Aldossari, 2018). These affirmative policies and actions, albeit resisted by employers to various degrees and in different disguises, have largely been initiated and imposed by the state, instead of being imported by foreign MNCs.

Nevertheless, diversity invariably leads to political, social and economic disparity at the macro level (e.g. Sheldon, Kim, Li and Warner, 2011; Nkomo, du Plessis, Haq and du Plessis, 2016; Wood and Cooke, forthcoming) and inequality at the organisational level (e.g. Mahadevan and Kilian-Yasin, 2017). In African post-colonial societies, for example, many inequalities derived from colonial periods remain and, in some cases, have widened or have been newly created (e.g. Médard, 2014; Kamoche and Siebers, 2015). As anti-colonialist writers (e.g. Fanon, 2008; Gibson, 2011) argued, colonialism has created long-lasting psychological effects on the colonised, engendering and embedding notions of inferiority, which prevent the achievement of workplace equality, allowing indigenous talents to fulfil their potential (see also Wood and Cooke, forthcoming). More broadly, the absence of fair treatment and labour rights, even when existing in principle, may be the norm at many workplaces in developing economies on the one hand (see below), but highly marketable individuals may be able to demand, some even dictate, their employment package on the other.

CHARACTERISTICS OF HRM IN DEVELOPING COUNTRIES

Management mindsets and practices may be influenced, some more profoundly so than others, by cultural traditions. A critical notion for understanding the characteristics of HRM practices in developing countries is the organising principles for management. These include, for example, authority (e.g. level of control vs autonomy), chain of command (e.g. layers of hierarchy) and work organisation (e.g. level of flexibility required of employees). In general, developing countries have a relatively strict hierarchical system derived from social class (e.g. the caste system of India, ethnicity in Malaysia, the household registration system in China) and political positions (e.g. affiliation with political party and certain political/social groups). The hierarchical system is often replicated in the organisational structure through a long chain of commands. In addition, developing countries are largely paternalistic societies with authoritarian regimes, which means that there is limited workplace autonomy and empowerment (e.g. Cooke and Kim, 2018). For example, Witt and Redding (2013) revealed that workplace relationships in Asian countries are shaped by traditional hierarchical, collectivistic and masculine cultures. Similarly, Rowley, Bae, Horak and Bacouel-Jentjens (2017) observed that HRM in Asian countries is informed by paternalism, benevolence, collaboration and relationship (e.g. *guanxi* in the Chinese context). Since the level of institutionalised trust is relatively low, firms tend to rely heavily on informal arrangements to manage workplace relationships (e.g. Witt and Redding, 2013; Cooke, Wang and Wang, 2018).

Khan and Ackers' (2011: 1330) study of HRM in the sub-Saharan African context revealed that 'the broader social and moral issues of the wider community have a decisive influence on the employment relationship' and that 'internal employment relations structures, such as trade unions, do not constitute the main representative channels for employee grievances'. They questioned the suitability of a unitarist approach to HRM and called for the institutionalisation of some elements of the 'African social system' into 'formal HRM policies and strategies', which is in line with the 'neo-pluralist' approach (2011: 1330).

Nevertheless, societies do not stand still. Economic development and competitive pressure have many traditional approaches to people management. In the search for competitive advantage and eagerness to catch up with the world economy, HRM in emerging economies (the relatively more developed group of developing countries) may be largely efficiency-driven, and informed by scientific management. For example, performance-related pay may be the norm in which a large proportion of an individual's wage is contingent upon their production output or sales. A dual staffing system may be employed where formal employees and workers on casual employment contracts (e.g. agency employment) may be working alongside each other, performing similar tasks, but with the latter receiving inferior employment packages compared with the former. Those hired in casual employment are often from lower social and economic backgrounds and, as a result, are disadvantaged in the labour market and workplace. Nevertheless, an increasing number of organisations, in China for example, are beginning to shift towards a more humanistic approach to managing people in order to improve productivity and retain talent (Min, Bambacas and Zhu, 2017).

Extant research on HRM in developing countries further identified that HRM practices differ considerably across ownership forms (e.g. Zhu, Collins, Webber and Benson, 2008; Poljašević, Ilić and Milunović, 2017; Cooke and Kim, 2018). In general, state-owned enterprises and smaller domestic private firms appear to retain a higher level of societal traditions and are less strategic in their approach to people management compared with foreign-invested MNCs, joint ventures and flagship domestic firms. Existing studies have also detected a level of convergence of types of HRM practices adopted across ownership forms as a result of globalisation and isomorphic effects, as firms search for more effective ways of managing their business to remain competitive (e.g. Cooke and Kim, 2018). While a deficiency in HR capacity and strategic HRM appears to be a shared feature across developing countries (e.g. Cooke, Wood and Horwitz, 2015; Fogarassy, Szabo and Poor, 2017; Cooke and Kim, 2018), MNCs, joint ventures and leading domestic firms fare better in general than state-owned and smaller private firms.

THE ROLE OF PREMIUM CITIES AND ECONOMIC ZONES IN DEVELOPING COUNTRIES

HRM in developing countries has often been accentuated by their traditional peculiarities, which are attributed to their unique institutional and cultural influences (e.g. Kamoche, 2011; Warner, 2011; Budhwar and Mellahi, 2016; Rowley et al., 2017). However, it would be simplistic and naive to generalise these HRM practices as characteristic of a particular nation. Witt and Redding (2013) observed that a significant amount of intra-national diversity is found in developing economies in Asia that emerged during the period of rapid industrialisation and globalisation, with some areas developing faster than others. Similarly, Gong, Chow and Ahlstrom (2011) argued that cross-cultural differences may exist at the sub-national level due to the heterogeneity of the host-country culture. For example, two major cities in the same country may exhibit distinct cultural characteristics due to historical traditions and their local political environment, with different implications for HRM (e.g. Li, Tan, Cai, Zhu and Wang, 2013).

For many developing countries, there remain significant variations across regions within each of them, with regions in the coastal areas (easy access for export), national and provincial capitals and other premium cities in prime locations being far more developed than the rest of the country. In many cases, these municipalities are among the world-leading cities in certain aspects, showcasing the country's unique core strengths. These include, for example, Bangalore (India) as the Silicon Valley of India and the headquarters of several major state-owned corporations, Mumbai (India) as a financial, commercial, entertainment, IT outsourcing centre and headquarters of several leading Indian conglomerates, Johannesburg (South Africa) as an international financial centre and commercial hub, Shanghai (China) as an international financial and cultural centre, and Shenzhen (China), famous for its high-tech industry as the first economic special zone of the country.

Economic and technological factors are interrelated in shaping the economic profile of municipalities. For instance, in India, the IT and IT-enabled business process outsourcing (BPO)sectors are highly concentrated in a number of globally connected cities such as Bangalore, whereas Gurgaon is positioned as a multinational/international joint-venture manufacturing hub, Shanghai is a large commercial centre, whereas Dongguan (southern China) has been the centre of the 'world factory' (China). At a deeper level, the rapid development of these premium cities in recent decades has been shaped by the political, capital, technological and cultural logics and industrial heritage specific to each of them. In particular, the alliance of power between political and business elites, empowered by technology, determines what businesses the municipality may attract and become competitive in; such decisions are often influenced by their cognitive limitations and agenda. Thus, each city/region will have its own industrial clusters, investment environment, economic characteristics and labour market behaviour, which consequently shape HRM practices, including the capacity to attract and retain talent from other regions.

This is not to suggest, however, that the economic and social development policy and strategy would remain unchanged for each major municipality or region. In some situations, radical choices may be made that will lead to the disruption or discontinuation of the existing economic/business paradigm, with serious HR implications. The city of Dongguan mentioned above offers an interesting example here. Affected by a rising level of wage costs, declining number of manufacturing orders from global clients following the global financial crisis in 2008, and worsening environmental degradation as a result of industrial pollution, Dongguan's municipal government decided to change the industrial structure of the city, by introducing in the mid-2010s totally automated factories, forcing out highly polluting factories and attracting high-tech and high-revenue businesses into the city (e.g. People's Daily Online, 2015). As a result, the workforce of the city is shifting from one of predominantly less educated and semi-skilled (rural) migrant workers to a highly educated graduate workforce. An increasing number of factories that remain in the city are replacing their staff with industrial robots – a practice also occurring in other Chinese cities/regions. This has major implications for skill requirements, the nature of work, and employment outcomes. What skills would be required to facilitate the economic transition/transformation? Who would be responsible for developing the skills? Who would bear most of the cost of skill devaluation and job losses? How would institutional actors coordinate to develop skills and regulate the labour market? What is the role of governments? And what are the economic and labour market ripple effects of changes initiated by leading municipalities for the rest of the country that may reshape HRM at various levels?

Irrespective of the specific development plan of municipal governments and the policy and strategy associated with it, the rise of premium cities has benefited from favourable development policies, capital investments and human resources attracted to these places to improve their life prospects. As a result, these cities soak up a significant proportion of talent, through intra- and inter-country migration, leaving other less developed regions suffering from worsening skill shortages and a slower pace of development. Over-populated and with infrastructure development lagging behind, traffic congestion exacerbates the work–life conflict experienced by many workers who are already experiencing work intensification. Many of the workers are employed by companies whose business forms an integral part of the global value/supply chain, such as offshore BPO in the Indian and Philippine context and export manufacturing zone in the Chinese context. Workers in these sectors are often employed below their educational qualifications (for the BPO sector) and encounter poor employment terms and conditions, including job insecurity, low wages, limited social security benefits, and absence of career opportunities, exacerbated by a tightly monitored labour process (Beerepoot and Hendriks, 2013).

In response, workers vote with their feet or self-organise industrial action to demand better employment terms and conditions (Taylor, D'Cruz, Noronha and Scholarios, 2014). In industrial parks and economic special zones, industrial action is more easily organised due to the concentration of workers and sharing of information on closely knitted sites (e.g. Chan, 2011). For example, Chinese workers in the Honda (Nanhai) plant went on strike in 2010 and demanded, with success, improved terms and conditions. Other plants nearby followed suit afterwards and the labour movement soon gathered momentum nationally, forming the much reported Wave of 2010 Summer Strikes (Chang, 2013; Lüthje, 2014; Lyddon, Cao, Meng and Lu, 2015). The emergence of global cities, measured by financial power and high-tech infrastructure, and economic special zones as pioneer sites for global integration for developing countries therefore raises an important set of questions related to HRM in the broader context. For example, to what extent do the rise of these economic sites impact job opportunities and the labour process of workers in developed countries (e.g. Taylor and Bain, 2005)? To what extent do employers in developing countries have control over their HRM policy and practice at these production/service sites located on the lower rung of the global value chain? To what extent does workers' employment outlook in these cities depend upon the economic and political climate of Western powers? And how may the international division of labour permeate these cities and impact the configuration of the local labour market, leading to the emergence of localised/regional HRM systems?

'Individual' refers to an employee while 'Goal' is not order in the narrow sense. Rather, it refers to user demand. 'Individual–Goal Combination' is to let employees and users unite into one entity, while 'Win–Win' manifests itself in employees realising their own value in the process of creating value for users. The Win–Win Model of Individual–Goal Combination fits in with the Internet Age. Its fundamental difference with the traditional management model is that the latter is constituted with the company at the centre while the former is user-centric. In the Internet Age information asymmetry shifts the balance in favour of the user and users can decide the fate of an enterprise. The only option for the enterprise is to catch up to the speed with which a user clicks the mouse. To be able to do this, front-line employees have to be given maximum autonomy and decision-making power, so that they can respond to the demands of users in the fastest way possible. The Win–Win Model of Individual–Goal Combination is to let employees become the principal in independent innovation, thereby forming a new pattern of relationship between the enterprise and employees. In other words, instead of employees following orders from the company as was the case in the past, employees now have to follow the demands of users, and the company in turn has to heed its employees' plan to innovate on behalf of users. The essence of the Win–Win Model of Individual–Goal Combination is as follows: I create my own users and I share in the value I added. Effectively, the employee has autonomy to make decisions in light of the change in the market, and also has the right to determine his/her income in line with the value created for users.

TECHNOLOGY AND HRM IN DEVELOPING COUNTRIES

A common perception about developing countries is that they are relatively backward technologically compared with developed countries. However, a notable development in developing countries is the rapid development and adoption of new technology, particularly in premium cities, economic special zones, science parks and industrial parks. Some of their indigenous firms are learning from, and rapidly catching up with, developed countries, to some extent aided by nationals repatriated from developed economies (e.g. Liu, Lu, Filatotchev, Buck and Wright, 2010; Zweig and Wang, 2013; Kunasegaran, Ismail, Rasdi, Ismail and Ramayah, 2016). Some leading global firms headquartered in developing countries such as China and India may be more innovative than many firms in developed countries, taking advantage of new technological applications. Technological innovation is impacting HRM in developing countries in a variety of ways. Some emerging trends warrant discussion here.

One is the deployment of robotic automation technology that can replace low-skilled labour in the manufacturing sector. It is estimated that more than 60% and 73% of manufacturing workers in Indonesia and Thailand, respectively, are at risk of losing their salaried jobs owing to robotic automation (Chang, Rynhart and Huynh, 2016). In China alone, several million manufacturing jobs are expected to disappear in the next decade or so. For example, Foxconn, which employed around 1 million workers in China, has already installed 40,000 robots (called Foxbots) in its factories there and laid off some 60,000 employees in its Kunshan factory (near Shanghai) as of 2016 (Tencent, 2016). The garment industry is also heavily affected by technological change. The growing use of automation technology such as sewing robots is estimated to affect 86% and 88% of salaried textile workers in Vietnam and Cambodia, respectively (Chang et al., 2016). The garment industry of Sri Lanka and Mauritius, where the author has conducted fieldwork, also showed signs of a similar automation trend. The reasons for robotic automation in the manufacturing sector may differ slightly across countries. In China, rising wage levels, tightened labour regulation and recruitment difficulties in developed cities are some of the main reasons for automation. In Mauritius, some garment factories, which have traditionally relied heavily on recruiting temporary migrant workers from China and more recently from Muslim countries, introduced industrial robots because of the difficulties in recruiting skilled workers.

The impact of automation in developing countries should not be underestimated. According to McKinsey (2017: 8), automation will affect 1.1 billion employees globally, with China and India together accounting for ‘the largest technically automatable employment potential – more than 700 million full-time equivalents between them – because of the relative size of their labor forces’. The replacement of workers with industrial robots will be associated with the reduction of departments, managers and bureaucratic functions typical of the traditional management of factories. At the same time, it will generate new skill requirements, such as skills to operate and maintain robotic equipment.

Internet-based software technology also transforms the pattern of information sharing and economic transactions. The growth of e-commerce significantly impacts the mode of employment in the retail sector. Chang et al. (2016) noted that 85% and 88% of retail sector workers in Indonesia and the Philippines, respectively, are estimated to be at risk of losing their salaried jobs owing to automation and information technology. In this sector, the traditional mode of employment has shrunk, and non-standard employment has increased significantly, particularly in the form of self-employment. Software technology also seriously affects the BPO industry, where cloud computing and automation software undermine the viability of traditional business models. Chang et al. (2016) estimated that 89% of salaried workers in the Philippine BPO sector are exposed to the impact of this technological change.

Moreover, technological changes open up opportunities for digitally informed HR practices. We have now entered an era of ICT-enabled Big Data management in which personal data may be collected, often via third parties, with or without the implied consent of those concerned and aggregated through sophisticated data analytic techniques to identify patterns and trends to inform management solutions. For example, Walmart stores in China use customer flow information to determine their required staffing level by asking employees to work overtime at short notice or using part-time employees to cover peak periods. This means that workers have very little slack time during their shift period, and work is intensified. The implementation of annualised hours by Walmart (China) led to serious workforce protests in 2016 and 2017 (Xie and Cooke, 2018).

Huawei Technologies, a Chinese multinational, networking, telecommunications equipment and services company that came 83rd in the Fortune Global 500 in *Fortune Magazine* in 2017 (http://fortune.com/global500/huawei-investment-holding/), offers an interesting example in the use of mobile technology to provide tailored employee services. Huawei prides itself on providing fresh and delicious meals for its staff to keep them happy and motivated at work. It uses mobile technology to enable its employees to select their meals from a wide range of choices in advance and sends this information to the canteen so that it knows the level of demand for specific dishes. Huawei also informs its staff of peak times at the canteen so that they can adjust their meal times to avoid wasting time in the queue. This is considered a win–win solution for both the company and the staff, as both are making the best use of employees' time to increase productivity or maximise rest time.

Perhaps a more alarming example is the taxi companies that use taxi-calling software (similar to that of Uber) in manufacturing zones or business/industrial parks in developed cities in China to provide aggregate information related to the workers' movements. This includes, for example, which taxi-calling software workers from particular companies like to use; when they finish work; how many hours of overtime they work; where they like to go for their social life/entertainment; how far they travel for their social life; and the average amount they spend on taxis per week (Luo, 2016). In countries like China, where IT is developing fast but data protection regulation is lagging behind, it is unclear what direction this may take in terms of data mining and analytics that may be used for HRM and what impact this may have on employees. However, it is clear that information can be gathered and analysed by the employer or third party, which can be used to understand employee preferences and movements and inform HRM decisions, including benchmarking against competitor firms.

TALENT SHORTAGES AS A KEY CHALLENGE

A number of challenges related to HRM have been revealed in the foregoing discussion, including, for example, inequality, weak HR capacities, talent shortage and so forth (see also Cooke et al., 2015). In this section, we analyse further the talent shortage problem because of the significance of human capital to national development. Although talent management is a universal problem, in developing countries, and especially the least developed countries, talent shortage problems are far more pronounced than in developed countries and regions. Such a bottleneck is undermining the development aspirations of these nations (e.g. Amankwah-Amoah and Debrah, 2011; Banya and Zajda, 2015). Talent shortages in developing countries may be attributed to several main reasons.

The first and most fundamental reason is the mismatch between what is supplied through the education and vocational training system and what employers demand (e.g. Cooke, Saini and Wang, 2014). For example, as one of the world's largest economies, China only ranked 54th out of 118 countries in the Global Talent Competitiveness Index 2017 (Lanvin and Evans, 2017), and ranked 64th out of 124 countries in the Human Capital Index 2015 (World Economic Forum, 2015). Employer discrimination along the lines of gender (e.g. Sovanjeet, 2014), physical ability (e.g. Kulkarni and Scullion, 2015), ethnicity and migration status (e.g. Crowley-Henry and Ariss, 2016) further exacerbate the talent shortage problem. This suggests that employers in developing countries should adopt a fair and inclusive approach to HRM in order to attract and retain talent from all sorts of backgrounds and with different demographic characteristics.

A second related reason is that disruptive technological innovations and the growing use of industrial robots have raised new skill requirements, as discussed earlier. According to McKinsey (2017), by 2030 an estimated 800 million jobs will be replaced by robots globally, and in China there will be a shortage of 5 million people who specialise in artificial intelligence. It is unclear what plan is being developed by the state to combat such a large skills gap.

A third reason is that while developing countries generally have a young population (e.g. Ghana, India, Mexico, Nigeria, South Africa, Turkey and Vietnam) and therefore workforce compared with developed countries, population ageing is occurring in several emerging economies (Argentina, Brazil, China and Russia). In countries that are experiencing population ageing, the population dividend that once fuelled their economic growth is declining (e.g. Cai, 2010). The decline in the proportion of the younger generation in the population also means that the relatively well-educated segment of the workforce is in high demand, leading to talent retention problems and wage inflation (Nankervis, Cooke, Chatterjee and Warner, 2013).

A fourth related reason is talent mobility across organisations and regions domestically and across countries internationally. Existing studies have shown a relatively high level of job hopping among talented employees, especially in high-tech industries and the BPO sector (e.g. Thite and Russell, 2010). At the country level, the brain drain as a result of transnational migration from less developed to more developed countries and regions further exacerbates talent shortage problems in poor countries and regions, particularly in Africa and in South and Southeast Asia (e.g. Song and Song, 2015; Jackson and Horwitz, 2018; Vaiman, Schuler, Sparrow and Collings, 2018; Wood and Cooke, forthcoming). For example, Khilji and Keilson's (2014) study provided a detailed account of state policy interventions in the last three decades including education reforms, youth programmes, citizenship policies for its diaspora, and so forth, in the three southern Asia states of Bangladesh, India and Pakistan, where the population is relatively young and with limited access to formal education. Their study highlights the 'prevalence of the paradox of development and retention particularly in Bangladesh and Pakistan, where youth is also being trained to emigrate' (Khilji and Keilson, 2014: 114). Although repatriation of talented nationals has been occurring to various extents in developing countries, problems associated with repatriation have been widely reported (e.g. Zweig and Wang, 2013; Singh and Krishna, 2015). For example, Kunasegaran et al.'s (2016: 370) study of repatriates in the Malaysian context revealed that, while returning managers are 'very much in demand', organisational support is essential to the successful adaptation of the returnees to their repatriated life and work.

CONCLUSION

This chapter outlined the institutional and cultural contexts of developing countries within which HRM characteristics, practices and challenges can be understood. It is clear that HRM systems in developing countries are evolving, even being transformed in some countries. There is a discernible trend, in China for example, of re-recognising the traditional cultural values in managing people and workplace relationships. At the same time, businesses are moving towards adopting flexible/informal employment models to support their new business models in pursuit of competitive advantage. How compatible are the two management mindsets/approaches? Does this suggest business leaders are engaging in trial and error management? Or is it an attempt to exploit workers further through moral sanctions and paternalistic superiority?

It is also clear that new digital business models and digitalised business processes are emerging in developing countries. These changes are not only displacing jobs (e.g. through automation) but also creating new jobs, new skill requirements and new ways of working which have profound impacts on the HR function, people management and human capital development. These developments raise fundamental questions that have implications for strategic HRM concepts, theories and practices, challenge their relevance, and call for new developments in these areas that will also have relevance to the developed country context. It is important to reiterate that developing countries vary widely in their educational and technological capabilities and levels of economic and technological development. These disparities may widen even further as these nations continue to develop at different speeds within the constraints of domestic conditions.

New business models and new ways of work organisation and deployment of human capital, aided by the growing use of digitalisation, Big Data analytics, and the use of artificial intelligence, coupled with the lagging behind of labour regulation in response to these developments, mean that opportunities for workers in developing countries are not evenly spread. The International Labour Organization (2017) draws our attention to the question of what kind of future work we want against a context of digitalisation and robotisation in workplaces. What kind of voice do workers in developing countries have in shaping their future of work? Does technological innovation reduce work intensity and working hours in developing countries where capital generally has more bargaining power than workers? How can working time be regulated to prevent work from encroaching further upon non-work time? And how can the informalisation of employment and deterioration of job quality be prevented more broadly? These are some of the realistic but challenging questions that confront policy-makers and researchers.

In summary, this chapter highlights a number of key features of HRM and their developments in developing countries. The intention of the chapter was not to provide a definitive account of HRM in all these countries – an impossible mission given the diversity and uniqueness of each nation and regional differences within nations. On the contrary, the chapter aimed to make two arguments in an attempt to avoid providing a stereotypical picture and broad brush description of the characteristics of HRM practices in developing countries. First, developing countries are not of one type – there are continuing (and even growing) diversity and divergence among them. Therefore HRM in developing countries needs to be examined and understood with a greater level of sensitivity and nuance than currently granted. To do this, more attention may need to be given to qualitative research in order to discover in more depth what is really going on in these countries and regions, why, and so what? Second, while global economic integration continues to develop as a general trend, developing countries are not necessarily lagging behind developed countries on all fronts in their economic and technological development, at least for the emerging economies that are fast catching up and taking global leadership positions in certain areas. As the relative economic power of Western countries declines and the utility of their business and HRM models for developing countries is called into question (e.g. Afiouni, Ruël and Schuler, 2013), will models conceived in developing countries be able to offer alternative solutions? At least the new developments found in developing countries may serve as lessons for developed countries.

Note

1 See United Nations (2014) for a list of developing countries and International Monetary Fund (2015) for selected economic and financial facts of developing countries.

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26

HRM and National Economic Performance

Jonathan Michie

INTRODUCTION

The management of labour has been recognised as a crucial determinant of national economic performance for as long as national economic performance has been analysed. The first analysis of the relative wealth of nations identified the division of labour as being fundamental to labour productivity and hence to the economic prosperity of the firm in question and of the economy in aggregate (Smith, 1776). Adam Smith's *Wealth of Nations* was presented as five 'Books', and the title of the first one opens with 'Of the Causes of Improvement in the Productive Powers of Labour…'. Chapter One is 'Of the Division of Labour'. The opening sentence of the *Wealth of Nations* is:

> The greatest improvement in the productive powers of labour, and the greater part of the skill, dexterity, and judgement with which it is any where directed, or applied, seem to have been the effects of the division of labour. (Smith, 1776, p. 7)

Thus, the management of labour – or human resources – was put centre stage from the start. Of course, Adam Smith recognised that other factors were crucial, most obviously machinery. But as he pointed out when discussing machinery, 'the invention of which the same division of labour has probably given occasion' (1776, p. 8). Thus, machinery is not a 'given' that can be added to other exogenous variables such as 'labour', from which a predetermined output will derive. On the contrary, the productivity of machinery will itself tend to be enhanced over time, in part caused by the very growth process to which it is contributing. As was pointed out much later, growth is endogenous.

The role and importance of workforce skills have remained central to the economic analysis of labour and to the field of human resource management.

Clearly this argument should not be pushed too far. The literature and field have developed since 1776. But it is interesting at least to reflect on the degree to which many of the fundamental issues have long been recognised.

Thus, it is argued today that the productivity of labour depends on a range of factors, to all of which HRM can contribute either directly or indirectly, and it would certainly be possible to present the current literature as identifying three key areas: first, skills and hence training; second, work organisation, to the design of which employees can have an important input; and third, the state of technology, where again HRM can play a role through facilitating innovation from employees.

Note that Adam Smith argued that this labour productivity is determined by:

> three different circumstances; first to the increase of dexterity in every particular workman; secondly, to the saving of the time which is commonly lost in passing from one species of work to another; and lastly, to the invention of a great number of machines which facilitate and abridge labour, and enable one man to do the work of many. (1776, p. 11)

The parallels should be clear. Now, many of today's HRM scholars would certainly not consider themselves as economists. Some might be surprised to find such clear echoes of themes within today's HRM literature being present in the writings of Adam Smith, generally regarded as the founder of modern economics. But then Adam Smith and the 'classical' economists had a rather different and broader view of the subject than do today's mainstream 'neoclassical' economists. Not much – if any – of the *Wealth of Nations* would be accepted for publication in any of today's leading economics journals.

Perhaps even more central to today's HRM literature is Marx's distinction between the value of labour power, on the one hand, and the value created by that labour power, on the other. This he saw as the fundamental source of surplus value and hence the economic dynamism of both individual firms and capitalist economies. The money form of the 'value of labour power' was, for Marx, the wage. The money form of the value created by labour was the price at which the goods and services created by that labour was sold, less the cost of inputs. The key point is that these two sums are not necessarily equivalent. Indeed, unless the latter is – or can be made to be – greater than the wage, there will be no economic incentive to hire the worker. The determinants of the two quantities are quite distinct, separated not only logically but also by time and place. While there can be attempts to bring the two together, this does not alter the basic conceptual point. With the proviso about payment by results, the wage can be seen as having been largely agreed before the work commences. The quantity of goods and services that this labour produces is the result of quite different factors – which Marx viewed as class struggle at the point of production, but which today might be seen as human resource management.

This is not to imply that HRM is necessarily focused on increasing work intensity (to use a term common to both the current literature and Marx's analysis of the process). Quite the contrary, HRM may consist of 'progressive' practices aimed at creating a 'high commitment work system' that will enhance the motivation of employees and thus make them more innovative and productive. Such an effect may work through all three routes identified by Adam Smith above, with increased training leading to enhanced dexterity, employee involvement leading to improved work organisation, and participation leading to successful innovations being proposed by the workforce and subsequently adopted. The point is that all this will boost labour productivity and thus the quantity (and/or quality) of goods and services produced by that labour, and the monetary value at which these will be sold. This may lead to a rise in the wage or it may not. That is a separate question, albeit a related one, since a rise in the wage may play a role in attracting, retaining and motivating the employees.

INSIDE THE BLACK BOX

So, the importance of the management of labour to national economic performance has long been recognised. For much of the twentieth century this took the form of analysing industrial relations and other management practices at a macroeconomic level. Economists tended to ignore what went on within the 'black box' of the firm, where outputs were a function of the labour and other inputs. This neoclassical analysis tended to forget or eliminate the insights from Adam Smith, Marx and others – that actually this is not the case at all: on the contrary, the outputs will actually depend on the success (or not) with which the labour process is designed, organised and managed.

The shift from industrial relations to HRM from the 1970s onwards reflected what was happening within the leading industrialised economies at the time, where national wage bargaining was breaking down, trade union coverage was shrinking, and there was a growing recognition that the interesting economic questions were indeed within the 'black box' of the firm that the economics profession had deliberately avoided – indeed, had assumed away.

In the UK, the 1940s and 1950s had witnessed various attempts to learn from American management practices. One outcome of this was the establishment and growth of business schools in the UK, which had long been a feature in the USA. In the early 1960s the National Economic Development Office was established by the then Conservative government, which brought together government, business and labour at national and industry-sector level to analyse how to improve sector and national economic performance. It was taken for granted that labour–employer cooperation was key to this, over wage bargaining, productivity agreements, and so forth. The National Economic Development Office was eventually abolished by the John Major government in the early 1990s.

The HRM literature has focused instead on how management practices within the company or workplace can improve organisational outcomes and corporate performance. These will include reducing labour turnover and absenteeism, and enhancing productivity, innovation and ultimately profitability and the share price. In aggregate this contributes to national economic performance.

HRM AND CORPORATE PERFORMANCE

HRM and other related management practices can be seen to have a positive impact – potentially at least – through a number of avenues. These may be self-reinforcing. Indeed, some may be necessary for others to operate.

First, training and other policies can improve the skill levels of the workforce. At an individual company level, skill levels can also be influenced by recruitment and selection policies. But having a skilled workforce may not be sufficient if employees are not motivated – or otherwise encouraged – to apply those skills to boost productivity. In order to encourage – or otherwise extract – that application of discretionary effort may require an additional set of HRM practices. This may be achieved by closer monitoring and performance management – insisting on the necessary effort being applied on pain of disciplinary action, loss of pay or other benefits, and ultimately dismissal. On the other hand, the desired level of effort might be achieved from employees if they were appropriately motivated and committed to the success of the organisation. Policies to share information and involve the employees might for example have such an effect. These alternative approaches are sometimes behind the different uses of the terms 'high-performance work systems' – where the emphasis is on achieving the performance by whatever means – and 'high-commitment work systems', where the result is achieved by creating the necessary degree of motivation and commitment from the workforce.

Second, then, HRM needs to ensure that there is the necessary degree of commitment and motivation for employees to apply their skills and aptitudes appropriately – or alternatively other practices involving monitoring and enforcement may be pursued towards the same ends. But again, there is nothing to be gained by upskilling and motivating the workforce if the production line keeps moving along at 40 units an hour. Work organisation is thus an important third element, to allow the skills and motivation actually to make a difference to outcomes and hence to productivity. This may involve working harder or it may just involve working smarter. Improved job design and work organisation could reduce work intensity and stress while at the same time delivering improved performance.

So, third, HRM needs to be aligned with appropriate work organisation. But more than this, HRM practices of participation and involvement may create a more innovative workforce that generates ideas for better job design and work organisation (Ciavarella, 2003).

THE LITERATURE

An excellent brief guide to the HRM literature is provided by Geare (2001), on which this section draws heavily. Geare argues that 'a useful starting point for a study of Human Resource Management' is the 1987 edition of Schuler's *Personnel and Human Resource Management*:

> as it illustrates how, in the 1980s, the term began to gain domination in the United States over the term 'personnel management' – without any real change in substance. (2001, p. 752)

HRM and Corporate Performance

Any link from HRM to national economic performance has to operate at a corporate level. This is also, of course, the ultimate motivation for companies to invest in HRM – to see a return on that investment. The holy grail of the HRM literature is thus in many ways the HRM–performance issue: does the introduction and implementation of HRM and associated practices improve organisational outcomes (such as reduced absenteeism and labour turnover) and boost corporate performance (via improved productivity leading to increased profits)?

There is a large literature on this fundamental issue. As always in social science, it is extremely difficult to prove any specific causal links or processes, since all the factors tend to be interrelated, with causation running in both directions, and a plethora of outside factors – some of which are unknown and still others unknowable – impacting on the variables in question. Put most simply, when companies that have invested in HRM are found to enjoy higher profits, is it the HRM that has caused the profit levels, or is it the other way round, with higher profits allowing the firm to invest in more expensive HRM practices? Or perhaps both are caused by some third factor, such as enlightened and innovative management?

One route of enquiry can be through the use of time series data, to find out whether the rise in profits was previous or subsequent to the investment in HRM. But even here, Lord Kaldor warned more than 35 years ago of the danger of inferring causation from historical time in the context of monetarism (Kaldor, 1982). Milton Friedman had argued that inflation was caused by the growth of the money supply, whereas Kaldor and Keynesians generally saw both phenomena as the result of other factors in the 'real' economy, with increased production causing both upward pressure on prices and the money supply. Friedman's answer was that it was the growth in the money supply that rose first, with inflation following only after a lag (Friedman and Schwartz, 1982). Kaldor responded by referring to the high growth in the money supply that is generally observed around the beginning of December, as companies pay wages earlier, sometimes accompanied by annual bonuses, and consumers may spend more than normal. Kaldor argued that just because it was the growth in the money supply that occurred first, in early December, with Christmas not occurring until 25 December, did not mean that the growth in the money supply had caused Christmas. Quite the contrary, in fact.

The HRM–performance relation has therefore been analysed in the academic literature using a combination of quantitative and qualitative methods. Where possible, behaviour has been tracked over time. The findings from the literature have generally been that there is indeed a statistically significant correlation between the adoption and implementation of HRM practices on the one hand, and corporate performance on the other, with a causal relation generally being argued to have been identified from the HRM practices to the corporate outcomes. On the US evidence and literature, see for example Appelbaum et al. (2000), Becker and Gerhart (1996), Becker and Huselid (1998), Huselid (1995), Huselid and Becker (1996), Ichniowski et al. (1994; 1997), Kochan and Osterman (1994), MacDuffie (1995) and Osterman (1994; 1999).

On the UK evidence and literature, see for example Guest et al. (2000; 2003), Hoque (1999), Michie and Sheehan-Quinn (1999a; 2001), Wood (1999), Wood and Albanese (1995) and Wood and de Menezes (1998).

Strategic Human Resource Management

Linking HRM to organisational strategy has created a large literature on 'strategic human resource management'. An early review of the strategic human resource management literature is provided by Lengnick-Hall and Lengnick-Hall (1988), who also provide their own 'growth readiness' matrix to capture the basic features of their typology for the strategic management of human resources.

Michie and Sheehan (2005) consider the extent to which any HRM–performance link – as for example found in their 2001 study – might be contingent upon the strategy being pursued by the firm. Michie and Sheehan (2005) therefore repeated the analysis conducted and reported in Michie and Sheehan-Quinn (2001) but this time running the tests separately depending on the corporate strategy being pursued by the firms. The previously reported statistically significant correlation between HRM on the one hand and corporate performance on the other, as detailed in Michie and Sheehan-Quinn (2001), was found to lose its statistical significance when the tests were repeated looking only at those firms that were pursuing a cost-cutting strategy. Thus, if the firm was pursuing a cost-cutting strategy, it should not after all expect to find a statistically significant effect from investing in HRM on its subsequent corporate performance, as might have been expected had the firm been guided by the results from the literature that failed to distinguish between firms according to the different corporate strategies being pursued. For those firms that were pursuing a quality-enhancing or innovative strategy, the previous finding of a statistically significant link between HRM and performance was confirmed.

Liu et al. (2007) draw on data from more than 19,000 organisations, concluding that HRM adds significant value for organisations, and, in line with the above findings, that this value added is strongest when human resource systems are emphasised rather than individual practices, and when HRM decisions are tied to strategy.

International Human Resource Management

Welch (1994) provides an early review of the then emerging literature on international HRM. Welch (1994) examines how four Australian companies managed expatriates with regard to selection, pre-departure training, compensation and repatriation. On selection, no consideration was given to the international aspect. Some pre-departure training took place, but this was said to be as a result of hindsight in some cases rather than forethought.

Today the international context of HRM clearly impinges to some degree at least on most companies and other organisations wherever in the world they are operating, since at least the more skilled employees will have a choice of employers, including most likely multinational companies, and may also be geographically flexible. Where companies are actually operating across borders, or outsourcing work offshore, the international aspect to HRM become unavoidable. For example, for a multinational company based in an industrialised economy, there is the issue of pay rates abroad, where employees from the home country would not be prepared to work for the wages paid in the developing economy in which the multinational company may be operating. In general this will be dealt with by paying different salaries to 'ex patriots', but this raises HRM issues rather than solves them.

Moore and Jennings (1995) report on the practice of HRM in 11 Pacific Rim countries, namely Australia, Canada, Hong Kong, Japan, New Zealand, China, South Korea, Singapore, Taiwan and Thailand, as well as the USA. Michie and Zumitzavan (2012) report on the impact of 'learning' and 'leadership' management styles on organisational outcomes in Thailand. Michie and Scott-Jackson (2017) analyse how what they depict to be the 'Gulf Arab leadership style' impacts upon a contingent HRM approach. And Lee (1997) and Singh and Zammitt (2011) consider the role of 'labour standards' in the global economy.

THE ISSUES

An important issue that is raised by the literature referred to above – which generally finds a positive relation between HRM and corporate performance – is what I always think of as the 'If you're so smart, why aren't you rich?' question: that is, if the results of this research are accurate, then why are these HRM practices not more commonly adopted (so that the managers could report higher profits)?

One answer is that suggested by Michie and Sheehan (2005), referred to above: that these benefits will not follow automatically, and in particular may be contingent on corporate strategy. Thus, firms that are pursuing a cost-cutting strategy may be well advised to ignore the suggestion that they should invest in HRM.

In terms of national economic performance, the implication of this might be that the economy needs to decide on its strategy nationally, and encourage behaviour accordingly. Just as companies can decide upon which market niche to go for, perhaps nations need to do similarly within the global marketplace. For a country that thinks it can prosper through cost cutting and beating rivals on price, such strategies should perhaps be encouraged. For those that think they cannot compete on that agenda and need instead to move up the value chain and compete on the basis of higher quality and innovation, then investing in HRM might be consistent with such a choice of strategy. Of course such generalisations can be pushed too far. Even an economy that is very competitive on price will also have some areas of high quality and concomitantly high cost. Likewise a high-quality and innovative economy will also have some sectors and firms for whom price will remain the key competitive factor. But broadly, national economies can and do seek to play to their competitive advantages. And the key development from David Ricardo (1817) to Michael Porter (1980; 1985) is that economies do not have to rely on endowment-given comparative advantages, but rather can create their own competitive advantages. And in this, investment in HRM may be key. Just as there are varieties of capitalism (Hall and Soskice, 2001), so there are varieties of HRM systems, and these can be explicitly developed and enhanced.

Small and Medium-Sized Enterprises

Even for economies such as Europe and the USA, where the consensus is clearly that national economic performance depends on competing on the basis of product innovation and high-quality goods, the implication that investment in HRM is necessary to underpin a quality-enhancing and innovative strategy may not translate easily to the small and medium-sized enterprise (SME) sector (on which, see Bacon et al., 1996; Cassell et al., 2002; Chandler and McEvoy, 2000; Deshpande and Golhar, 1994; deKok and Uhlaner, 2001; Duberley and Walley, 1995; Hayton, 2003; Heneman et al., 2000; Hornby and Kuratko, 1990; Marlow, 2002; Marlow and Patton, 2002).

In many cases these firms will be too small for some of the HR practices and policies to make much sense. Nevertheless, the broad findings of a positive link between HRM and outcomes has been found empirically (see for example Michie and Sheehan, 2008a). And here too the outcomes are contingent on the firm's strategy, even though strategy might have been thought to be another area that would not necessarily apply to the SME sector (see Michie and Sheehan, 2008b).

Objective and Subjective Data

HRM researchers are fortunate in having several large datasets that can be utilised. In the UK there has been a series of major surveys every five years or so, with the titles evolving over time, starting as the Workplace Industrial Relations Survey (WIRS), then Workplace Employee Relations Survey, and most recently the Workplace Employment Relations Survey (WERS). And in the EU there has been the introduction of some relevant questions into the European 'Community Innovation Surveys'. But to really 'get inside the black box' of the firm requires detailed qualitative work, interviewing the managers and employees concerned. One issue is therefore whether the resulting 'subjective' data can be trusted for drawing unbiased conclusions.

This question was investigated in depth by Wall et al. (2004). This included repeating previous studies but introducing 'objective' data in place of the 'subjective' data that had been used in the original studies. The outcome suggested that the subjective data was just as reliable. However, this should not give rise to complacency. The Wall et al. (2004) study showed that the degree to which this was true – that results were unchanged whether subjective or objective data was used – did depend from study to study. And this was in the context of their being confident that in all the studies looked at, proper care had been taken to avoid bias or other problems with the 'subjective' data.

The conclusion is thus twofold. First, properly collected, subjective data can indeed be used to generate statistically significant results in which we can have just as much confidence as we would have had if 'objective data' had been used – for example, from audited company accounts. But second, in collecting such 'subjective' data it is vital that researchers take care to avoid the various pitfalls that otherwise can lead to bias in such data, which would indeed invalidate any subsequent findings from the analysis of such data.

Innovation

National economic performance will be influenced by the economy's ability to innovate over time. This includes both product innovation, to develop new and more attractive goods and services that will gain market share globally, and process innovation that will allow such goods and services to be produced and supplied more efficiently or effectively. Most governments and other public bodies acknowledge the importance of fostering innovation.

The implication of much of the HRM literature referred to above would be that investing in HRM, including training but also employee involvement and participation, might enhance the national economy's capacity and dynamic capabilities to innovate and improve both the product offering and work organisation over time. Functional flexibility may play an important role here, enabling employees to adapt to new work organisation and job designs as appropriate.

But in the hands of politicians, the term 'flexibility' has proved to be a dangerous and little-understood concept. The obvious appeal of flexibility just referred to has led to generalised calls for 'labour flexibility' with inadequate conceptualisation of what is being called for or why, let alone any acknowledgement that the single concept – and policy proposal – may contain mutually contradictory elements. Thus, the sort of flexibility referred to above that might be expected to help facilitate higher levels of innovation and hence boost national economic performance can be termed functional flexibility. Translating the general concept of flexibility into national economic policy terms has led some to push the quite different concept of numerical flexibility, encouraging a 'hire and fire' mentality. The contrast and contradiction can be seen quite starkly by analysing HRM in practice.

High-commitment work systems that attempt to foster improved economic performance through enhanced functional flexibility often explicitly include job security guarantees – the precise opposite of numerical flexibility. The reason is not hard to see. The aim is to encourage employees to suggest ways of making the production process more efficient. Put starkly, this means identifying ways of making their own jobs redundant. In the context of a company that is seeking to improve its performance in order to expand market share, then the more efficient it can be made, the more successful this is likely to be, with more jobs and better paid jobs being created within the company. For the firm, offering a 'no redundancy' assurance in such a process does not constrain the firm's intended actions at all. And if it encourages the process then it represents a costless benefit to the firm.

Trying to entice firms down a high-innovation road by encouraging a hire and fire model of flexibility may therefore be at best encouraging them down a cul-de-sac. Yet this was in part at least the rationale behind the labour market reforms in the UK of the 1980s, designed to 'free up' the labour market, restore 'management's right to manage', and thus foster a dynamic and innovative economy.

Using the UK's 1990 Workplace Industrial Relations Survey (WIRS), Michie and Sheehan (1999b) found that firms that had taken advantage of these labour market reforms tended to be less innovative than those firms that had ignored them. Following up with their own survey of companies, Michie and Sheehan (2003) found the same result. Innovation was fostered by investment in high-commitment work systems – which tended to include employment guarantees – rather than the 'low-road' conception of labour flexibility as 'hire and fire' numerical flexibility. A similar link between HRM on the one hand and innovation on the other was found by Michie et al. (2004) using data from French firms. What was being restored by the Thatcher government's labour market reforms, Michie and Sheehan suggested, was 'management's right to manage badly'.

Absorptive Capacity

National economic performance will also depend on the strength of the science base and on the ability to transfer knowledge from the science base to the successful production and delivery of goods and services. The ability of firms to identify, transfer and take advantage of new knowledge has been referred to as 'absorptive capacity'. There has been some criticism of the 'absorptive capacity' literature for having used this term without really testing or developing it. But the importance of the substantive point remains clear. Equally clear is the important role that HRM can play not only in underpinning the success of a nation's science base, but perhaps more importantly in creating the conditions for a country's firms to identify successfully the new knowledge that will be relevant to emerging market opportunities, and to transfer that knowledge to the firm and utilise it successfully in the development of new products and services, producing these in the most efficient and effective way, including through the use of innovative new work processes as appropriate. In all this, HRM may play a key enabling role. First, to ensure that the firm's employees have the technical and other competence to identify the relevant new knowledge. Second, to allow them to make proper and full use of that new knowledge for the firm's product development and work organisation processes.

One of the points of this absorptive capacity literature is that university–corporate links move centre stage. And of course such links should in any case be included in any analysis of the impact of HRM on national economic performance, because the quality of the employees being taken on by firms will depend in part on the quality of the nation's university education, and on the ability of firms and universities to match the right graduates to the right companies. This is not a simple process. Universities and firms spend considerable resources to try to get this right. It can include not just the University Careers Office and the company attending careers events, but also firms taking on students for project placements, providing guest lecturers to universities, and so on. Firms are sometimes explicit that their motive for participating in such schemes is precisely so they can identify the right graduates to hire – but also to allow the graduates to determine whether the firm is right for them, since if not, it is in everyone's best interest for this to be realised sooner rather than later, and preferably before the hire.

University–corporate links also include Executive Education courses and Continuing Professional Development, and commissioning research and consultancy from universities, all of which again are relevant to the firm's and the economy's HRM, and to national economic competitiveness. Such activities also enhance the firm's absorptive capacity and thus may boost national economic performance by making more effective the transfer of knowledge from the science base to the corporate sector that can commercialise the new knowledge and translate it into an increased global market share for goods and services produced within that country (as discussed by Christopherson et al., 2008). And hence to national economic performance.

The links from HRM to national economic performance are thus many and varied. They are generally not simple. But they are certainly important. If they are not clearly understood then not only may firms miss out on potentially profitable opportunities, but national economic policy may inadvertently prove counterproductive, for example by promoting 'management's right to manage badly' through encouraging a hire and fire approach to flexibility when what is needed is enhanced functional flexibility in order to boost innovation.

THE THEORY

The theory as to why HRM might affect national economic performance should by now be fairly clear. Neoclassical economics suggests that outputs are a function of inputs, so there is no need to look inside the 'black box' of the firm. Within this paradigm one might struggle to find a theoretical basis for HRM. And perhaps this is part of the reason why the HRM community has appeared to be so obsessed with the need for 'theory'. Expectancy theory from psychology fits well enough, suggesting that employees will make greater effort if they expect that to result in a reward. But that is hardly rocket science. Once it is accepted that outputs are not predetermined by a given production function, and that in fact employees can and do provide discretionary effort, the need for HRM becomes clear – to encourage and make best use of this discretionary effort. Encouragement involves creating a skilled, motivated and committed workforce, which can be facilitated through information sharing, involvement and participation. Making best use of such effort will require appropriate job design and work organisation, which again will benefit from HR policies of consultation, involvement and participation.

This all makes perfect sense looked at through the eyes of a modern-day Adam Smith, who saw employee dexterity and work organisation as key to labour productivity and national economic performance – and hence to the wealth of nations.

Much of the economics profession has taken a rather wide detour since. But with the growth of economics within management and business schools internationally, the focus has inevitably returned more towards real-world processes and outcomes. Unrealistic assumptions tend to get shorter shrift than within more mainstream economics departments, where a model of international trade containing two countries and two products may be applauded for its rigour and insight. The HRM literature has also benefited from industrial sociologists, organisational psychologists and others with an interest in discovering what actually happens within the workplace. This has allowed the analysis of national economic performance to break free from aggregate production functions. Instead it is acknowledged that with given inputs, outputs are not given but will depend on a range of factors, most notably the degree of discretionary effort that employees will make and the innovations that they may propose to management for improvements to both products and processes. HRM can also enhance the economy's science base, and boost companies' absorptive capacity for new ideas to be translated into profitable growth of market shares globally. National economic prosperity will thus continue to depend importantly on the success or otherwise with which HRM and related management practices are adopted and implemented across the economy. This will therefore remain a rich research agenda for the foreseeable future.

THE EVIDENCE

Some of the evidence has been referred to above. However, there is a wealth of additional work, for example demonstrating that HR policies that are consistent with the firm's strategy – strategic human resource management (SHRM) – are more effective than would otherwise be the case (Delery and Doty, 1996; Guthrie et al., 2002; Khatri, 2000; Miles and Snow, 1984; Schuler and Jackson, 1987; Truss and Gratton, 1994).

A growing body of research has examined the relationships between firms' use of flexible employment contracts and HR practices, on the one hand, and corporate performance on the other (Kleinknecht, 1998; Kleinknecht et al., 1997; Michie and Sheehan-Quinn, 2001). The sort of labour market deregulation pursued in the UK over the 1980s may risk being detrimental to long-run economic performance by leading to neglect or undervaluing of assets and processes such as training which are vital to long-term development and economic progress (Kitson and Michie, 1996; 2014; Michie and Wilkinson, 1995). Research using the British Household Panel Survey 1991–5 that investigated the link between skill acquisition and labour market flexibility (proxied by employment status, contract type, and lack of union coverage) found that workers:

> on short-term employment contracts, who are working part-time, or are not covered by a union collective agreement, are significantly less likely to be involved in any work-related training to improve or increase their skills. These findings suggest that there is a trade-off between expanding the more marginal forms of employment, and expanding the proportion of the workforce getting work-related training. (Arulampalam and Booth, 1998: p. 521)

In addition, if the time horizons of firms become shortened, the pursuit of what economists would characterise as 'efficiency gains' may come to dominate other sorts of gains to be had from innovation and technological progress. This becomes problematic if the pursuit of short-term efficiency gains reduces the potential of the system for economic progress (Michie and Prendergast, 1998).

In the UK, a major programme of research was commissioned by the Economic and Social Research Council (ESRC) into the 'Future of Work' at the very end of the last century and the first few years of this one. Broadly the findings were consistent with those reported elsewhere in this chapter (see for example Guest et al., 2001; 2003). In particular, this programme of work taken as a whole gave a far more realistic picture of current realities and future scenarios than had gained currency among opinion formers sold on popular writers depicting a 'weightless economy' or other variants on the 'end of work' projections that have re-emerged in different guises at various times over the past 40 years or more.

In developing countries the emphasis may have been more on 'human capital enhancement' rather than HRM, but the issues are just as important. Other than the level of industrialisation and economic development, a major difference for these economies has been the different relation that multinational corporations and foreign direct investment play. The issue of foreign direct investment and whether this will enhance human capital in developing economies has certain parallels with the issue of absorptive capacity referred to above. The extent to which benefit is gained from such FDI will depend in part on the nature of that FDI, but it will depend also on the absorptive capacity of the economy in question. HRM can, then, play a positive role here if it enhances the absorptive capacity of companies within the economies that are recipients of that FDI. (See Michie (2002), where this is argued in detail.)

CONCLUSION

Wall and Wood (2005) provide a convincing critique of much of the existing HRM–performance literature. The difficulty of establishing causation within social science lies at the heart of this, with existing studies not having been able to gather sufficient cross-sectional data from enough organisations and the necessary number of individuals within each organisation to be able to really establish causality. They therefore argue for a 'big science' approach that would enable this research agenda to be taken forward.

In the meantime, some progress may be made by testing across different countries, sectors and time periods. It is also important to test whether the resulting outcomes are contingent, say, on the size of firms, or on the strategy pursued by the firm. As reported above, existing research suggests that similar results are found for small and medium firms as for large firms. But these results do indeed appear to be contingent on the corporate strategy being pursued. Governments might therefore be able to influence their national economic performance both by enhancing the quality of HRM practices adopted and pursued, and by encouraging firms to adopt quality-enhancing and innovative strategies that are consistent with and supportive of such HRM strategies.

This chapter has considered the link between HRM and national economic performance in terms of how HRM practices might enhance that performance in terms of productivity and competitiveness. However, there are other economic outcomes that might be considered to constitute aspects of 'performance' such as the degree of income, wealth and social inequality within a country. It may be that for any given level of national income per head, or measure of relative economic competitiveness, nations may differ in the degree of inequality, and that HRM practices might influence these outcomes. Thus, for example, HRM practices include pay and conditions, including for example employee share ownership. The focus of both the academic research and the public and corporate policy agenda tends to be on the performance outcomes that such policies might deliver in terms of employee motivation, commitment, work effort and productivity. But another outcome may be a different distribution of income and wealth within a nation with a widespread adoption of such HR practices, as against a nation where they are not.

Whether, for example, employee share ownership would be expected to impact on employee motivation and organisational outcomes is considered by Michie and Oughton (2003), and various of the authors in Michie et al. (2017). While such an outcome is clearly the intention of governments that provide tax incentives for such schemes, the actual impact on corporate performance is likely to depend on a number of intermediary factors. However, governments may also be aware of the possible impact that such policies might have on the distribution of income and wealth. To the extent that such policies reduce this – or in today's context, perhaps more relevant would be if they limited the increase in inequality that might otherwise have occurred – then this might be seen as a desirable policy outcome in its own right. This could be on social and welfare grounds alone. But note that increased inequality is likely to involve various social and economic costs, and conversely such inequality will certainly be costly for governments to try to tackle after the event. So there would still be a link with economic performance. Finally, increased social inequality might militate against the sort of high-commitment work systems that involve high levels of skills, participation and cooperation. Thus, such inequality may undermine the sort of HRM agenda necessary for a knowledge-intensive economy seeking to compete on the basis of innovation and quality enhancement.[1]

In addition to the effects that HRM may have on national economic performance by directly impacting on corporate performance, there may be a further effect through influencing the degree and success of cooperation that occurs between companies in the economy. There is evidence that firms that cooperate are more likely to innovate (Kitson et al., 2003). The ability of a firm to cooperate successfully may be dependent on the HRM practices and processes within that company. Thus, a company that pursues successful HR policies of participation and involvement is likely to have a workforce better able and more capable of cooperating with others and of gaining from such cooperation. There are clear parallels here with the discussion above regarding absorptive capacity, which again is likely to be enhanced by such policies and outcomes. There are also links to the above discussion of flexibility – a functionally flexible workforce is likely to be better placed to cooperate with another company or organisation. Thus, HRM policies that enhance functional flexibility may impact beneficially on national economic performance through three different routes. First, via boosting the productivity of the firm directly, as the employee is able to move on more quickly and effectively to a new task than would otherwise be the case. Second, by enhancing the absorptive capacity of the firm, increasing the likelihood that new knowledge can be profitably utilised by the firm to deliver new products or services, quite probably via new processes. And third, by facilitating productive cooperation between companies, which is likely to boost the innovative performance of the national economy over time.

The communiqué from the March 2018 G20 meeting referred to 'changes to labour markets, the growing importance of skills and adaptability, and the risk of inequality within and between countries', with the 'Future of Work' being highlighted as one of the key priorities for the Argentinian Presidency, with an Employment Working Group formed 'to promote lifelong skills development'. HRM and national economic performance are still on the agenda, and seem set to remain every bit as important as when Adam Smith made the case in 1776.

Note

1 These issues around globalisation, inequality and economic performance – touched on in the above two paragraphs – are discussed in detail in Michie (2017).

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27

Human Resource Management and the Resource-Based View

Paul Boselie, Jaap Paauwe and Monique Veld

INTRODUCTION

According to Delery and Shaw (2001), there is general agreement that (a) human capital can be a source of competitive advantage, (b) HR practices have the most direct influence on the human capital of a firm, and (c) the complex nature of HR systems of practice can enhance the inimitability of the system. This view is supported by recent books on strategic HRM (Boxall & Purcell, 2016; Paauwe & Farndale, 2017). HR belong to a firm's most valuable assets. Since the late 1990s there has been a growing body of literature focusing on creating (sustained) competitive advantage for organizations through the development of core competencies, tacit knowledge and dynamic capabilities (Boselie, 2014). Reflecting on the past two decades we conclude that the resource-based view (RBV) (Barney, 1991; Barney, Ketchen & Wright, 2011) has become one of the dominant theories in the debate on strategic HRM and on how HR and related HR practices can have an effect on firm performance (Nyberg, Moliterno, Hale & Lepak, 2014). In this chapter we will give an overview of the RBV and its impact on HRM.

This chapter aims to extend the 'classic' RBV approach in HRM by combining this with the focus on context provided by new institutionalism (DiMaggio & Powell, 1983) and strategic balance approaches (Oliver, 1997; Deephouse, 1999; Boselie, 2014; Paauwe & Farndale, 2017). Our main reason for doing this is to correct RBV's narrow focus on the importance of internal resources. New institutionalism and strategic balance approaches provide additional insights in the search for unique (balanced) combinations of strategy, practices, structures and systems, taking into account both different external environments (market and institutional mechanisms) and internal resources, capabilities and administrative heritage of an organization (Boselie, Brewster & Paauwe, 2009).

The chapter starts with an overview of general RBV theory. Next, we take a closer look at RBV in HR research using illustrations of empirical studies that apply RBV or at least claim to apply RBV. Then, in the next section, we summarize the general critiques of RBV, for example the tautological RBV issue, difficulties in measuring and testing RBV, the static nature of RBV, and the overemphasis on the internal organizational environment. This motivates our search for alternative approaches: namely, new institutionalism and the strategic balance theory. In the final section, we discuss the value of these alternative approaches for future HR research, including the implications for methods and techniques.

RBV THEORY

Resource-based theory led to a change in strategic management thinking from an 'outside-in' approach – with an emphasis on external, industry-based competitive issues (Porter, 1980) – to an 'inside-out' approach (Stopford & Baden-Fuller, 1994), in which internal resources constitute the starting point for understanding organizational success (Paauwe & Boselie, 2007). Wright and McMahan (1992: 295) summarize the shift from external-oriented Porter-like frameworks toward the internal-oriented RBV as follows:

> 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.

In a subsequent paper Wright and McMahan (2011: 94) focus on human capital as a resource and deliberately distance themselves from an overemphasis upon HR practices as being the techniques organizations impose on people. The focus should be on human capital, defined at two levels:

> At the individual level human capital consists of the characteristics possessed by an individual that can yield positive outcomes for that individual, while at the unit level, human capital can refer to the aggregate accumulation of individual human capital that can be combined in a way that creates value for the unit. (Wright & McMahan, 2011: 95)

This contrasts with many other HRM academics who often only focus on HR practices. Focusing on human capital is more in line with a RBV approach.

RBV can be traced back to the work of Penrose (1959). She was one of the first to acknowledge the value and quality of HR in terms of (unique) knowledge and experience. According to Boxall and Purcell (2003: 72), her analysis 'proceeded from what has become a fundamental premise in the theory of business strategy: firms are heterogeneous'. Even in a situation of perfect competition there are fundamental differences between organizations operating in the same business environment. It took 25 years before Penrose's (1959) ideas were picked up in strategic management by Wernerfelt (1984). In essence RBV also puts forward critiques of Porter's (1980) dominant strategy model. Boxall (1996), for example, argues that Porter-like approaches make fairly (implicit) heroic assumptions about the cleverness of the leadership team and their ability to make efficient and effective choices, the convenience of actual HR interventions such as hiring and training a capable workforce, and naive assumptions with regard to cultural change in organizations. Porter's framework of industry analysis and resulting competitive strategies focuses on the external environment, a focus also found in the early strategic HR models (for example, Beer, Boselie & Brewster, 2015). Outside-in approaches emphasize the analysis of external opportunities and threats, while the inside-out RBV approach focuses on the analysis of internal strengths and weaknesses of organizations. This shift in strategic management had major implications for the field of HRM.

Barney (1991) argues that sustained competitive advantage is determined by internal firm resources that are valuable, rare, inimitable and non-substitutable (Figure 27.1).

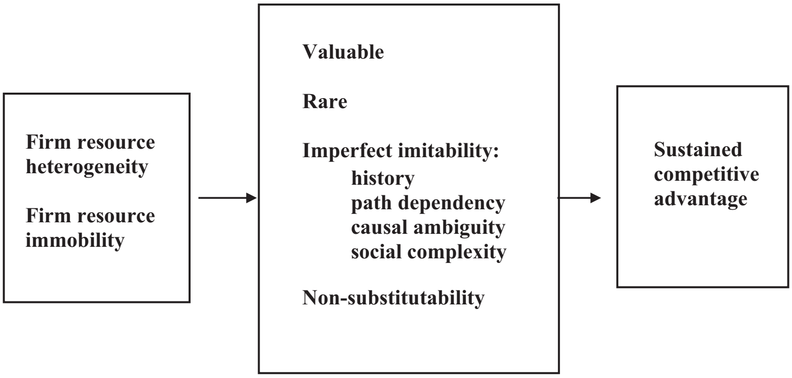

Figure 27.1 Summary of the RBV

Source: Barney (1991).

Boxall and Purcell (2003: 75) call these four conditions 'the qualities of desirable resources'. Resources may be subdivided into (a) financial resources in terms of equity, debt and retained earnings, (b) physical resources like machines and factories, (c) HR in terms of experience, intelligence and wisdom associated with the firm, and (d) organizational resources such as teamwork, trust, systems, organizational design, management information systems and budgeting techniques. Firm resources can be imperfectly imitable for three reasons (Dierickx & Cool, 1989): the ability of a firm to obtain a resource is dependent on unique historical conditions (path dependency); the link between the resources possessed by a firm and a firm's sustained competitive advantage is causally ambiguous (causal ambiguity); and the resources generating a firm's advantage are socially complex (social complexity). Path dependency captures the idea that valuable resources are developed over time and competitive success does not simply come from making choices in the present, but originates in a chain of events, incidents and choices in the past (Barney, 1991). This chain of events and managerial choices over time, in combination with the complexity of social interactions between the actors involved, forms the basis of the second barrier to imitation according to RBV: social complexity. Unique networks of internal and external connections are natural barriers for imitation by rivals (Boxall & Purcell, 2003: 77). The third type of barrier to imitability in RBV is causal ambiguity. It is difficult for people who have not been involved in the decision-making process to assess the specific cause/effect relationships in organizations.

Barney et al. (2011) more recently argued that RBV has affected other fields, including economics (Lockett & Thompson, 2001), entrepreneurship (Alvarez and Busenitz, 2001), marketing (Srivastava, Fahey & Christensen, 2001) and international business (Peng, 2001). They also make a distinction between three stages of the life cycle of resource-based theory:

1. An introduction stage from the classic work of Penrose (1959) to Barney's well-cited article (1991).
2. A growth stage between 1991 and 2001 reflecting RBV applications in different fields with an emphasis on further theoretical development and conceptualization.
3. A maturity stage from 2001 onwards including empirical studies and a meta-analysis.

RBV IN HR RESEARCH

A range of authors have specifically applied this theory to the field of HRM. Most suggest that it is people who encompass the properties of value (they contribute to firm efficiency or effectiveness), rarity (they are not widely available, at least not in the kind of quality organizations prefer), inimitability (they cannot easily be replicated or imitated by competitors) and non-substitutability (other resources cannot fulfill the same function) required for organizational success according to RBV theory (Barney, 1991). Reasoning from an HR perspective, the condition of 'not easy to imitate' is one of the most important.

According to Delery and Shaw (2001), RBV affords the researcher several advantages in investigating the strategic nature of HRM. RBV focuses on competitive advantage from the perspective of inimitable (human) resources that are less visible or transparent in contrast with, for example, technological and physical resources. And RBV emphasizes the complexity of organizational systems in determining competitive advantage, related to the bundles and systems approach to HRM research. Furthermore, RBV is concerned with sustained competitive advantage or profitability at firm level, whereas other theoretical frameworks focus on behavioral outcomes (for example, behavioral perspective) or internal efficiency issues (for example, transaction cost and agency theories). Finally, RBV's breadth can be applied to a variety of research issues.

To illustrate the application of RBV in HR research we discuss 14 empirical studies below. First, Huselid (1995) assessed the impact of HR systems on employee turnover, productivity, Tobin's *q* and gross return on assets within 968 US firms using survey data from HR managers. This study is one of the first to empirically test the added value of HRM. The article is highly cited although the methods and statistical techniques are disputed (on systems approaches see for example Gerhart, 2005). Huselid (1995: 637) refers to Barney's (1991) RBV, stating that 'human resources can be a source of sustained competitive advantage'. Next he explains how the four RBV criteria – resources need to be valuable, rare, inimitable and non-substitutable – can be applied to HRM and the HR–performance link in particular. He then uses the high-performance work systems thesis, advocated by Bailey (1993) and nowadays known as Abilities–Motivation–Opportunity to participate theory (AMO theory), to suggest that certain HRM practices increase employees' discretionary effort and that this type of behavior will lead to superior firm performance. Huselid (1995) shows significant statistical relationships between HRM and outcome variables. However, the author does not fully explain how the added value by HRM will contribute to the sustained competitive advantage of an organization. In other words, some HR practices or bundles of practices can increase performance, but this does not automatically result in superior firm performance or long-term competitive advantage.

The second article we discuss is Koch and McGrath's (1996) study assessing the impact of HR policies on labor productivity in 319 US business units. Analyzing business units may enable the study of comparable organizations given the high degree of diversification among US companies. The data were collected using surveys filled in by HR executives of these business units in multiple industries. The authors explicitly build on RBV theory, suggesting 'that a central objective of the human resource function of a firm is to enhance the firm's competitive position by creating superior "human capital" resources, in parallel with the product/market strategy the firm pursues at any given time' (Koch & McGrath, 1996: 336). The authors blend RBV theory with the human capital perspective, something picked up later by several other researchers (for example, Wright, Dunford & Snell, 2001; Ployhart & Moliterno, 2011; Wright & McMahan, 2011). According to Koch and McGrath (1996), HR investments are the key to superior firm performance reflected in other outcome variables like labor productivity. More specifically the authors study the link between what they call a system of HR sophistication and productivity. Overall HR sophistication includes (a) investments in HR planning, (b) investments in hiring, and (c) investments in employee development. Again, positive relationships between HRM and performance are found in this study.

The third article by Barney and Wright (1998) translates Barney's (1991) original article to the HR field. Barney and Wright present the VRIO framework based on prior literature (Barney, 1998), consultancy activities of both authors and input from participants in executive training. The VRIO framework presents a hierarchical model asking four basic questions (Barney, 1998, Table 5.2: 163):

1. Is a resource Valuable?
2. Is a resource Rare?
3. Is a resource difficult to Imitate?
4. Is a resource supported by Organization?

The model is notable for the hierarchical ordering of elements. If a resource is not valuable there is competitive disadvantage and firm performance is below average. And if a resource is valuable then is it also rare? If the resource is not rare there is competitive parity and firm performance is normal. If the resource is rare the next question is whether the resource is difficult to imitate. If the resource is not difficult to imitate there is a temporary competitive advantage and firm performance is above normal. If the resource is difficult to imitate, is it supported by the organization (for example, through culture management or specific work design and systems)? If the resource is supported by the organization there is sustained competitive advantage and firm performance is above normal. The VRIO framework helps us to understand that there are several routes to organizational survival. Some organizations simply survive on the second or third level, creating normal or above-normal performance doing some things right, while only a few organizations may achieve the highest level of creating superior performance through HRM (Mirvis, 1997). Most of the existing empirical studies do not make a distinction between normal, above-normal and superior performance, although RBV is mainly focused on the highest level.

Boxall and Steeneveld (1999) were one of the first to focus research on industry-based, longitudinal investigations into the relationship between HR strategy and competitive advantage using data from engineering consultancies in New Zealand. Their study is unique for three reasons. First, the authors used a longitudinal design creating opportunities for analyzing causal relationships. Second, the study is focused on one single industry paying specific attention to the sectoral context and therefore controlling for a substantial number of environmental factors that may be overlooked in research using cross-sectional data. Third, Boxall and Steeneveld (1999: 448) apply a case study method presenting 'the opportunity to uncover competing versions of organizational reality, and allowance to explore the historical context, all within a rich vein of contextual data'. The authors argue that longitudinal case study research can identify RBV's key elements of 'causal ambiguity', 'path dependency' and 'social complexity' in relationship to unique HRM patterns in organizations, in contrast to 'the statistical study of large populations' (Boxall & Steeneveld, 1999: 449). The results suggest that industry leadership can be achieved through superior HRM, although there was insufficient evidence to conclude that any of the consultancy firms studied had established that position.

Bae and Lawler (2000) examine the effects of organizational and HRM strategies on firm performance in South Korea. Survey data from 138 firms were used for analysis. An important RBV argument in this study builds on the notion that managers who strongly value HRM and people as a source of competitive advantage are more likely to use high-involvement HRM strategies. In other words, Bae and Lawler (2000) focus on whether management perceives the potential value of employees in an organization. Their high-involvement HRM construct consists of extensive training, empowerment, highly selective staffing, performance-based pay and broad job design. Strong support is found for the positive link between valuing HRM/people and the use of high-involvement HRM, suggesting management's view on HRM and people matters. There is also support for the added value of HRM reflected in significant relationships between high-involvement HRM and firm performance.

Doorewaard and Meihuizen (2000) apply RBV to study the added value of HRM to the performance of professional service organizations in the Netherlands using a qualitative research strategy. The authors themselves claim to build on Boxall and Steeneveld's (1999) approach discussed above. Doorewaard and Meihuizen (2000) make use of 64 interviews conducted with consultants from different firms. Key elements in their approach include the notion of organizational context, sector-specific performance outcomes that may indicate superior performance for that specific population of firms, high-involvement HR practices (for example, selective recruitment and selection), work design (hierarchical layers, staff/line relations, job design and information technology) and organizational culture (processes of meaning formulation, changing sets of values). The Doorewaard and Meihuizen approach presents a rich model incorporating key RBV elements and the potential to study critical success factors. However, their model is rather complicated because of the inclusion of so many different variables. The diagnostic framework presented can be used to get a better understanding of how HRM is embedded in the organizational context and how the nature of this embeddedness (the alignment between HRM and the organization) can contribute to superior performance. One of their key findings in their search for drivers of organizational success is that organizations have strategic options. These strategic options (or strategic choices) are steering devices for HRM. In other words, given a rather homogeneous organizational environment in a certain population of firms, managers still have room for strategic choice.

Hutchinson, Purcell and Kinnie (2000) present research on high-commitment management in the British Royal Automobile Club (RAC) call center, making explicit use of RBV, stating that 'the weakness of survey data is that it is difficult to capture the essential processes that occur in the micro-politics of the organization to explain why things happen, the order in which they occur and the complex interplay of action and reaction' (Hutchinson et al., 2000: 63). The authors stress the importance of the concept of *idiosyncratic contingency*, reflecting the notion that successful firms develop an approach which is linked and integrated to their own circumstances. The longitudinal case study involved interviews and focus groups at three time points to assess the impact of an organizational change program that involved the introduction of teamworking and new team manager roles, new compensation and performance-related pay, new recruitment and selection techniques, training and development, communication, and employee involvement in quality improvements. Performance outcomes including the number of calls, abandoned call rate, labor turnover, absenteeism, customer satisfaction and employee satisfaction all improved during the change program indicating positive effects on firm performance. Although caution is required in generalizing from a single case study and the potential for a Hawthorne effect given the close involvement of the authors in assessing the change program, the study is notable for the longitudinal approach using organization-specific in-depth information from interviews and focus groups. The approach offers opportunities to unwrap and understand the so-called *emerging patterns of action* in HRM in an organization (Purcell, 1999). These patterns are emphasized in RBV through the notion of 'path dependency'. Their findings suggest that managing successful change is much more than copying best practices in HRM. Instead long-term success requires company-specific high-performance work processes, because so-called best HR practices are essentially easily copied.

De la Cruz Deniz-Deniz and De Saa-Perez (2003) apply RBV using data from the Spanish savings bank sector. The authors argue that HRM based on a set of social responsibility principles will encourage employees' collaboration, this way creating unique competitive advantage. Blending the institutional component of social responsibility in order to respond to their employees' interests with high-commitment HRM is thought to enable unique combinations that create excellent performance. Wood (1999) and Paauwe (2004) label this phenomenon environmental fit (the alignment of HRM and the external institutional context). The data were collected from 30 firms using questionnaires. They find some support for the hypothesis that companies that establish a corporate responsiveness toward employees will have greater profitability. These companies adopted some form of high-commitment HR practices that allows the creation and development of their human capital base. From a RBV perspective this study is interesting and relevant because of its implicit notion of the environmental fit and the possibility of unique combinations of HR practices and environmental factors.

Marchington, Caroll and Boxall (2003) perform research on HRM in the British road haulage industry, applying RBV and drawing on longitudinal data from seven small firms. The authors make use of a modified version of RBV, acknowledging that a minimum set of HR practices ('table stakes') is necessary for the continued survival of firms within an industry (continued viability in an industry) and the potential of HR investments that create industry leadership. The authors also emphasize Boxall's (1996) distinction between *human capital advantage* (the value of the human capital pool in an organization at a certain point in time, for example embedded in exceptional human talent) and *organizational process advantage* ('causally ambiguous, social complex, historically evolved processes – such as learning and cooperation – that emerge and are difficult to imitate' (1996: 9)). The study argues that case studies probably offer the best way forward to study how HRM contributes to viability ('table stakes'), competitive advantage (for example, through human capital advantage) and sustained competitive advantage (industry leadership through organizational process advantage). Haulage driver recruitment and retention are the two main HR issues for these firms, with interviews exploring these issues with owner–managers, the managers or directors responsible for the recruitment of staff and drivers in 1998, repeated in 2000. This longitudinal method helped explore path dependency in HR interventions and outcomes. High labor turnover and serious labor shortages of available haulage drivers made drivers valuable and rare according to RBV standards. In principle all drivers are substitutable if they have the appropriate licenses and diplomas. However, road haulage firms differentiated themselves from competitors in terms of imitability by providing good working conditions, quality vehicles, employment security, some training, a friendly atmosphere and good relationships between management and staff. Networking in both product and labor markets strengthened by good leadership and longstanding commercial connections created unique reputations to become employers of choice for potential and current employees. These networks combined with the firm's corporate image are difficult to imitate by competitors or newcomers and therefore a source for sustained competitive advantage according to RBV.

Martínez-del-Río, Céspedes-Lorente and Carmona-Moreno's (2012) study regards high-involvement work practices (HIWPs) as a competitive advantage in themselves, as shown by a positive direct relationship between HIWPs and organizational performance (for example, Huselid, 1995; Koch & McGrath, 1996). The authors seek a better understanding of this relationship, by examining how the relationship between HIWPs and financial performance might be mediated by another strategic capability, namely proactive environmental strategy (PES). Proactive environmental strategies are aimed at managing the interface between the business and the natural environment that goes beyond compliance with environmental regulations, like designing or altering operations, processes and products to prevent negative environmental impacts (Aragón-Correa & Sharma, 2003). Focusing on PES as a mediating process is interesting from a RBV perspective, given that even in industries or organizations where HIWPs cannot themselves be considered as a competitive advantage, they can still make an impact on organizational performance through alternative strategic capabilities like PES. The study involved a sample of 233 Spanish firms from the agri-food and wine industries. Survey data collected in 2005 measured HIWPs and PES, and archival data on financial performance covered three years (2005–2007). The results indicate that HIWPs contribute indirectly to financial firm performance by acting as enablers for other strategic capabilities (that is, PES in this study). The idea that HIWPs act as enablers is consistent with arguments presented by Paauwe (2004; 2009). Although it is interesting that HIWPs impact on financial performance via PES, the authors do not explain whether HIWPs fulfill the requirements to be a source of competitive advancement in themselves. In addition, although the authors collected archival performance data over multiple years, they did not investigate whether HIWPs and/or PES result in *sustained* competitive advantage in line with RBV predictions.

Whereas most empirical studies adopting a RBV perspective focus on positive relationships between (human) resources and performance, Shaw, Park and Kim (2013) used a different approach by examining the relationship between human capital depletion and organizational performance. In line with RBV they argue that human capital depletion (that is, voluntary turnover) results in a situation where competitors can more easily imitate the remaining human capital resources in the organization, given that path dependencies and social complexities often associated with a long-tenure workforce are deleted, thereby eliminating any competitive advantage. Next to this human capital perspective, the authors also pay attention to HRM investments in their study, as HRM investments can render human capital resources rarer, valuable and inimitable. Especially in cases where HRM investments are high, the authors expect a negative curvilinear relationship between human capital depletion and performance, meaning that the relationship is generally negative, though this relationship is attenuated as human capital depletion rises. Note that for firms with high HRM investments, the negative relationship between human capital depletion and performance will be especially apparent as voluntary turnover first occurs, as it is most likely that the rarest, most valuable and inimitable capital depletes first. In firms with low HRM investments, the authors do not expect a significant relationship between human capital depletion and performance, while in these cases organizations often seek to gain competitive advantage through different strategies, like cost reduction or technology enhancements. The results of a first empirical study among Korean supermarkets shows that in cases of low HRM investments, there is no significant relationship between human capital depletion and performance. In high HRM investment firms the results show a negative curvilinear relationship between human capital depletion and performance. In a second cross-industry study presented in the article, these results are confirmed. The results in this study are unique, as they show that high investments in HRM increase the risk of dramatic performance decrements due to the initial loss of superior resources (that is, human capital accumulations).

Sheehan (2014) tries to unravel the relationship between HRM and performance in small and medium-sized enterprises (SMEs). The focus on the link between HRM and performance in this type of organization is interesting in itself, as it is not clear whether the use of a greater number of formal HRM practices has performance benefits for SMEs, similar to that found in large firms (Guest, 2011). According to Sheehan (2014: 547), 'the RBV framework implies that human resources may be of even greater significance for smaller firms, since they often have to do more with fewer resources in order to remain competitive'. Given this resource-constrained environment for most SMEs, competitors cannot replicate valuable HR systems immediately. The study is interesting not only given the focus on SMEs, but also because she adopts a two-wave research design, which allows her to test the idea that the adoption of formal HR practices will contribute to sustainable competitive advantage. Analysis of 336 SMEs in the UK shows a positive relationship over time between the use of formal HRM practices and SME performance (that is, subjective measures of financial performance, innovation and labor turnover), thereby supporting the idea that the use of HRM enhances sustained competitive advantage in SMEs. Although the author tried to collect objective performance indicators, each respondent refused to share this information.

Chadwick, Super and Kwon (2015) argue that RBV needs to be extended with the concept of resource orchestration, given that 'strategically valuable resources and capabilities do not appear by magic' (page 360) as managers are often actively involved in the development of these strategically valuable resources. The concept of resource orchestration is focused on the role of managers in effectively developing and leveraging resources, and incorporates 'managerial action related to the development and realization of strategic resources throughout the firm' (page 361). The authors make use of a Korean sample of 190 firms, to test the relationship between commitment-based HR systems and multiple performance outcomes (both objective and subjective). In order to test the role of resource orchestration in organizations, they examined whether the emphasis of CEOs on SHRM was positively related to the use of commitment-based HR systems. The results show a positive significant relationship between commitment-based HRM and both objective and subjective performance, thereby supporting RBV. Moreover, the results indicate the role of resource orchestration, given the direct and positive relationship between CEO emphasis on SHRM and the use of commitment-based HRM, thereby underlining the idea that managers are actively involved in developing and leveraging HRM as a valuable strategic resource.

Fu et al. (2017) combine resource-based theories with dynamic capability theories, in order to understand the relationship between HRM and performance in professional service organizations. They argue that HR practices in themselves are not a 'direct' source of competitive advantage. Instead, competitive advantage is the result of the human and social capital that HRM can create by means of selecting people, and training and developing them. According to Fu et al. (2017), it is not the mere possession of human and social capital resources that creates competitive advantage, but the way these resources are used in an organization that can make the difference in performance. Only when resources are used effectively will higher performance be achieved. The *use* of intellectual capital resources indicates organizational ambidexterity: that is, 'the simultaneous exploration and exploitation of the firm's internal and external resources to meet today's business needs as well as being adaptive to future market opportunities' (page 334). High-quality human capital staff, for example, are able to acquire new knowledge (exploration) and reuse existing knowledge (exploitation). Drawing on longitudinal data in a single industry, the study examines how intellectual capital resources and uses (that is, exploration and exploitation) mediate the relationships between HPWS and firm performance. The results show that HPWS are positively related to intellectual capital resources, and these resources in turn have an impact on performance via exploration and exploitation (representing the use of the resources). Although this study provides some useful insights into the types of resources HR practices can create, and how the use of these resources results in better firm performance, more research is needed to see whether this relationship holds when different types of resources and uses (for example, structuring, binding and leveraging resources) are examined.

Finally, Glaister, Karacay, Demirbag and Tatoglu (2018) also combine RBV with dynamic capabilities to examine how talent management can act as a transmission mechanism between HRM practices and business performance in emerging market contexts. Talent management is defined as a set of practices that is focused on an exclusive set of people and or positions that add the most value to the firm, whereas regular HRM practices are applied to each of the employees in an organization. These regular HRM practices are focused on foundational capabilities, merely ensuring that organizations can operate on a day-to-day basis. Talent management (including practices such as coaching, mentoring and project teams) can be seen as a dynamic capability, meaning that talent management can be used to improve ordinary capabilities and to build a new sustainable resource base. Analysis of survey data from 198 upper-level and medium-level managers in different companies in Turkey indicates that talent management is an important linking mechanism between HRM practices and organizational performance, thereby indicating that talent management is a relevant transmission mechanism.

Overall, these empirical studies share some common limitations. First, 7 out of 14 of the studies presented here are cross-sectional, reflecting one point in time. This causes serious problems with respect to potential causality between the independent and dependent variables. Second, some of the studies including Huselid (1995), Koch and McGrath (1996) and Chadwick et al. (2015) use research units from multiple industries. The focus on multiple industries does not fully take into account the fundamental differences in environmental settings between branches of industry. These differences can be the results of trade union influence, employer's associations, labor legislation, collective bargaining agreements, the nature of the business (for example, services versus manufacturing) and professional bodies linked to different sectors. In technical terms we argue that most authors do not fully take into account the RBV's notion of firm heterogeneity linked to the external environment of the organization (for example, the branch of industry) and the unique administrative heritage of each organization. Third, the survey-based studies mostly use single-source data (one respondent per organization) and these respondents are often HR professionals. Gerhart, Wright, McMahan and Snell's (2000) research shows the limitations of single-source research in HRM and suggests a minimum of four raters per organization when measuring HRM concepts and a minimum of three raters per organization when measuring some kind of performance indicator. Finally, most studies published before 2011 pay little attention to how the mechanism of creating superior performance through HR investments actually works. Marchington et al. (2003) and Barney and Wright (1998) are exceptions to this, although the latter is a theoretical rather than an empirical paper. More recent studies (for example,, Martínez-del-Río et al., 2012; Fu et al., 2017; Glaister et al., 2018) pay attention to how HRM can be used to create organizational performance, indicating increased maturity in RBV research.

In summary, the empirical HR studies using RBV presented here provide the following lessons. First, the majority of these studies build on the high-performance work systems (HPWS) thesis and AMO theory to explain the potential contribution of HR practices to superior firm performance. Huselid (1995), for example, argues that HR practices that stimulate employees' abilities (through development), motivation (through the right set of incentives) and opportunity to participate (through empowerment, involvement and autonomy) result in discretionary effort (organizational citizenship behavior) and higher firm performance. We argue that RBV and AMO theory are complementary and can be used simultaneously in HR research as suggested by Boselie, Dietz and Boon (2005). However, the results of most empirical studies are confusing and undermine the RBV notions as they do not take into account path dependency, causal ambiguity and social complexity, instead suggesting that organizations can be successful simply by applying these HR practices. In doing so these organizations may be able to create (temporarily) competitive advantage. It is, however, unclear if sustained competitive advantage results as suggested by RBV. Only Sheehan (2014) makes a claim about sustainable competitive advantage, and despite a two-wave research design with a time gap of four years between the first and the second measurement, this may not indicate *sustained* competitive advantage. We therefore argue that although RBV is often used to frame HR studies, most best practice findings provide no explicit support for RBV other than noting that HR practices are important. In contrast Fu et al. (2017) and Glaister et al. (2018) argue that HR practices cannot be a source of sustained competitive advantage in themselves. It is therefore important to make a clear distinction between competitive advantage and sustained competitive advantage. Barney and Wright's (1998) VRIO framework suggests that the difference between 'regular' competitive advantage and sustained competitive advantage requires broader organizational support. Marchington et al. (2003) in contrast distinguish between a necessary minimum of HRM ('table stakes') to create viability in an industry and HRM that drives industry leadership. Similarly, Barney and Wright (1998) highlight different routes to organizational survival. Not all organizations survive on the basis of superior performance as suggested by RBV; some firms simply survive by above-average performance and in this way avoid becoming a laggard. Mirvis (1997) also makes a distinction between leaders, fast followers, slow followers and laggards in HRM. Existing HR research applying RBV does not fully acknowledge such distinctions.

Second, several studies emphasize the relevance of context, but only a few actually incorporate organizational context explicitly into research design and analysis (Boxall & Steeneveld, 1999; Doorewaard & Meihuizen, 2000; Hutchinson et al., 2000; Marchington et al., 2003; Fu et al., 2017). Taking context into account is also relevant in terms of validating measures of intangible resources. Johns (2006) defines context as situational opportunities and constraints that affect the occurrence and meaning of organizational behavior as well as functional relationships between variables. Context can have many faces and its effects can vary from subtle up to powerful with respect to research outcomes. Context manifests itself at different levels of analysis, which interact with each other. This also implies that good research needs to tell a story, by which we make the relevant context more explicit allowing for a better interpretation of the empirically established relationships between variables. According to Molloy, Chadwick, Ployhart and Golden (2011), it is important to capture variance in contextual factors and the use of intangible resources, which are crucial to RBV. The point of explicitly incorporating context is also related to research methods (Johns, 2006). Only four studies apply a qualitative research technique and, given the nature of RBV claims, we doubt whether using quantitative techniques through surveys exclusively will fully capture the potential contribution of RBV theorizing with respect to HR's contribution to sustained competitive advantage.

Third, the human capital perspective is explicitly linked to RBV in three studies (Koch & McGrath, 1996; Barney & Wright, 1998; Shaw et al., 2013). The first two studies stress the relevance of HR investment in, for example, planning, hiring and employee development, while the third shows the risk of high investment in HRM in case of human capital depletion. RBV and human capital theory are complementary and can be used simultaneously to study the contribution of HRM to sustained firm performance, consistent with an increased focus on human capital linked to strategic HRM in general (Boon, Eckardt, Lepak & Boselie, 2018) and RBV (Nyberg et al., 2014).

Fourth, Boxall and Steeneveld (1999) and Doorewaard and Meihuizen (2000) make a strong plea for industry-based research, preferably using longitudinal data to avoid misinterpreting fundamental differences between branches of industry and the impact on HRM. Veld, Paauwe and Boselie (2010), for example, study the impact of HRM on strategic climates and performance in hospitals. The sector focus enables necessary contextualization of both the independent variables (HRM) and the dependent variables (hospital-specific strategic climates such as a climate for quality and safety, and hospital-specific organizational performance) to identify the unique contributions of HRM to desired hospital outcomes.

Fifth, De la Cruz Deniz-Deniz and De Saa-Perez (2003) introduce the notion of social responsibility and its potential alignment with HRM leading to superior performance. This institutional component is important for the search of unique linkages between the external organizational environment (environmental fit) and HRM. The study by Martínez-del-Río et al. (2012) is focused on proactive environmental strategy, as an alternative way to accomplish sustained competitive advantage. More recently Manroop, Singh and Ezzedeen (2014) studied the relationship between HR systems and ethical climates from a RBV perspective linking the development and maintenance of five types of ethical climates to the strategic value of firms and how HR systems may influence that value. McWilliams and Siegel's (2011) study of strategic corporate social responsibility, RBV and sustainable competitive advantage provides a roadmap for managers to accomplish this objective.

Finally, three recent empirical studies (Chadwick et al., 2015; Fu et al., 2017; Glaister et al., 2018) show that it is not the mere possession of resources that leads to sustainable competitive advantage, nor that resources magically appear by themselves. The way resources are developed and used by organizations (that is, their managers) plays an important role in creating sustainable advantage. Combining RBV with dynamic capabilities and/or resource orchestration theories can provide us with more insight into how HRM can be used by management to create resources that enhance competitive advantage. Moreover, a focus on the use of resources is also interesting in order to understand how the use of one type of resource may shape other types of resources and strategies in organizations (Molloy et al., 2011), as Glaister et al. (2018) demonstrated.

CRITIQUES OF RBV

The popularity of RBV in the 1990s also resulted in theoretical critiques. Priem and Butler (2001) argue that the RBV framework is either paraphrased or simply cited by conceptual and empirical researchers, without augmented definition. They question whether RBV should be regarded as a theory. There appears to be an underlying problem in the statement that value and rarity of resources lead to competitive advantage, because both the independent (valuable and rare organizational resources) and dependent variables (competitive advantage) are defined in terms of value and rarity (Priem & Butler, 2001). Other potential problems relate to: the lack of clarity with respect to the relationship between the independent variables (characteristics of organizational resources) and the dependent variable (competitive advantage), also known as the black box dilemma; the static nature of RBV statements; and the simplified strategic analysis of RBV with respect to the organizational environment.

The tautological issue raised by Priem and Butler (2001) relates to Guest's (1997) earlier notions that there is still a lack of theory with respect to (a) what is HRM, (b) what is performance, and (c) what is the link between HRM and performance? AMO theory (or the HPWS thesis) and human capital theory represent good candidates for theory on the content of HRM (*what is HRM?*). AMO theory and the HPWS thesis provide a framework focused on valuable and potentially unique HR practices. The human capital perspective in RBV is much more focused on employees. The distinction between employees (HR) and HR practices as potential sources for sustained competitive advantage is also made by Wright, McMahan and McWilliams (1994). Wright et al. (2001) go one step further in blending these three theories (RBV, AMO and human capital) by making a distinction between (a) human capital (employees' value in terms of their knowledge, skills and abilities), (b) social capital (employees' social networks and unique relationships) and (c) organizational capital (including unique practices, systems and structures). HR practices are assumed to be the basis for human, social and organizational capital. This partly solves the tautological problem with respect to the independent variable in the RBV analysis, whether it is the human capital component or the HR practices component. However, we are still puzzled by what performance is. How do we measure and identify sustained competitive advantage? The classic analysis by Peters and Waterman (1982) in the end failed to identify firms based on past financial performance. A more balanced perspective taking into account a multi-dimensional performance construct as suggested by Oliver (1997), Deephouse (1999), Boselie (2014), Boxall and Purcell (2016) and Paauwe and Farndale (2017) might be the solution for solving the tautological issue with respect to *what performance is*. These balanced perspectives take into account multiple stakeholders (shareholders, managers, trade unions, works councils) and their long-term interests represented in a wide range of outcome variables, both financial (sales, profits, growth and market value) and non-financial (corporate image, employee satisfaction, employee commitment, sickness absence, stress levels, fairness, legitimacy) (Beer et al., 2015). We return to this issue in describing and discussing strategic balance theories in the next section.

The second issue raised by Priem and Butler (2001) refers to the lack of clarity with respect to the HRM and performance link, an issue also raised by Guest (1997) also known as the black box problem (Wright & Gardner, 2003). Part of this problem is related to multi-level issues (Paauwe & Boselie, 2005; Van de Voorde, Paauwe & Van Veldhoven, 2012). The potential unique HR value chain includes strategic alignment between business strategy and HR strategy, HR design and policy development, HR implementation by both HR managers and front-line managers, the perception of HRM interventions by employees, employees' reactions in terms of attitudes, behaviors and cognition of HR practices, firm performance (for example, in terms of productivity, flexibility and social legitimacy) and finally (superior) firm performance. This value chain involves multiple actors (top managers, HR professionals, front-line managers and employees) at different organizational levels. Recent work by Wright and Nishii (2013), who make a distinction between intended, actual and perceived HR practices, and Bowen and Ostroff (2004) on HR system strength, are helpful in improving understanding of the relationship between independent variables (HRM-related) and dependent variables (performance-related). Despite progress on this problem more empirical research is required.

The third issue Priem and Butler (2001) noted concerns the static nature of RBV statements that do not fully account for organizational dynamics and organizational change. In assessing strategic fit (alignment between business strategy and HRM) and internal fit (alignment of individual HR practices toward a coherent and consistent HR system), Paauwe, Boon, Boselie and Den Hartog (2013: 75–76) add *dynamic* fit as a third type of fit term. Dynamic fit is focused on organizational capabilities to adapt to changes in the environment and the extent to which HR practices enact or support this adaptation process in a timely or proactive way. In strategic management theorizing this kind of fit is known as 'dynamic capability'.

The fourth problem raised by Priem and Butler (2001) emphasizes the lack of attention to the external environment in most RBV approaches, with a few notable exceptions (Oliver, 1997; Boxall & Steeneveld, 1999; Doorewaard & Meihuizen, 2000; Paauwe & Boselie, 2007). RBV research often focuses excessively on the internal environment of the organization in search for unique combinations of resources and (internal) organizational factors, not fully taking into account (a) the impact of the external environment in terms of both market and institutional mechanisms (Oliver, 1997; Paauwe, 2004), and (b) the potential unique combinations between internal resources and external mechanisms. An example of the latter is the concept of institutional entrepreneurship. This concept reflects the opportunities organizations have even in a highly institutionalized context to be the fastest and best in the process of adapting to new rules, agreements and new legislation. This notion of institutional entrepreneurship as a potential RBV source for competitive advantage is closely related to the notion of strategic option (Doorewaard & Meihuizen, 2000) or strategic choice (Child, 1997; Paauwe and Farndale, 2017) noted earlier in this chapter. We fully agree with Priem and Butler (2001) that it is important to take into account the external environment of an organization.

Next to Priem and Butler's (2001) four main critiques on contemporary RBV – the tautological problem, the lack of clarity of the HRM and performance link, the static nature and the lack of attention to the external environment – we would like to add three other general critiques of RBV that also affect RBV applications in HRM. First, RBV implicitly builds on the assumption of economic rationality of the actors involved. That is a typical economic but rather naive and unrealistic assumption. Other rationalities affect decision-making, for example normative rationalities ('taken-for-granted' decisions) that are closely related to institutional mechanisms (DiMaggio & Powell, 1983; Paauwe & Boselie, 2003); coercive mechanisms that stem from legislation and the influence of social partners (trade unions, employer's associations and works councils); normative mechanisms that stem from professional bodies; and mimetic mechanisms that are the response to uncertainty or the result of hypes and trends in management.

Second, RBV research has also underestimated the impact of critical incidents on firms. For example, a large-scale accountancy scandal (Enron, Parmalat, WorldOnline, Ahold, Shell) may damage corporate image, employees' trust in top management, customer relationships and shareholders' trust in the continuity of the firm. Job insecurity, employee dissatisfaction and increased labor turnover may destroy the firm's human capital (employee turnover), social capital (substantially less effort for cooperation and building or maintaining network relationships) and organizational capital (no new recruitment and reducing training expenses). Some of these recent critical incidents have a much larger impact on the firm's long-term performance than occasional corporate reorganizations. Therefore it is important to acknowledge the potential impact of these dramatic incidents in RBV and HR research (Farndale, Paauwe & Boselie, 2016).

Third, according to Delery and Roumpi (2017) RBV has the potential to narrow the micro–macro divide within HRM, bridging the individual employee level and the organization level. This aspiration is not yet realized from a human capital perspective. Part of the problem is linked to what constitutes the black box of mediating mechanisms in the HRM value chain. The authors argue that the behavioral perspectives and the AMO model have contributed to a further understanding of the causal linkage between HRM and performance, but not necessarily how uniqueness through RBV is brought into the human equation. An ongoing issue relates to notions of firm specificity, for example linked to the individual employee (firm-specific skills) and employee groups (for example, core competencies and strategic capabilities). Firm specificity is assumed to limit or constrain the mobility of valued human capital. In reality workers often possess both firm-specific and general human capital in a complex and dynamic labor market.

AN ALTERNATIVE RBV APPROACH

RBV provides a powerful model for analyzing the potential contribution of HRM to sustained competitive advantage of an organization. It has rightly served to counteract the emphasis on external (market) conditions to refocus on the importance of investing in and cultivating internal resources. Yet, context cannot be overlooked and RBV runs the risk of being too much focused on an inside-out view (Priem & Butler, 2001). New institutionalism provides an alternative theoretical framework for incorporating the context in RBV–HR research (Dimaggio & Powell, 1983; Marchington et al., 2003; Paauwe & Boselie, 2003). Second, institutional mechanisms (coercive, normative and mimetic) can also provide the basis for creating unique combinations between internal (human) resources and the organizational context. Strategic balance theory (Oliver, 1997; Deephouse, 1999; Paauwe, 2004) is an alternative theory for extending the RBV approaches in HRM in the search for long-term success. This acknowledges two types of often conflicting external mechanisms that affect an organization and its HRM:

1. Market mechanisms (products, markets and technology).
2. Institutional mechanisms (legislation, professional norms and values).

Long-term success or sustained competitive advantage can only be achieved when organizations meet the criteria or standards set by market mechanisms (for example, being efficient, effective, reliable and profitable) and the criteria or rules set by institutional mechanisms (for example, treating employees fairly, avoiding job losses, addressing employee well-being and adapting to new labor legislation). Deephouse's (1999) analysis in the banking industry suggests that organizations are better off in the long run when taking into account both economic criteria like sales, growth, profits and market value, and social criteria like relationship with the trade unions, corporate reputation and employee satisfaction (Paauwe and Farndale, 2017). Oliver (1997) was one of the first researchers who blended RBV and new institutionalism in the search for a broader contextual framework for explaining long-term organizational success. Paauwe and Boselie (2003) were among the first to do so for the field of HRM.

Institutional notions have mainly been considered to be constraints for an organization in prior studies. New labor laws on contingent work or diversity in the workplace are often seen as limitations on managerial strategic choice. The majority of organizations will probably deal with these new issues in a reactive way by ticking the box in order to avoid lawsuits or negative publicity that might affect the organization's financial performance and reputation. Extending both Barney and Wright's (1998) VRIO framework and Mirvis's (1997) leaders and laggards model with the institutional perspective reframes the analysis of organizational success. Leaders are doing much better than laggards on the adoption of best practices in HRM, not only on the best practices that enhance financial performance (for example, those increasing labor productivity), but also on best practices that enhance social legitimacy and fairness toward individual employees (for example, work–life balance practices in HRM). Paauwe (2004) makes a distinction between HRM's role in delivering 'economic value' and 'moral value'. From an institutional–RBV perspective (strategic balance theory) Paauwe (2004) argues that organizations can create unique approaches in HRM for sustainable competitive advantage through balancing added value notions (efficiency, effectiveness, flexibility, innovativeness and quality) and moral value notions (individual fairness, social legitimacy, participation, solidarity and trust), thereby blending both notions of economic rationality and relational rationality. This combines theories from strategic management (competitive mechanisms), neo-institutional theory (institutional mechanisms), RBV (internal resources already present, path dependency) and the actor's perspective (key decision-maker leeway). The challenge for an organization is simultaneously to meet the demands for organizational capabilities arising out of the competitive dimension and the demands for legitimacy, fairness and well-being arising out of the institutional dimension, at the same time taking into account the constraints of the firm's heritage in the sense of already-existing internal resources from the past (path dependency) (Paauwe & Farndale, 2017). This kind of theorizing results in the contextual SHRM framework, which demonstrates how actors can balance competitive, heritage and institutional factors to create an appropriate SHRM system capable of delivering organizational outcomes that balance financial and employee well-being outcomes, which in the long run impacts positively on societal well-being (Farndale & Paauwe, 2018).

CONCLUSION

The RBV analysis in this chapter has both theoretical and methodological implications that can be used in future research in the field of HRM. These implications should not be seen as a normative guideline for HR research. The theoretical and methodological implications presented here may inform new research in this area. The nature of HR research (an applied field of research heavily depending on input from practice) almost always results in methodological and technical limitations (for example, maximum number of respondents per unit of analysis and response rates). We encourage HR researchers at least to take into account some of the issues summarized below.

Theoretical Implications

First, the RBV can easily be extended with *AMO theory* on HR practices (Delery & Roumpi, 2017). The HR practices in AMO are also known as high-performance work practices (HPWPs) and are ideally aligned into a consistent and coherent HR system (a high-performance work system). These practices can be a first step in the creation of organizational success. AMO theory linked to RBV does shed light on what HR practices can contribute to success.

Second, the RBV and *human capital theory* linkages can be useful in the analysis of the HR value proposition (Wright, Dunford & Snell, 2001; Wright & McMahan, 2011). These studies emphasize the different components of capital linked to employees that potentially contribute to the firm's success:

1. Human capital represents the value of the workforce's (unique) knowledge, skills and abilities.
2. Social capital is embedded in the unique value of social relationships between employees within the organization, but also between employees (for example, account managers) and their customers outside the organization.
3. Organizational capital includes all hardware and software of the organizational systems. HR practices themselves are part of organizational capital and the unique combinations of these HR practices into consistent and coherent HR systems (internal or horizontal fit) can increase firm value.

Unique combinations of human, social and organizational capital may be sources of sustained competitive advantage. Boxall's (1996) distinction between *human capital advantage* and *organizational process advantage* is highly relevant in this context. Organizations can possess competitive advantage based on a talented workforce, but this might be insufficient for achieving long-term success. Creating industry leadership depends on the organization's capabilities to enact organizational process advantage in which human capital is integrated with social capital (for example, unique networks with customers) and organizational capital (for example, a unique organizational climate supported by information and communication systems). Multiple authors, however, recently highlight the fuzzy and sometimes problematic relationship between RBV and human capital theory (Shaw et al., 2013). From a human capital perspective Ployhart, Nyberg, Reilly and Maltarich (2014) even call for a multidisciplinary framework.

Third, in order to fully understand an organizational context it is important to link RBV to *new institutionalism* as suggested by Oliver (1997). This may help resolve one of Priem and Butler's (2001) fundamental issues with respect to RBV's contextual limitations. The 'traditional' RBV approach is too much inside-out focused with little or no attention paid to an organization's institutional environment. With contemporary debates on corporate governance and compliance the HR function itself is increasingly involved in strategic decision-making, not only aimed at improving shareholder value, but also aimed at monitoring employee behavior and creating an organizational climate in which risks of corporate scandals are minimized (Farndale, Paauwe & Boselie, 2016). The global financial crisis that emerged in 2008 highlighted the vulnerability of successful organizations reliant on market mechanisms (for example, in terms of profitability, market growth and market value linked to performance management and performance-related pay as incentives to achieve these goals) and overlooking outcomes for multiple stakeholders, for example in terms of societal well-being and employee well-being (Beer et al., 2015). This may endanger corporate reputation, which is also an important source of competitive advantage.

Finally, the new institutional approach in combination with RBV is the foundation for *strategic balance theory* (Oliver, 1997; Deephouse, 1999; Paauwe, 2004; Boselie, 2014; Paauwe & Farndale, 2017). This balanced perspective goes one step further than just incorporating institutional factors that affect organizations on a daily basis, like labor legislation and trade unions. Strategic balance theory focuses on creating long-term success through smart and entrepreneurial designs that meet both market and institutional criteria. More research is required to identify leading firms from a strategic balance perspective to learn about drivers for long-term success. Corporate social responsibility (CSR) and public value creation, for example, have received more attention in the last decade, not just for gaining and maintaining social legitimacy, but as a basis for creating strategic value (McWilliams & Siegel, 2011).

Overall, we conclude that RBV has a lot of potential for further research in HRM, in particular in combination with other theories (AMO, human capital, new institutionalism and strategic balance).

Methodological Implications

First, empirical HR research is dominated by quantitative analyses, mainly focused on the effects of HRM on performance and potential moderating and mediating effects. It is unclear whether quantitative techniques will ever prove HRM's contribution to sustained competitive advantage. RBV is closer to a configurational approach – leaving room for equifinality principles on the basis of the uniqueness of every organization – than to a contingency approach that focuses on predetermined combinations of practices and other organizational factors (for example, the strategy and the production system). In order to fully understand an organization's context, in particular its administrative heritage, research techniques other than survey methods are required (history analysis, interviews and archival data analysis) (for example, Boxall & Steeneveld, 1999). However, qualitative research itself is time consuming, difficult in terms of reliability and validity, and insufficient to answer the added value question. Therefore, we propose a combination of both qualitative and quantitative research techniques taking into account the feasibility of these techniques when applied in practice.

Second, we propose a multi-actor and multi-rater design in which multiple stakeholders are represented (for example, employees, front-line managers, HR professionals, controllers, top managers, members of the works council, trade union offices and shareholders) and multiple respondents per unit of analysis to optimize data validity and reliability (Beer et al., 2015).

Third, more longitudinal research is required. Longitudinal research often requires close cooperation with one or a limited number of firms in order to gather annual employee survey data, for example. Another possibility for longitudinal research is to draw on available panel data such as by using the Work Employment Research Survey (WERS) in the UK (Wall & Wood, 2005; Delbridge & Whitfield, 2007).

Fourth, from an institutional perspective it is clear that countries and sectors both have a huge impact on organizations. Within-industry analysis at least partly controls for some of these institutional mechanisms that can be significantly different between branches of industry (for example, within the health care sector; Veld et al., 2010). Arthur's (1994) steel mill analysis is an example of such an approach. This way the organizations involved more or less share the same institutional environment. Linked to the notion of within-industry analysis is the notion of business unit analysis in studying large multinational companies (MNCs). These MNCs are often conglomerates of divisions operating in different markets. Research at MNC corporate level is often less valid because of the firm's internal heterogeneity in activities and markets. Validity can be increased to focus on the divisions or business units within MNCs.

Finally, a strategic balance approach implies the incorporation of a multi-dimensional performance construct taking into account economic and other outcomes (Van de Voorde et al., 2012; Bos, Boselie & Trappenburg, 2017). From a balanced perspective long-term success is determined by not only the organization's efficiency, quality, innovativeness, flexibility and profitability, but also its social legitimacy, corporate reputation (corporate branding toward potential employees; reputation in the media), relationship with trade unions and fairness toward employees taking into account employment security, fair payment and employee well-being.

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Big Data and Human Resource Management

Mark Huselid and Dana Minbaeva

INTRODUCTION

It would be difficult to overstate the influence of *Big Data* on a wide range of business and societal outcomes. In particular, the business community's interest in Big Data is substantial, as the amount of available data is growing exponentially, cloud-enabled computing power has increased rapidly, storage and connectivity costs have dropped significantly, and an increasing number of sophisticated machine-learning techniques are available to help to translate Big Data's potential into value-adding knowledge (McKinsey, 2017). As a consequence, firms are spending billions of dollars on data and infrastructure, and hundreds of blogs and thousands of LinkedIn posts have been written on this topic.

Among the many definitions of Big Data (for a detailed review see Gandomi and Haider, 2015), the definition found in the Gartner IT Glossary is the most prevalent in the literature: 'Big Data is high-volume, high-velocity and high-variety information assets that demand cost-effective, innovative forms of information processing for enhanced insight and decision making.' In addition to the three 'Vs' included in this definition (*volume*, *velocity*, and *variety*), other dimensions of Big Data have been highlighted in the literature. For example, IBM introduced *veracity*, which refers to the unreliability, impreciseness, and uncertainty inherent in some sources of data.[1] SAS introduced *variability* and *complexity* as two additional dimensions of Big Data.[2] Variability refers to data flow rates that are inconsistent, and have periodic peaks and troughs. Complexity refers to the fact that Big Data is generated from a myriad of sources. This implies another critical challenge: the need to connect, clean, and merge data from different sources. Finally, Oracle introduced *value*, especially low value, as a defining attribute of Big Data.[3] In its original form, Big Data has little value relative to its volume. This implies that Big Data per se is not a strategic resource. Instead, the value lies in analyses of that data.

With the right analytics, Big Data can deliver rich insights, as it draws on multiple sources and transactions to uncover hidden patterns and relationships. Big Data analytics have been utilized in numerous applications, including real-time fraud detection, complex competitive analyses, call-center optimization, consumer-sentiment analyses, intelligent traffic management, and the management of smart-power grids.

Strategic human resource management (HRM) and strategic human capital scholars have also expressed significant interest in the potential inherent in Big Data and its analysis. Recent special issues of the *Journal of Organizational Effectiveness: People and Performance* (Minbaeva, 2017) and *Human Resource Management* (Huselid, 2018), books in the popular press (Bock, 2015; Guenole, Ferrar, and Feinzig, 2017), and workshops held by professional organizations, such as the Academy of Management (AOM) and the Society for Industrial and Organizational Psychology (SIOP), all point to the growing importance of Big Data and analytics, especially in the domain of HRM. Nevertheless, Marler and Boudreau's (2017) review of the literature concludes that while the promise may be real, much work must be done before Big Data can fulfill its promise for the science and practice of HRM.

We believe that the advent of Big Data in HRM represents both a major opportunity and a significant challenge for our field. For example, most organizations routinely spend 50% to 70% of their revenue on their workforces and related expenses (e.g., wages, benefits, investments in training and development). However, the quality of analytics processes and infrastructure in most organizations is poor (Huselid, 2015; 2018). This form of 'information failure' can be very costly. Talent (especially top talent) is more mobile than ever, and disruptions and global labor arbitrage have left firms with no choice but to enhance their understanding of the quality of their workforce. Markets are changing faster than most firms can adapt, making workforce analytics one of many potential tools that might help firms survive and, perhaps, prosper in the current economic environment.

To address the challenges and opportunities of Big Data for HRM and to move the field forward, we believe that both academics and practitioners should address several key questions:

1. Is the Big Data trend positive for the field of HRM?
2. Will Big Data and analytics transform HRM as we know it?
3. Where do Big Data and analytics add the most value for HRM?
4. What are the key priorities for the development of workforce analytics?

In this chapter, we address these questions and provide a brief overview of Big Data in the context of HRM.

IS THE BIG DATA TREND POSITIVE FOR THE FIELD OF HRM?

We believe that the advent of Big Data provides an important opportunity, but one that is fraught with peril if managed incorrectly. Ironically, more data is not necessarily always a good thing. One could argue at length about whether the Big Data construct is best described by such subfactors such as *volume*, *velocity*, *variety*, *veracity*, *variability, complexity*, and *value*. However, with regard to HRM, we propose that the discourse around Big Data should be concerned with the concept and definition of *smart data*.

In their recent editorial in the *Academy of Management Journal*, the editors point out that 'big' is no longer the defining parameter for data in management research. Instead, the defining parameter is how 'smart' the data is – that is, the insights that the data can reasonably provide.

> 'For us,' they add, 'the defining parameter of Big Data is the fine-grained nature of the data itself, thereby shifting the focus away from the number of participants to the granular information about the individual. (George, Haas, and Pentland, 2014: 321)

What is *smart data* for HRM? 'I know that we have a lot of HR data, but I do not know what kind of data we have': this is the most common response from managers when asked about their existing HR data. What data do we have? Where do we store our data? How was the data collected? What rules have been applied? How can two (or more) datasets be merged into one? What are the advantages and disadvantages of each dataset? Although these are basic questions, most firms do not have the answers.

Such poor organization of firm data can be very costly. When formal, centralized coordination of data collection is lacking, we often see such problems as data duplication and incorrect entries. Moreover, such a situation makes it impossible to combine different datasets; creates unexplained breaks in time-series/longitudinal data; and leads to data inconsistencies due to the proliferation of various metrics, coding system, or time frames. Accordingly, analyses based on such data are rarely comparable or combinable. Answers to complex business problems that rely on analyses of different variables observed over several periods of time and at different organizational levels (e.g., individuals, teams, departments, business units) are difficult to derive. Moreover, firms usually do not collect data documenting changes in the organization (e.g., business-unit reorganizations), even though organizational change can modify the relationships under study. The failure to model such processes biases the analytics-based decision-making process.

Furthermore, many firms do not have full ownership of their data. That is, most firms do not have access to the individual-level data gathered through surveys carried out by external vendors, often due to contractual arrangements. Accordingly, they cannot connect their existing HR data to the collected survey data at the individual level. A major contributing factor to this situation is the fact that firms make unclear agreements with their external vendors regarding whether they will have access to the raw data (i.e., original responses at the individual level). In this regard, external vendors often refer to the need to ensure respondent anonymity. However, in their argumentation, external providers often use the terms 'anonymity' and 'confidentiality' interchangeably, even though they have very different meanings. When data is collected and held 'anonymously,' it does not include identifying information that can link survey responses to certain respondents. In fact, not even the researcher can identify a specific participant. In contrast, when data is collected and held 'confidentially,' the researcher can identify the participants but that information is kept in a secure environment.

The problem with anonymous survey data is that matching it with other available data can only take place at the group level. As such, explanatory and causal models accounting for individual variance cannot be developed. Why is this problematic? When we average individual responses at the group level, we lose a great deal of explanatory power. This means that we are unlikely to be able to derive conclusions about the true individual-level antecedents and consequences of employee engagement. In research terms, this is called an ecological fallacy. It occurs when we make conclusions about individuals based only on analyses of group-level data. Even if we are working with a collective concept that is, by definition, supra-individual (such as Barrick, Thurgood, Smith, and Courtright's (2015) discussion of collective organizational engagement), individual-level data is needed to ensure discriminant validity between aggregated individual-level findings and collective organizational engagement.

How can this issue be addressed? A firm can, for example, promise its employees confidentiality rather than anonymity. Patrick

Coolen, HR Analytics Manager at ABN-AMRO Bank, explains:

> We partnered with an external partner … in some cases, to protect the anonymity, we are not allowed to handle data at an individual level within our organization. This simply means our external partner can perform richer models and therefore can create better insights than we can internally. (Ignostix, 2016)

Employees may trust third parties to avoid inappropriately sharing information with their employer. The aspects of third-party relationships that support trust in confidentiality include a reputation for independence, explicit rules for research ethics, academic integrity, and traditions.

Another solution is to encrypt the individual-level data. Encryption entails the conversion of data into a form that cannot be easily understood by unauthorized users. In practice, one file is created in which individual identifiers are connected with a code. In all other files, the code is used instead of individual identifiers. One person in the company (e.g., the data protection officer) may have access to this file or it can be held by an external party (e.g., a survey provider or academic partner).

Therefore, the key issue is not having more data, but doing more with the data you have. Furthermore, to move from data to actionable information, we must understand behavioral science theory and ask the *right questions* about how the workforce contributes to success. In this regard, it is useful to remember that *Big Data requires bigger theories*. The typical statistical approach of data mining, searching for significant *p*-values, and moving towards increasingly sophisticated econometrics will probably result in a decent, perhaps slightly overfitted statistical model – the immense volume of data generally makes everything appear significant. However, it is unlikely to result in a model that would be useful for practitioners and also acceptable to top journals. In the *Academy of Management Journal* editorial mentioned above, the editors stress: 'Given the unstructured nature of most Big Data, causality is not built into their design and the patterns observed are often open to a wide range of possible causal explanations' (George et al., 2014: 323). The idea is to move away from reporting on what is happening and toward using rigorous analysis based on solid conceptual models to help the firms understand and address current challenges and to plan for the future (Davenport, Harris, and Morison, 2010).

WILL BIG DATA AND ANALYTICS TRANSFORM HRM AS WE KNOW IT?

We believe that the advent of Big Data can have substantial positive implications for the field of HRM provided that leaders and analysts stay focused on data for decision-making and strategy execution through the workforce. In our view, a focus on the workforce (rather than the HR function) is central to the effective use of Big Data in organizations. This reflects the shift in the focus of academics and professionals from the HR function (a relatively low value-added activity) to the workforce's output (an activity with much greater value-added potential). Huselid (2018) defines *workforce analytics* as follows:

> Workforce Analytics refers to the processes involved with understanding, quantifying, managing, and improving the role of talent in the execution of strategy and the creation of value. It includes not only a focus on *metrics* (e.g., what do we need to measure about our workforce?), but also *analytics* (e.g., how do we manage and improve the metrics we deem to be critical for business success?).

Workforce analytics is both a very new and a very old discipline (Becker, Huselid, and Ulrich, 2001; Huselid and Becker, 2005; Huselid, Beatty, and Becker, 2005; Huselid, Becker, and Beatty, 2009; Huselid, 2018). Managers have been making decisions about who to hire, how to appraise performance, and who to promote for many years. What is new about Big Data is that it presents an opportunity to substantially improve the quality of these decisions. In short, the main potential of Big Data lies not in the data per se but rather in the insights and intelligence that it can generate.

From a historical perspective, the field of workforce analytics is rooted in the conventional disciplines of economics, statistics, social psychology, law, and, of course, HRM. So, how can we understand the impact of Big Data on the field of HRM? Will the impact be one of evolution or of revolution? Like any other business function, HRM is exposed to various disruptive forces that push business functions to transform themselves.

Consider a case involving the introduction of strategic workforce planning (SWP) and the shift of workforce-planning decisions to line managers. SWP is a technological tool that systematically forecasts risks; finds the right balance among quantity, quality, and location of critical talent; and pinpoints the internal supply of and demand for critical skills and roles in multiple business scenarios. It can be developed in-house (e.g., Novo Nordisk's analytics team developed a tool for the whole organization using only Excel) or in-sourced from external providers. When introduced properly, SWP is a unique case showing how HR technological advancements and easy access to actionable analytics push people-related decisions out of the hands of HR professionals and into the hands of line managers. Minbaeva (2017) noted that:

> With the introduction of strategic workforce planning and actionable analytics, do line managers need HR business partners to discuss the changes in their workforces driven by market growth and talent supply? Would line managers prefer to obtain their figures by playing with scenario planning in the strategic workforce planning application? Given the expansion of digitalization and the rise of e-HR, what should be outsourced to robots or automated, and what should be kept for HR? How will the rise of analytics shape the employable HR profile over the next three to five years?

In summary, we believe that changes in the HRM mindset will be necessary to capitalize on the opportunity afforded by Big Data. We argue that these tremendous advancements in information technology, the disruption of the main business processes, and stakeholder expectations for continual economic gains not only pose *significant challenges to HR* but also offer *tremendous opportunities for reinventing HR* to allow for organizational value creation. 'Technology and analytics are needed to translate data, because deciding on human capital value is no different from deciding on capital investments in the business with an expected return on investment' (EY, 2016a: 2). To rise to this occasion and meet these expectations, 'many HR legacy mind-sets that may have been true in the past need to evolve to modern realities' (Ulrich, Schiemann, and Sartain, 2015: 2).

Although firms are improving their abilities to act on the results of their analytics, too few collect data focused on the consequences of their analytics-based decisions and actions. What actions have been taken and where? How have they been operationalized? What changes are evident in the variables? The formal analysis of follow-up data reveals the effectiveness of the decisions and actions, helps identify how actions can be modified or changed to better achieve the expected output, and highlights those actions that are actually harmful and should therefore be stopped.

In HRM, the situation is very different – an atheoretical (or unmonitored) search for results with 'statistical significance' can be ill-informed or even illegal. For example, one workforce-analytics specialist recalled that certain analyses showed that single, white males in a focal firm had the highest performance-evaluation ratings and the highest salaries, and that they also received the highest raises (in both percentage and absolute monetary terms). This analyst suggested that the organization should therefore consider devoting more resources to the members of this group because of their 'obvious' higher performance and potential. It had not occurred to the analyst that correlation does not necessarily equal causation, and that there were a range of alternative explanations for these findings, beginning with the firm's own biases in its recruiting, selection, development, and promotion processes.

WHERE DO BIG DATA AND ANALYTICS ADD THE MOST VALUE FOR HRM?

The great irony of the advent of Big Data is that the increasing amount of data has the potential to distract rather than inform. The danger is that that we can easily become sidetracked and overwhelmed by the availability of data, and consequently pursue research avenues that are either not focused on strategy execution or not supported by previous research. As with any form of scientific inquiry, some questions are more important than others, and not all questions warrant significant investments of time and resources to generate a high-quality answer. It is important to understand that all data is only valuable to the extent to which it can create new insights and knowledge relevant for business.

Sanders' (2016) review of the implications of Big Data for supply chain management includes some important points of particular relevance for HRM. Based on interview and survey data covering executives in more than 300 firms, Sanders concludes that Big Data has created three new areas of opportunity for leaders:

- *Opportunities for inquiries through Big Data*. Sanders points out that the availability and quality of data allows both scholars and practitioners to explore questions and issues in a way that was simply not possible in the past. For Sanders, the sheer types and variety of available data make it possible to explore a wide range of potential questions.
- *Opportunities to change the nature of inquiries through Big Data*. For Sanders, Big Data allows not only for old questions to be asked and answered with much greater speed, but also for changes in the ways in which questions are asked and answered. Extremely large datasets, low storage costs, and very high computational speeds have enabled the development of machine-learning algorithms that enable the exploration of new questions in new ways.
- *Opportunities to change the nature of experimentation through Big Data*. Finally, Sanders notes that Big Data allows us to exploit the field experiments that naturally occur in every organization. This may be the most important difference with regard to workforce analytics, as it allows us to assess causality in ways that were not previously possible.

For HRM, the most value added by Big Data and analytics relates to the key unanswered question in HRM: Does HRM pay off? A few years ago, a cover story in the *Harvard Business Review* claimed 'It's time to blow up HR and build something new.' As Capelli (2015: 56) explains, 'HR managers focus too much on "administrivia" and lack vision and strategic insight.' Another article in the same issue highlights the fact that HR tends to fall in love with the problem rather than the solution. As such, it focuses too little on the *actual value* of HR initiatives and *their contributions* to the fulfilment of organizational goals (Boudreau and Rice, 2015). Big Data and analytics offer a possibility to demonstrate HR's actual value and contributions, thereby making HR a more credible partner for business. As Green (2017: 137) argues, 'successful people analytics teams focus on projects that actually matter for business.' To be viewed as a valuable business partner, HR must speak a language that stakeholders understand – the language of value creation. As Ed James, Wawa Inc.'s Senior Director of HR, says, 'We've found that the more data we [HR] produce and send to our business partners, the more questions we get and the more they want. They become very engaged with what we are doing, very engaged with the solutions.'[4]

The advent of Big Data and analytics should also help HRM move away from treating all employees equally toward starting to treat them equitably (Becker, Huselid, and Beatty, 2009). For example, analytics can provide input for core talent-management decisions in terms of: (a) identifying pivotal or strategic positions within the organization that have the potential to affect organizational performance, (b) identifying a talent pool (both external and internal) to fill those positions, and (c) monitoring talent performance and actively managing talent retention (Minbaeva and Vardi, 2018). Similarly, well-designed and executed analytics projects can help HR to create 'a clear sense of the HR management practices (selection, development, performance management, and so on) that you [the organization] wish to *improve* vs. those you would like to *do differently*' (Becker et al., 2009: 129). This will ultimately lead organizations to build differentiated HR architectures and enable them to effectively execute their strategies.

Where will the potential impact of workforce analytics be the greatest? What should be measured and how? While the answers to these questions will almost certainly differ by firm, our key point is that business logics drive measurement. In our view, this means that the metrics and analytics that a firm develops should focus on executing the firm's strategy. More specifically, we believe that workforce analytics will have the greatest impact when it is focused on strategic work embedded in strategic jobs (Becker, Huselid, and Beatty, 2009; Huselid, 2018). These jobs may appear at any point in the firm's value chain and they exhibit two key attributes. First, they are almost always located within one of the firm's most essential strategic capabilities (e.g., supply chain analyst in a logistics firm). Second, there is substantial variability in the performance of the individuals holding those roles. This unique combination of *importance* and *opportunity* makes strategic jobs a priority for both the development of analytics and improvements by managers.

WHAT ARE THE KEY PRIORITIES FOR THE DEVELOPMENT OF WORKFORCE ANALYTICS?

Develop Analytical Competencies at the Individual Level

The effective implementation of analytics programs requires a wide range of skills and abilities, some of which most likely already reside in most well-developed HR functions. Some may need to be 'borrowed' from other functional areas (e.g., marketing, accounting, finance, supply chain), while still others will need to be developed internally or brought in from the outside.

Our point is that world-class analytics do not just occur on their own – they are created by competent, capable leaders who know and understand workforce analytics. Becker et al. (2001) argue that effective workforce-analytics design and implementation require HR leaders with the following skills (in addition to general HR manager competencies):

- critical causal thinking,
- an understanding of the principles of good measurement,
- the ability to estimate causal relationships, and
- the ability to communicate HR's strategic-performance results to senior line managers.

Taking this idea further, Kryscynski, Reeves, Stice-Lusvardi, Ulrich, and Russell (2018) tested a sample of 1,117 HR professionals from 449 organizations. They found that HR professionals with better analytical competencies outperformed their peers.

Clearly, analytical competencies matter and the field of analytics is growing rapidly (Davenport and Patil, 2012). While this is a positive development for HRM, it is also important to take great care when forming an analytics team. Managers trained in analytics may not have much experience with the science and practice of HR, which points to the need for a wide range of skills on the analytics team and a focus on the organizational level of analysis when considering investments in analytics capabilities.

Develop Analytical Capabilities at the Organizational Level

In addition to changes in the mindset, new *organizational-level capabilities* are also required. These capabilities must be built on a foundation of *individual competencies*. Minbaeva (2018: 701) defines human capital analytics (HCA) as an 'organizational capability that is rooted in three micro-level categories (individuals, processes, and structure) and comprises three dimensions (data quality, analytical competencies, and strategic ability to act).' She argues that at the individual, process, and structural levels, the development of HCA as an organizational capability requires different components, as well as interactions within and across those components:

- *Individual*: (a) Include committed individuals to ensure flawless data organization; (b) acquire and develop analysts with the necessary knowledge, skills, and abilities; and (c) encourage boundary-spanning behavior outside the HCA team.
- *Process*: (a) Build systems and establish workflows to continuously support data quality; (b) link the results of analytics projects with existing organizational processes; and (c) encourage experimentation and enable follow-up actions via HR business partners (HRBPs).
- *Structural*: (a) Continuously invest in formal, centralized coordination of data collection and organization; (b) create a culture of inquiry and a habit of making evidence-based decisions; and (c) equip top management with tools for action, which should be linked to current and future strategy discussions.

A related issue is the discussion regarding where analytics should be located within the organization. Does it belong with HR, line managers, or the business-intelligence unit? Andersen (2017) weighs the pros and cons of moving analytics outside the HR function. Van den Heuvel and Bondarouk (2017) argue that moving analytics to the HR department or to a general business-intelligence department is the most desirable solution. In general, the analytics function should be based in an area where it fulfills boundary-spanning roles and acts as a bridge among HRBPs, line managers, and the executive team. The interdependency between analysts and HRBPs is crucial, as articulating a business problem in analytical terms requires a joint effort between HRBPs and analysts. However, direct links with business and line managers are also needed, as the communication of the problem and the interpretation of the results occur directly between the business leaders and the analysts. Finally, the support of the executive team is crucial. Green (2017: 172) warns that 'without CHRO and senior executive involvement your people analytics adventure is likely to be doomed from the start.' Similarly, Boudreau and Cascio (2017: 122) point out that 'a fundamental requirement is that HCA address key strategic issues that affect the ability of senior leaders to achieve their operational and strategic objectives.' In her analysis of Shell's analytics journey, Minbaeva (2017: 114) concludes:

> one of the decisive factors for the success of Shell's analytics journey is the close cooperation between Jorrit van der Togt, the Executive Vice President of HR Strategy and Learning, and Thomas Rasmussen, the Vice President of HR Data and Analytics, as well as the strong support from the senior business leaders.

Understand Business Problems and Translate Them into Questions about the Workforce

Perhaps the most important advice we can provide is that workforce measures and analytics should provide answers to questions, especially questions about the quality and progress of the workforce in relation to the firm's strategy. Therefore, one of the most important things an analytics team can do is to ask the right questions about how the workforce contributes to the firm's success.

This can be quite a challenge, especially in the context of a business (or leadership team) that is pressuring the HR function to 'do something' about analytics and to quickly provide results. We have worked with a number of analytics teams that have actually impeded their own long-term progress by moving too quickly to the data-analysis phase. The typical rationale for doing so is that there will be time to go back and collect the 'right' data 'later,' and that it is important to 'do something' now. The answers generated by this approach are often either uncompelling or simply incorrect. Consequently, the analytics team loses credibility and line managers lose interest in the concept.

We can provide two brief examples of how paying attention to the 'data we have, not the data we need' can distract an analytics team from focusing on the ultimate goal of helping leaders make better, evidenced-based decisions about the workforce. The first example relates to benchmarking common HR processes, such as time to fill an open position or cost per hire. The measurement of such HR activities is very appealing to leaders because it seems straightforward and relevant. Who can argue against trying to fill open positions quickly and efficiently? Unfortunately, a decrease in the time used to fill an open position is frequently associated with lower candidate quality and, ultimately, higher costs and poorer organizational performance (Becker and Huselid, 2003). How can the firm address this problem? Instead of measuring the time needed to fill a vacant position, some firms measure time to competence or time to first promotion. Others use performance at the one-, two-, and five-year work anniversaries as a measure of recruiting competence. These time-lagged measures are more complex than simple time-to-fill measures, but they are a much better fit for the recruiting construct.

The second example has to do with an overreliance on enterprise resource planning and data warehouses as data sources for workforce analytics. Part of the Big Data implementation process in many firms is the development and installation of system-wide data warehouses that are not only intended to integrate the functional areas within HR (e.g., performance management and compensation systems), but also to link those systems with data in other functional areas (e.g., marketing, sales, supply chain, and finance). This sounds like an ideal situation for the workforce analyst. However, with this type of system, the devil is often in the detail. Given the scope, magnitude, and costs associated with these systems, there is enormous pressure to standardize data feeds and related elements for the workforce. The customization of the software to meet the needs of the workforce analysts is often extremely expensive, especially after it has been installed. To avoid this type of problem, we believe it is important for the workforce-analytics team to be involved in the system's design and implementation from the outset.

The point of these examples is that it is crucial for workforce analysts to focus on collecting *relevant* data rather than on analyzing *available* data. First, analysts must determine *what to measure* and *then* collect reliable and valid data. As Becker et al. (2009) suggest, the process needs to start with the development of a clear statement of the strategic capabilities (e.g., bundles of information, technology, and people) that are needed to execute the firm's strategy. As we mentioned above, the greatest opportunity to affect the firm's performance is likely to be located in (some very specific) *strategic positions*.

After these steps have been taken, someone on the team should review the literature to see what is already known about a topic. Relevant questions in this regard include: How do we measure the performance of our project managers? What do we know about the predictors of their performance? How difficult is it to change or influence these predictors? In short, it is important to read the research and to build a theory or model that shows *causation* in your organization. In the long run this will save a tremendous amount of time and energy. Moreover, these analyses should be focused on the entire work system, not just on individual HR policies or practices (Levenson, 2018).

Most of the focus in the domain of workforce analytics is on quantitative data, including performance-appraisal data, salary data (e.g., base salaries, bonuses, and other incentives), and employee movements (e.g., resignations and promotions). This data is relatively easy to acquire. However, much of the interesting and important data is qualitative in nature, and firms are generally much less skilled in dealing with this type of data (Gandomi and Haider, 2015).

Finally, managers should develop and implement audit functions for workforce analytics. Audit procedures are common in many organizational functions, and we believe that they are particularly important in the workforce data domain because the data-collection processes are not only new but also widely distributed throughout the firm, which increases the likelihood of errors.

Match the Data Quality and the Rigor of the Analysis with the Question's Importance

In our experience, the most quantitative part of the process (estimating statistical relationships among variables) is actually the easiest and least controversial part. There is an extremely well-developed stream of literature in psychometrics (e.g., ways of measuring aspects of employee attitude, such as satisfaction, job involvement, or engagement) and statistics and econometrics (e.g., ways of assessing relationships among variables).

One key point to keep in mind is that workforce outcomes (e.g., performance, turnover, and satisfaction) are not the result of a single driving factor. Rather, they are determined by a variety of factors. Therefore, the ways in which we think about and model those outcomes need to be multivariate as well (Huselid, 2018). Managers should be wary of simple correlations in organizations. For example, a focus on the relationship between engagement and performance is likely to overstate the importance of engagement in the model. Instead, managers should utilize multivariate models, such as regression or network analyses (Robinson, 2018), and predictors that have been identified in the extensive body of HRM research.

Another defining characteristic of measuring and managing the impact of the workforce on the firm's success is that the effects of the workforce are nested or multilevel in nature. For example, employees work together in teams, which develop (or support the development of) a product or service. This then influences the production, merchandising, and distribution processes, which in turn affect customer sentiment and purchase (and repurchase) behavior. That behavior turns into sales and cash flow, and ultimately into profit and shareholder value. The rich, multilevel nature of this research can also be modeled using existing research techniques (Gibson, 2017). The reliance on a single-level view yields an 'incomplete understanding of behaviors occurring at [any] level' (Hitt et al., 2007: 1385). We believe that firms that can understand and work to improve the direct and indirect ways that employees affect firm value can enjoy a source of competitive advantage that is difficult to replicate.

Influence Decision-Making Through Workforce Analytics and Build an Evidence-Based Decision Culture

In the absence of managerial influence, workforce analytics represents a substantial missed opportunity. Therefore, it is important to develop an implementation plan that ensures that workforce data and analytics are used to help execute strategy and to improve workforce quality. Managers need help with focusing and prioritizing their workforce decisions and investments, and they require information that will enable them to make better decisions about the firm's most expensive (and valuable) resource.

In this context, Big Data and the analytics team can help managers by collecting and presenting data on the extent of workforce success. Data-visualization software, and HR or workforce scorecards, allow managers to understand complex, often nuanced data. One approach at the HR function level is the HR scorecard (Becker et al., 2001), while metrics for the broader workforce can be presented in a workforce scorecard (Becker et al., 2009). Regardless of the approach, HR leaders and decision-makers need to understand the specific process through which the workforce affects the firm's success, how the firm is doing in relation to those elements, and areas in which improvements can be made.

Work to Address the Academic–Practitioner Gap in Workforce Analytics

Our final point is that the scholarly and practitioner communities must work closely together as the field evolves. In our work with the Human Capital Analytics Group at the Copenhagen Business School (Minbaeva) and the Center for Workforce Analytics at Northeastern University (Huselid), we have observed numerous cases in which applied analytics teams made substantial mistakes because they were not aware of prior research on a topic or the appropriate analytical tools. Similarly, we have worked with analytics teams that were exceptionally advanced and were undertaking much more sophisticated analyses than have typically appeared in the literature – so much so that they were hesitant to publicize their work because they felt it could be a source of competitive advantage. Clearly, both the academic and practitioner communities have much to learn from each other (Simon and Ferrerio, 2018).

We also believe that the Big Data trend represents a significant opportunity for HRM scholars to conduct new, innovative research that was simply impossible to undertake even a short time ago. Workforce analytics exists within the broader context of business analytics. HR function analytics are likely to be a subset of workforce analytics, but they do not have to be. For example, prior research on the impact of HRM systems on firm performance can help firms position their work in the context of the broader business and its strategy (Combs, Liu, Hall, and Ketchen, 2006; Huselid, 1995).

For scholars, we believe that it is important to reach out to practitioners who are handling this work in organizations. Scholars can help firms understand what we know about the relationships among HR practices, talent, customer outcomes, and firm-level outcomes, and then translate those findings into a structure easily accessible to practitioners who are developing and implementing workforce analytics. As such, we believe that the field of workforce analytics will face many of the same challenges and obstacles encountered in evidence-based management, especially in the process of translating the extant research into testable internal research designs (Rynes and Giluk, 2007). Excellent examples of this process can be found in case studies of Google (Bock, 2015), Jack in the Box (Schiemann, Seibert, and Blankenship, 2018), and Zara (Simon and Ferrerio, 2018).

CONCLUSION

We began this chapter with a focus on four broad questions:

1. Is the Big Data trend positive for the field of HRM?
2. Will Big Data and analytics transform HRM as we know it?
3. Where do Big Data and analytics add the most value for HRM?
4. What are the key priorities for the development of workforce analytics?

Our conclusion is that Big Data in the domain of HRM has the potential to substantially contribute to effective workforce management and, ultimately, to firm success. However, much of this potential remains unrealized. Our analyses show that that the shift toward workforce analytics and the broader construct of evidenced-based management represent a real and enduring transition. Is this transition real or a fad (Rasmussen and Ulrich, 2015)? Only time can tell. Nevertheless, we believe that workforce analytics represents a significant shift in HR management, as it meets a significant managerial need and, at its core, is based on fundamental social science research methods that are well understood and well proven. For managers, we highlight the need to develop a causal understanding of the role of the workforce in the firm's success and to then act on that information. In this regard, there is still much work to be done.

The challenge for both scholars and practitioners is to carefully manage the signal-to-noise ratio, and to avoid becoming distracted by data and questions that are not relevant to the firm's overall success. The HR team cannot handle the analytics challenge alone. The most effective organizations build specific organizational capabilities in analytics by creating interdisciplinary teams. Broad, integrated business problems require equally broad and competent analytics teams to address them.

Analytics can drive the makeover that HR needs (Cappelli, 2015). HR tends to fall in love with the problem rather than the solution, and to focus too little on *the actual value* of HR initiatives and *their contribution* to the fulfilment of organizational goals (Boudreau and Rice, 2015). 'A critical analysis of many HR functions today would reveal between 60 per cent and 80 per cent of activity and associated cost remains focused on what are primarily transactional or compliance-based activities, suggesting the function may not be that different to what it was 30-plus years ago' (EY, 2016a: 1). We believe that carefully designed workforce analytics can go a considerable distance toward closing this gap.

Notes

1 www.ibmbigdatahub.com/infographic/four-vs-big-data
2 https://www.sas.com/en_us/insights/big-data/what-is-big-data.html
3 https://www.oracle.com/big-data/guide/what-is-big-data.html
4 www.nugress.com/resources/images/HR%20Analytics%20%20Gaining%20Insights%20for%20the%20Upturn%20[1].pdf

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29

Human Resources and Ethics Management: Partners in (Reducing) Crime

Niki A. den Nieuwenboer
and Linda K. Treviño

Unethical behavior in organizations can harm the organization's image and reputation, especially if the media or social media get wind of it. But employees and other stakeholders such as customers are also likely to suffer when employees behave unethically. Research suggests that the societal cost of unethical behavior or even crimes by organizations or their employees dwarfs that of street crime (Ashforth & Anand, 2003). As an example, the United States Government Accountability Office (2013) estimated that the losses from the diminished output associated with the 2007–2009 financial crisis likely ranged from a few trillion dollars to over 10 trillion dollars in the United States alone, a cost that does not even include other economic losses associated with the other crises that were triggered by the US economic meltdown, in Europe and beyond. Therefore, managing employees in a manner that is aimed at reducing unethical or illegal behavior is extraordinarily important. This task usually falls to those in the ethics and compliance field for organizations large enough to have such specialized employees. But in other organizations, the task may fall to human resource managers who are generally responsible for the systems that hire employees, that orient and train them, that manage them through performance management systems, and that discipline or terminate them when problems arise. Therefore, it is unsurprising that anecdotal evidence suggests that approximately two-thirds of the calls to ethics and compliance helplines or hotlines are about human resources-related issues. So, at a minimum, ethics and compliance officers and human resources managers should be partners in (reducing) crime.

Research on employee ethical and unethical conduct, or behavioral ethics research, dates back to the 1980s (see Treviño, Weaver, & Reynolds, 2006) and covers a broad range of topics. In this chapter, we will focus on research that has the potential to inform human resources management and that examines mostly unethical behavior but also ethical behavior (e.g., voicing) by people within organizations. We define unethical behavior as behavior that is 'contrary to accepted moral norms in society (e.g., lying, cheating, stealing)' and ethical behavior as behavior 'that meets the minimum moral standards of society (e.g., honesty, treating people with respect)' (Treviño, Den Nieuwenboer, & Kish-Gephart, 2014a: 636–637). The literature also identifies 'extraordinary ethical behavior,' defined as behavior that extends outside the bounds of one's formal role and that exceeds the moral minima that society imposes (e.g., whistleblowing). However, less recent research has studied such behavior and more work clearly needs to be done. Note that the yardstick for measuring whether behavior is unethical or not relies on *societal*, not organizational, norms. This is important because organizational norms may sometimes 'normalize' or promote unethical behavior (Ashforth & Anand, 2003).

Despite the obvious overlap in topics of interest between human resources management and behavioral ethics, the two research domains have evolved relatively separately. Yet there are many areas where cross-fertilization could and arguably should occur. We therefore intend for this chapter to inform human resources audiences of the most important (and more recent) research findings and topics that have emerged from behavioral business ethics research that are relevant to human resources management. In particular, we aim to inform researchers and practitioners about the causes of unethical behavior in the hopes that our work might inspire action that leads to the prevention of ethical lapses in organizations and that can perhaps help further a solid working relationship between human resources professionals and those responsible for ethics and legal compliance in organizations. With the burgeoning of research in the field of behavioral ethics over the last decade and a half, it has been disheartening to find that scandals such as the one at the large US bank Wells Fargo continue to occur. The Wells Fargo scandal, amongst others, involved workers who were pressured by their managers to reach impossible performance goals set by higher levels within the organization. Succumbing to performance pressure, employees created millions of fraudulent bank accounts without customers' consent, faking signatures and harming customers in the process. The company's reputation was damaged and senior managers lost their jobs. Research has long suggested that overly challenging goals and performance pressure can cause people to engage in unethical behavior. This knowledge, unfortunately, did not help prevent the scandal from occurring. Perhaps sharing what we know in a systematic fashion can contribute to reducing such behavior in the future.

Before we proceed, we wish to alert readers to a large number of review papers that have appeared in recent years on various related topics. Important qualitative reviews that provide a general overview of the state of behavioral ethics research are Treviño et al. (2006) and Treviño et al. (2014a). An important milestone review is the meta-analysis by Kish-Gephart, Harrison, and Treviño (2010), where the results of numerous studies in the field are combined to summarize research results published to that date. Further, the December 2015 issue of *Current Opinion in Psychology* includes various reviews of behavioral ethics topics, on specific variables such as moral disengagement (Moore, 2015), 'blind spots' where individuals are unaware of the fact that they are engaging in unethical behavior (Sezer, Gino, & Bazerman, 2015), as well as on field research (Pierce & Balasubramanian, 2015) and about the increasing depth and breadth of the ethics phenomena studied (Tenbrunsel & Chugh, 2015). Other important reviews are by Tenbrunsel and Smith-Crowe (2008) on ethical decision-making, Moore and Gino (2013) on social influences on unethical behavior, Bazerman and Gino (2012) on moral judgment and dishonesty, and Zhang, Gino, and Bazerman (2014) on simple fixes for our 'moral bugs.'

Given these multiple available reviews, in this chapter we focus on relatively recent empirical studies and research streams in behavioral ethics as they are relevant for human resources management. We also offer thoughts about questions for future research, as well as questions that organizations might ponder as they attempt to positively influence their employees' ethical behavior. We have organized the discussion to some extent by the different phases in employment, starting with recruitment, and including training and other issues that are relevant to human resources management.

ATTRACTION AND RECRUITMENT

Many organizations have adopted the practice of screening potential employees during the recruitment phase for a range of personality traits or individual differences that have been found to influence job performance (Tett, Jackson, & Rothstein, 1991; Tett & Burnett, 2003). Arguably, to attenuate risk, organizations could benefit from screening potential employees not just on traits that influence task performance, but also on the dispositional propensities that research has found to influence ethical or unethical behavior. Early behavioral ethics research focused on unearthing individual differences associated with an increased propensity to engage in unethical behavior (or with a greater likelihood of making ethical decisions and behaving ethically). For instance, the meta-analysis by Kish-Gephart and colleagues (2010) found that, across multiple studies, individuals with higher cognitive moral development (Kohlberg, 1969) and those who hold an idealistic moral philosophy were less likely to make unethical choices. Conversely, holding a relativistic philosophy, scoring higher on Machiavellianism, and having an external locus of control were associated with more unethical choices.

A more recent addition to the list of dispositional factors that are positively associated with individuals' likelihood of engaging in unethical behavior is dispositional moral disengagement (cf., Moore, Detert, Treviño, Baker, & Mayer, 2012). Bandura and colleagues described humans as self-regulating beings who have internalized moral standards (Bandura, Barbaranelli, Caprara, & Pastorelli, 1996). But these moral standards can be disengaged, and Bandura (e.g., 1999) identified eight mechanisms people use to do so. Some that are particularly relevant to organizations are displacement of responsibility where the responsibility for the outcomes of behavior are displaced to authority figures (e.g., 'my boss made me do it') or diffusion of responsibility where the responsibility is diffused within a decision-making group (e.g., it was a group decision – I had only one vote). Another is euphemistic language which abounds in many organizations. For example, managers may talk about 'rightsizing' rather than layoffs, which makes it seem a less harmful practice. As another example, the military talks about 'collateral damage' rather than civilian deaths. Some people have a higher propensity for moral disengagement, which means that they are more likely to engage these cognitive mechanisms that allow them to feel less guilty for engaging in unethical behavior. Research consistently finds that this results in higher levels of (various types of) unethical behavior (cf. Bandura, et al., 1996; Detert, Treviño, & Sweitzer, 2008; Barsky, 2011; Duffy, Scott, Shaw, Tepper, & Aquino, 2012).

Yet another relevant individual difference (on the positive side) is moral identity. Aquino and Reed (2002) defined moral identity as 'a self-conception organized around a set of moral traits' that may include being caring, compassionate, fair, friendly, generous, helpful, honest, and kind. For those high in moral identity such moral traits is integral to who they are. In a review of the moral identity literature, Shao and colleagues (Shao, Aquino, & Freeman, 2008) reported research finding that people with a stronger moral identity engage in less unethical behavior. Aquino and Freeman (2012) noted that, in addition to being an important individual difference, moral identity can also be triggered by the organizational context via rewards, norms, and role models among others.

However, possessing a certain trait or disposition does not always mean that its influence is positive or negative. For instance, studies have found that individuals who score high on Machiavellianism are actually more conscientious – which is related to higher job performance (cf., Kessler, Bandelli, Spector, Borman, Nelson, & Penney, 2010). Studies have also found that high Machiavellians are coolheaded and do not let their egos get in the way of winning (e.g., winning deals) (Sakalaki, Richardson, & Thépaut, 2007), and that they can be very productive salespeople (Ricks & Fraedrich, 1999). The opposite is also true as other research has found that those higher in moral attentiveness, under certain circumstances, engage in *more* – not less, as one would expect – unethical behavior. For instance, Van Gils and colleagues (Van Gils, Van Quaquebeke, van Knippenberg, van Dijke, & De Cremer, 2015) found that when highly morally attentive followers perceive their leader to be less ethical (or, to score low on the ethical leadership scale developed by Brown, Treviño, & Harrison, 2005), they respond with *more* organizational deviance. Van Gils and colleagues argue that this is because highly morally attentive followers will view a leader's lack of upholding moral norms as a violation of the relationship they have with the leader. Or, being more attentive to a less than ethical leader may give them license to be unethical themselves.

So, the dispositional approach is complex in part because organizational context is likely to interact with these individual differences to influence outcomes (Treviño, 1986). Rather than screening employees in or out based upon these individual differences, we would suggest potentially using this information as the basis for coaching or training, or to help with decisions about what assignments might be more or less appropriate for a particular employee, or which employees might need increased supervision, at least for a time. For example, it may be important for an employee who works largely unsupervised in a corrupt business environment to have higher cognitive moral development, moral attentiveness, and moral identity and lower Machiavellianism. It is also important to insure that the context and the recruit are adapted to one another. For instance, a meta-analysis found that the association between Machiavellianism and unethical behavior (as well as job performance) is moderated by contextual factors such as culture or by having an authority position – those in authority displaying fewer of the negative behaviors associated with Machiavellianism, and performing better overall, than those who do not have authority positions (O'Boyle Jr., Forsyth, Banks, & McDaniel, 2012). In other words, it may be okay to hire Machiavellians, as long as they are hired into positions and contexts that bring out the best in them. Understanding these complexities will help human resources managers protect their organization by insuring that the right people are hired into the right positions.

PERFORMANCE MANAGEMENT

Performance management has been implicated in several major corporate scandals, not just at Wells Fargo, but also at Enron and in the Sears Automotive scandal. It is therefore concerning that ethics and compliance officers rarely are involved with performance management. Because of the extent to which performance management influences employee ethical/unethical behavior, it is important that human resources professionals understand their role in preventing unethical behavior. It would also be beneficial if better connections are forged between human resources and ethics and compliance officers, so that the two can work together to develop and sustain performance management systems that support ethical behavior and discourage unethical behavior.

Individual performance is defined as the 'things that people actually do, [the] actions they take, that contribute to the organization's goals' (Campbell & Wiernik, 2015: 48). Managing performance therefore involves the identification of the actions that are relevant to achieving an organization's goals (which will vary across jobs and hierarchical levels within an organization), as well as defining what (a lack of) proficiency is in those tasks. Importantly, as part of performance management, managers routinely set goals, often with incentives tied to them, for groups, units, and individuals, and monitor performance against those goals (Campbell & Wiernik, 2015). The consequences of *not* reaching goals, however, usually go beyond missing out on a bonus or a raise, and may include negative employment repercussions such as a slower advancement or even termination. Performance management, including goal-setting, is a crucial instrument that managers use to motivate performance, which explains the abundance of research into the antecedents of performance and the workings of goals (Locke & Latham, 2013; Campbell & Wiernik, 2015). Unfortunately, research has also found that faulty performance management and bad goal-setting can have negative consequences and lead to unethical behavior.

The behavioral ethics literature has examined how goals contribute to unethical behavior, something the founders of goal-setting theory also warned about (Latham & Locke, 2006). In a study on the relationship between goals and unethical behavior, Schweitzer and colleagues (Schweitzer, Ordóñez, & Douma, 2004) found that in comparison with those who were merely asked to 'do their best,' participants with high performance goals were significantly more likely to overstate their productivity on an experimental task. This was true especially when they were very close to, as opposed to far removed from, reaching those goals. Our own research (Den Nieuwenboer, Vieira da Cunha, & Treviño, 2017) adds a hierarchical multi-level perspective to potential problems with goal-setting. For example, goal-setting research normally finds that people lose motivation to achieve goals when goals seem unachievable. However, in our study on deceptive performance in a sales unit, we found that while many front-line employees did lose their motivation to pursue their out-of-reach sales goals, middle managers (who were incentivized based upon their subordinates' performance) did not lose theirs. In our setting, middle managers pressured subordinates into deceptive performance by developing and enforcing unethical means for employees to make it appear as if they were reaching their goals. These middle managers did so for several reasons. Feeling pressured by upper management to produce performance, managers noted that their subordinates lacked the jobs skills to reach goals in an ethical way. Employees were also required to do a large amount of administrative work that left little time for pursuing sales ethically. Middle managers 'solved' this performance problem by searching for vulnerabilities in the organization where unethical performance could be created and concealed from upper management. They coerced their subordinates into taking advantage of these vulnerabilities mostly by shaming them about low performance.

Further research by Welsh and Ordóñez (2014) found that the same mechanism that is theorized to underlie goal achievement – self-regulation – is also at play when goals lead to unethical behavior. There is actually some amount of research that finds an important role for self-regulatory resources and their depletion in ensuring behavior remains ethical (Baumeister & Alghamdi, 2015). The underlying idea is that self-regulatory resources are finite and can be depleted under a variety of conditions, and that their depletion leads to more unethical behavior. For example, Welsh and Ordóñez (2014) found that in the face of consecutive high performance goals, individuals' persistent efforts to reach those goals gradually deplete their self-regulatory resources, and that this can eventually lead to increasing dishonesty over time. Further, Barnes and colleagues (Barnes, Schaubroeck, Huth, & Ghumman, 2011) found that a lack of sleep led to diminished self-regulation, which in turn led to more unethical behavior. In a similar vein, Kouchaki and Smith (2014) found that because self-regulatory resources are depleted even during a normal and unremarkable day, individuals tend to engage in more unethical behavior when performing the same task in the afternoon than they do in the morning. Cumulatively, such research findings have great practical implications in situations of shift work or in contexts where people are asked to put in more time than usual (e.g., when important deadlines near). Organizations should be aware that when employees get exhausted, their ability to behave ethically is impaired, and organizations should manage such situations proactively.

More research should be done regarding how self-regulatory resources can be replenished. For example, what can organizations do to ensure that employees get replenished throughout the day, in particular for those who in the course of their jobs have a greater 'ethical liability,' or are more likely to face ethically challenging situations? And, to echo some of Barnes et al.'s (2011) suggestions for future research, employees also endure other types of exhaustion, depending upon their jobs, such as emotional exhaustion (e.g., in roles that require emotional labor including customer-facing service roles) or in physically demanding jobs (which might be as varied as jobs in the military, but also jobs in the food industry or in any occupation where one is on one's feet a lot). We might also ask whether those who experience challenges in their work–life balance are more inclined to engage in unethical conduct. Research should investigate whether unethical behavior is more likely in such situations, and what organizations can do to mitigate that.

Related to performance management, an entirely different realm of research that is critically in need of further development is that of the measurement and weighting of *ethical* performance goals. Ethical behavior is often considered the 'standard' and is thus usually overlooked when setting goals or allocating rewards. Setting goals for behavior that is congruent with the organization's values and weighting those equally to bottom-line production goals should go a long way toward solving this problem. The specifics would depend on organizational values. Examples might be goals pertaining to whether employees have trusting and respectful relationships with their customers/suppliers/coworkers. Or, whether a leader treats people with care and respect, or goals regarding whether the leader puts visible efforts into supporting diversity. All of these are ethical goals that can be measured via 360° performance reviews and other means. But there is cause for concern that using money to incentivize ethical behavior might be problematic. Especially, public forms of *prosocial* behavior (behavior aimed at promoting the welfare of others, cf., Brief & Motowidlow, 1986) are negatively affected by financial rewards as they crowd out people's 'image motivation' for such behavior (Ariely, Bracha, & Meier, 2009). Making money salient has also been found to lead to more unethical behavior (cf., Gino & Pierce, 2009). In all, more research is needed to understand the potentially complex relationship between incentives and ethical behavior.

Our previously reviewed work (Den Nieuwenboer et al., 2017), also points toward a danger of goal measurement with inadequate monitoring. That is, in our research setting, upper management relied mostly on formal performance *reports* to monitor goal achievement by the lower levels of the organization, not on in-person monitoring. However, performance reports can be – and in our setting were – manipulated by the people who produce them. In our study, middle managers, for instance, had subordinates report orders as sales that counted towards sales targets, as well as lie about numbers of sales calls made to reach targets. These faked data fed into the performance reports that were communicated to upper management, and created deceptive performance. Moreover, middle managers instructed subordinates about how to make the data flow in the sales administrative system look ‘normal,’ which helped cover up the deceptive performance. Because upper managers rarely monitored in person, and because lower levels ‘rehearsed’ and practiced the visits that did occur so that they had their stories straight, the deception went undetected for at least two years (during all 15 months of our data collection period, and at least one more year thereafter). Thus, adequate monitoring and supervision is a serious issue that needs to be studied more.

Importantly also, in our study, the *production of the right performance measurement* became the goal, rather than actual, real, performance. Nelson Espeland and Sauder (2016: 3) warn us that performance measures can ‘create new incentives and power dynamics’ that may lead people to try to blindly deliver the ‘right’ numbers, even by unethical means. This clearly was the case in our study. Within behavioral ethics, however, not much research has focused on these measurement dynamics. More research is therefore needed to understand what to measure and how to measure, as well as how to monitor or report performance, or even how to best incentivize performance. Although we can only speculate, we wonder whether a different way to incentivize goal achievement would have reduced the temptation to engage in unethical behavior. That said, it is important to note that in our study (Den Nieuwenboer et al., 2017), performance bonuses only motivated some to participate. The incentive to participate for most, similar to what was reported about the Wells Fargo scandal, is the informal performance pressures put on employees by their managers as well as the threat of termination.

TRAINING

Training is an important tool in human resources management that, when used effectively, benefits the organization by bolstering employees’ knowledge, skills, and abilities (Blume, Ford, Baldwin, & Huang, 2010). In the behavioral ethics context, training is typically considered an essential part of ethics and compliance management – along with ethical codes and other ethical systems and structures (Treviño et al., 2014a). The US Sentencing Guidelines for Organizations has led many US organizations to require annual ethics trainings for their employees, although annual training is not actually mentioned or required in those guidelines (Treviño, Den Nieuwenboer, Kreiner & Bishop, 2014b; also see Chandler, 2014). Despite the millions of dollars that organizations spend on ethics training, little research evidence exists for its effectiveness. While ethics training appears to have a positive effect on ethical *intentions*, evidence that it positively influences ethical *behavior* remains limited (Tenbrunsel & Smith-Crowe, 2008; Treviño et al., 2014a). Organizations may be reluctant to learn that what they are doing is not particularly effective. But it is also difficult to test the effectiveness of ethics training. The occurrence of unethical behavior does not necessarily mean that training was faulty given that there are many other influences on behavior in organizations. Wells Fargo had ethics training that clearly prohibited the behaviors that employees engaged in. But they engaged in them anyway, likely because of the daily performance pressures that management exerted. Training simply cannot compete with such pressures and threats of termination. Also, it is impossible to prove if training prevents unethical behavior from occurring as we cannot accurately measure behavior that was prevented or did not occur. Numeric measures for training success are usually also too ambiguous to be useful. For example, an increase in calls to an organization’s ethics hotline may mean that people know better when to call and are more willing to make a call. But it may also mean that there are more instances of unethical behavior in the organization.

We also do not know much about what kind of ethics training or mode of delivery is effective. One idea worth pursuing is to design ethics training based upon the latest behavioral ethics research. For example, one goal of training ought to be to encourage employees to make ethical decisions and to help them to do so. An idea that can be taught is that framing decisions in particular ways affects decision outcomes. For our purposes, perhaps the most relevant research in this area is work related to whether issues are framed in business terms versus ethical terms. Research suggests that employees are less likely to make unethical decisions if the issues are framed in ethical terms (see Tenbrunsel & Smith-Crowe, 2008). One reason for this may be that framing issues in terms of the bottom line leads to thinking that is narrowly focused on financial outcomes, reducing compassion (Molinsky, Grant, & Margolis, 2012), and excluding ethical considerations (Greenbaum, Mawritz, & Eissa, 2012). Another reason is that framing issues in ethical terms increases ethical awareness which is associated with increased ethical decision-making (Tenbrunsel & Smith-Crowe, 2008). We are not aware of solid evidence that employees can be taught to frame issues in ethical terms or to beware of issues that are framed solely in business or bottom-line terms. But research on awareness training related to other types of cognitive biases suggests that this approach holds promise (Bazerman & Moore, 2006).

The limited information on training effectiveness is likely not going to deter most organizations from continuing to expend resources on ethics training. This is because those who plan and organize ethics training (generally ethics and compliance officers) are often responding to external legitimacy pressures (Chandler, 2014; Treviño et al., 2014b). This means that the value of ethics training for organizations, similar to the value of the ethics and compliance officer role itself, might lie to a large extent in the symbolic meaning of training in the eyes of outsiders. Nevertheless, it remains important to study the effectiveness of training (what to train, how often, what works, what does not) as it otherwise may amount to wasted resources. Worse yet, there is a chance that ethical training initiatives might backfire and lead to *more* unethical behavior if employees perceive the training to be mere window dressing or an attempt to protect top management in case they are caught engaging in criminal conduct. For example, evidence suggests that when employees perceive ethical *codes* to be window dressing or designed to protect top management from blame, they respond cynically and engage in more unethical behavior (Treviño et al., 2014a). While it is a question for future research whether some ethics training might produce similar results, our conversations with MBA students about their perceptions that ethics training is useless in their organizations is cause for concern.

One possible alternative area of interest that organizations and researchers might explore further is that of mindfulness training. Mindfulness is defined as a state in which one has (an especially enhanced) attention to and awareness of the things that are taking place in the present moment, or attention to and awareness of the current experience and present reality (Brown & Ryan, 2003). Importantly, it is a mindset that can be trained and that has been found to have positive influence on a range of outcomes related to well-being, psychological as well as physical. And, some initial research suggests it also enhances individuals' ethical decision-making. In an experimental study, Ruedy and Schweitzer (2010) argued that individuals who scored higher on mindfulness are more morally aware as well as are more self-aware. Because of this, the authors argue, more mindful people should be less likely to engage in unethical behavior, and the unethical behavior that they do engage in should be of smaller scale or magnitude. The results of their study generally supported these arguments.

A similarly non-ethics-specific training topic is that of the general (not ethics-specific) skill and knowledge that one possesses to do one's job. This topic has been overlooked in the behavioral ethics field, which tends to focus on explicitly ethical or unethical phenomena.

However, in our previously discussed study on deceptive performance in a sales unit (Den Nieuwenboer et al., 2017), managers were motivated to induce employees into deception in part because they found that many of their subordinates lacked the sales skills required to do their jobs effectively. The findings in that study therefore suggest that ensuring that workers have sufficient *job* skills is an important requirement if they are expected to reach performance goals ethically. Indeed, it is a finding most dramatically corroborated by Zimbardo's (2007) examination of the torture and abuse that took place at the hands of American Military Police who were acting as prison guards in the Abu Ghraib Prison, who similarly lacked proper training for their guard jobs. Ethical training initiatives should therefore not just focus on ethics-relevant knowledge, but very importantly also take into consideration whether employees have the requisite job skills and knowledge. In all, training is an area that has received comparatively little research attention in the behavioral ethics literature and more research is needed.

VOICE

One of the biggest concerns plaguing ethics and compliance officers is employees' reluctance to speak up about problems or to report any unethical or illegal conduct they observe. This is particularly important because employees are on the front line and often know about problems before management does. This leaves management in the dark about these problems, and delays action to stop these problems from getting out of hand or creating scandals. Indeed, the 2016 Global Fraud Study 'Report to the Nations on Occupational Fraud and Abuse' by the Association of Certified Fraud Examiners found that of the 2,410 cases of occupational fraud that it examined, 39.1% were uncovered through a tip, far exceeding the number of frauds that were uncovered through other means, such as internal audits (16.5%), management review (13.4%), external audit (3.8%), or surveillance/monitoring (1.9%). Employee voice, in other words, is one of the most important and powerful detection methods for unethical behavior within organizations.

Research has uncovered two primary reasons for why people are reluctant to speak up in organizations, even about routine problems. Speaking up about ethical or legal concerns is considered to be even riskier. In general, employees refrain from speaking up out of concern that nothing will be done, and/or out of fear of retaliation from coworkers or management (Mesmer-Magnus & Viswesvaran, 2005). Speaking up in organizations is perceived to be risky. Employees therefore often decide that it is safer to keep their heads down and just go about their business. But that leaves management in the dark. So, what can management do? Obviously, management can teach employees that they can and should report problems, through anonymous hotlines if necessary. But management also needs to insure that employees trust that they can remain anonymous and that they will be protected from any retaliation. Some organizations go to great lengths in both of these areas. For example, organizations try to provide information back to the caller about progress and actions taken. If the caller wishes to remain anonymous, s/he gets a case number and simply uses that when calling to check in. Boeing, the large airplane manufacturer, has for years posted the stories of the many calls to its hotline (stripped of identifying information) along with information about what action was taken. Shortly after it began this intranet site, Boeing logged tens of thousands of hits to it per month, suggesting that employees want to know that action is taken in these cases. Other organizations track the career progress of those who have reported problems to insure that they are not being retaliated against. So, there is much organizations can do to improve the likelihood that employees will feel safe to speak up.

LEADERSHIP – ETHICAL OR ABUSIVE?

Research has also found that employee perceptions of leadership are crucial to ethical and unethical behavior in organizations. Since 2005 (Brown et al., 2005), research has focused on the beneficial effects of ethical leadership. Ethical leaders care about their people, they are fair, principled, and trustworthy, and they are perceived to behave ethically in their personal as well as their professional lives. Importantly, they also lead on ethics, meaning that they role-model good behavior, they set and communicate high ethical standards, and they hold themselves and their followers accountable to those standards through rewards and discipline. Research has found that ethical leadership is associated with a variety of positive attitudes, but, more importantly, with reduced unethical behavior and increased citizenship behavior, voice, and even job performance (for a review see Treviño & Brown, 2014). Human resources managers are involved in leadership identification and development practices and should invest in efforts to select, develop, and identify ethical leaders. Importantly, research has found that ethical leadership is important at multiple levels in the organization and 'trickles down' from senior management through middle management ranks, affecting unit cultures and employee behavior (Mayer, Kuenzi, Greenbaum, Bardes, & Salvador, 2009). It is important to employees that the messages coming from multiple levels of management are consistent. However, the most important ethical leader is at the supervisory level. This is the leader the employee sees most often, the one who sets goals and conducts performance reviews, and makes crucial decisions about the employee's future. Therefore, employees are most likely to be influenced by the supervisory leader and most research on ethical leadership has been conducted at the supervisory level.

On the darker side of the leadership spectrum, abusive supervision represents a type of leader who expresses hostile and aggressive (although not physically abusive) behavior (for a review see Tepper, 2007). Estimates suggest that about 10% of employees are exposed to abusive supervisors who create toxic workplace environments, which causes negative attitudes, reduced employee well-being, increased employee withdrawal and deviance, and reduced citizenship behaviors. Abusive supervisors being so very corrosive to the workplace environment, how do they manage to survive? Ethics and compliance officers have told us that abusive supervisors tend to be good at 'managing up,' so upper management may be unaware of their abusive behavior unless employees complain, which many fear doing. It would likely be helpful to increase use of 360° evaluation methods in order to identify abusive supervision and intervene early.

JUSTICE AND FAIRNESS

Weaver and Treviño (2001) took a fairness perspective on the role of human resources in ethics and compliance management. The authors argued that human resources professionals have a crucial role to play in corporate ethics programs. They argued that the effectiveness of ethics programs crucially depends on whether employees believe they are treated fairly. This often involves situations or issues that have a human resources component, such as fairness in performance appraisals, in disciplinary processes, in training as well as in hiring and compensation. Unfortunately, according to the authors, very often ethics programs lack such a human resources orientation. While human resources departments should not assume sole responsibility for an ethics program (indeed, the authors argue that many organizational functions should participate in ethics and compliance for it to be effective), they do have an important role to play. In later work, Treviño and colleagues (2014b) indeed found that various ethics and compliance officers pointed toward a need to cooperate more with human resources departments. As predicted, ethics and compliance officers cooperate with human resources because the investigations that occur after reports or incidents of unethical behavior have human resources implications, but also because the ethics and compliance officer is not always a subject matter expert, and relies on the expertise of human resources managers to help conduct investigations or determine appropriate sanctions.

Recent research in a related field has taken a 'restorative justice' approach to discuss issues around rehabilitation and reintegration of offenders of harmful (unethical or criminal) behavior, restoring victims (e.g., attending to their material, emotional, and moral needs) and facilitating healing of the community, which may be a department or a team (Goodstein & Butterfield, 2015). It shifts the focus away from the causes or prevention of unethical behavior at work, toward the aftermath of an ethical transgression (Goodstein & Butterfield, 2010). Importantly, very often perpetrators of unethical behavior (if not egregious) are *not* fired from the company. Therefore, finding ways to overcome the harm done and restore trust such that working relationships become productive again is an important area of research. The idea of redemption and reintegration of offenders is key. Unfortunately, while a productive literature on this topic exists among criminology researchers, the organizational sciences have only recently begun to study restorative justice issues, such as forgiveness and offender reintegration (Bies, Barclay, Tripp, & Aquino, 2016).

Extending this idea of offender reintegration, one important ethical consideration for organizations and their human resources practices is whether or not to hire ex-offenders who have paid their debt to society. Hiring practices such as asking about or checking criminal records and convictions have made it exceedingly difficult for ex-offenders to find employment. This raises questions around human dignity, and may contribute to increased (or at least not reduced) recidivism. At the same time, organizations have a duty to ensure that they do not increase the risk of unethical or criminal behavior occurring within their own ranks. So, this remains a tricky area and more research is needed.

CONCLUSION

It should be apparent that human resources management and ethics management are closely related and dependent on each other. We hope that our review of relevant research is helpful to the human resources community as members consider how they can promote ethical conduct and help create and sustain ethical cultures within their organizations, and how they could work synergistically with ethics and compliance professionals.

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30

HRM in Small Firms: Balancing Informality and Formality

Paul Edwards and Monder Ram

Understanding how HRM works in small firms is important for several reasons. The most evident is the role of the small firm in the economy. According to the OECD (2017), small and medium-sized firms (those with up to 249 employees) accounted for around 60 per cent of employment across the major industrialized nations in 2013. The proportion was particularly high in countries including Italy and Turkey, but relatively low in the USA (about 35 per cent) and Germany (45 per cent). Second, small firms are commonly seen as different from large ones, notably in the informality of their employment relations. If we want to map HR practice we need to be able to explain such variation. Third, how might we move beyond mere description of differences to understanding the reasons for the differences and the character of employment relations that underlies them?

The task is, however, complex. The sheer number of small firms challenges any generalization; the smallest, with up to 50 employees, account for 97 per cent of all firms, and they embrace everything from traditional family firms in sectors such as restaurants to hi-tech start-ups. This fact also underlines the need for clarity in terms of what is being explained. It is true that some small firms are innovative, but the great majority of such firms are not. Indeed, a central fact of small-firm research is the range of motivations that drive the owner. As well as profits and growth, these include lifestyle choices and maintaining the family firm (e.g. Heck and Trent, 1999). Research shows that only a minority of firms falls into the high-growth and innovative group (Storey, 1994; Hansen and Hamilton, 2011). Understanding what goes on in small firms in general will not provide the key to innovation and competitiveness.

To address this complexity, we make several delimitations. First, we generally focus on the small rather than the medium-sized firm. The lower bound may be taken as around 10 employees, which is the common dividing line between the ‘micro’ and the ‘small’ firm. The former group embraces a swathe of businesses ranging from hairdressers and small family firms to web design firms. Their one common feature, their size, will tend to mean that they lack any of the standard features of HRM such as formal pay structures and appraisal schemes, still less HR professionals. This does not of course mean that an employment relationship is absent; the employer needs to elicit effort and negotiate reward, as anywhere else. But the means of doing so tend to be personalized, and there is little to say from a specifically HRM point of view. The upper bound is around 100 employees, which is where established HRM structures tend to become common.[1] We are thus addressing the type of firm which has some kind of clear division of labour between manager and employee and defined processes for activities such as recruitment, but without the bureaucracy of the large firm.

The second delimitation is that we discuss the 'average' small firm, say a food manufacturer or a firm of lawyers. We do not consider entrepreneurship or innovation.

Third, many small firms operate in what is loosely termed the informal economy. This embraces unregistered businesses and jobs in some ways outside national labour legislation. Informal employment is estimated to account for over half of employment in countries including India and Argentina (Heyes and Shapland, 2017: 356). We discuss informal *processes* within small firms in mainstream activities but do not consider the informal economy or such things as the evasion of employment laws (see Ram et al., 2017).

Finally, we assume that some things can be said about small firms across advanced capitalist nations. There will of course be differences. Gilman and Raby (2013) show that small firms in the UK and France differed in their take-up of HR practices. Or the Chinese practice of *guanxi*, that is strong personal obligations, may tighten the bonds between employer and employee in comparison with a more contractual relationship in the West (Yen et al., 2016). But these are matters of variation, for many features of the small firm such as low levels of bureaucracy and a limited role for external bodies such as trade unions are largely common. For example, the account by Kondo (1990) of a small Japanese firm does not rely at all on the standard features of the large-firm system such as seniority systems and enterprise unions, and instead mirrors what is common in the West. In short, the underlying processes of small firms such as personal relationships will be largely common.

Six sections follow. The first maps the extent of HR practice while the second considers some of the underlying managerial processes involved. The third section turns to employee responses. Sources of variation between firms are considered in the next section, which is followed by an assessment of the HPWS debate in the context of the small firm. The final section draws some conclusions.

EXTENT AND MEANING OF HR PRACTICES

It is commonly said that small firms lack formal HR systems. A more accurate statement is that such systems are rare compared with the situation in large firms but far from absent, and also that they vary in their extent.

The UK is a good place to establish this statement, since it has a series of Workplace Employment Relations Surveys (WERS) that measure employment practice. The 1998 survey looked at what it called small businesses, defined as workplaces that had 10–99 employees and were not part of larger companies. It found a degree of formality: for example, 70 per cent had a formal disciplinary and dismissals procedure (Cully et al., 1999: 263). European evidence offers a similar picture. A study of management development across seven countries found that, though formal written policies were rare they were not absent, being reported by 29 per cent of 'small' (20–100 employees) firms; moreover, around half of small firms had a training budget (Gray and Mabey, 2005).

The evidence was taken further by the 2004 WERS, which looked specifically at contrasts between small and large companies, taking the minimum size of workplace down to five (Forth et al., 2006). (The subsequent 2011 survey did not consider this theme in detail, but there is no reason to suppose that contrasts by size of firm will shift in the short term.) A summary of indices of formal HR processes and strategies is given in Table 30.1.

Several points stand out from the table:

- Family ownership is an important characteristic of small firms; this is addressed below.
- Workplaces owned by small firms are indeed relatively non-formalized. The table has several indicators of formality. The respondent to the survey was the manager with primary responsibility for HR matters; spending a significant amount of time on HR and having a formal qualification were both associated with size. Other indices of formality are positively associated with size, such as having some kind of formal strategic plan (which need not necessarily embrace HR plans). This seems to be a cross-national fact, as studies in the USA (Kaman et al., 2001), Australia (Kotey and Slade, 2005), and Canada (Golhar and Deshpande, 1997) suggest.
- Some practices such as communication with staff, as well as existence of disciplinary procedures, are widely established in small firms. And a third have formal equal opportunities policies.
- Traditional 'industrial relations' are very rare in small workplaces. Collective bargaining coverage is virtually zero, and other figures show low trade union membership. Related to this, pay setting is a workplace responsibility; not only is there little reliance on collective bargaining, but also there is by definition no higher level of management to take on the responsibility. Unlike in large firms, where national or industry agreements operate, or a company has a formal pay structure that is then implemented at workplace level, in small firms pay setting takes place at the workplace with hardly any direct external rules as to how it should be conducted.

Further research produced an overall formality index, and found that it varied by both

Table 30.1 HR processes and strategy by firm size: % of workplaces with given characteristic

	SMEs		*Large firms*	*All private sector*
	Small	*Medium*		
Family owned	81	67	22	43
More than 25% of respondent's time on employment relations	26	51	55	
Respondent has formal HR qualifications	14	20	28	20
Investor in People[a]	12	25	57	31
Any strategic plan	36	64	88	60
Performance appraisal for non-managers	45	63	82	
Any employee representation	12	39	71	39
Any face-to-face communication[b]	78	88	93	85
Any written two-way communication[b]	35	58	81	57
Written EO policy	36	69	93	
% employees covered by collective bargaining	2	9	35	24

Notes: Figures relate to private sector workplaces. 'Small' workplaces are those with 5–49 employees; medium-sized workplaces have 50–249 employees; large workplaces have 250 or more employees. Blanks indicate that this specific item is not indicated in the source. Although, as explained in the text, we have conducted our own analysis of WERS 2004, this is on a different basis from that deployed in the source used here, and we have not mixed the two.

[a] Investors in People is the UK body charged with identifying standards for skills and people development and encouraging adoption on these standards. See www.investorsinpeople.co.uk

[b] Face-to-face communication includes meetings between managers and the workforce and team briefings; written two-way communication includes suggestion schemes and employee surveys.

Source: Forth et al. (2006).

workplace and company size (Storey et al., 2010). That is, small independent workplaces are the most informal. But larger independent workplaces retain a considerable degree of informality. Small workplaces owned by large companies often have considerable formality.

What lies behind this picture? At one extreme, some writers see small firms as behaving in much the same way as large ones. A survey of US service sector firms finds more extensive use of 'high commitment' than of 'bureaucratic' practices, and reports that the former were common across all sizes of firm: 'small firms can no longer be considered unsophisticated practitioners of human resource management' (Kaman et al., 2001: 43). The data come, however, from self-reports by managers to telephone surveys, and there was no space to assess what the respondents meant. Some items are almost bound to be high in small organizations. Job rotation, that is the sharing of tasks, is most likely where there is no formal structure of jobs and where, as in small organizations, employees need to take on a range of duties.[2] Similarly, any small organization may be a 'team' in the sense that workers work together. It will not be a team in the sense of the (large-firm) literature on teams, which speaks of the ability of teams to allocate tasks among themselves and the election of team leaders. In small firms, such a division of labour does not exist, and a 'team' has a different meaning. As Bacon et al. (1998: 262) note – ironically in a study stressing the extent of formal practices in small firms – teamworking is 'not about creating formal work groups but maintaining the notion of "all working together"'.

As to the underlying reasons for such facts, the point made by Storey and Sykes (1996) has lasting importance. Small firms, they say, face particular uncertainty externally because it is hard for them to control their environment; they cannot in general control for example their markets or prices. Large firms, by contrast, have such control, and there is massive evidence of the ways in which they define the terrain in which they operate (Edwards and Wajcman, 2005: 198–226). But they face more uncertainty internally because of difficulties of coordination and communication. Storey and Sykes do not mean that size as such is decisive, for some small firms can exercise a degree of control in their own niches (see Edwards et al., 2010) while some large ones lack market power. But internal uncertainty is relatively low in small firms, and this shapes HR practice.

Consider training. The UK WERS, which specified that formal meant *off-the-job* training, reports relatively low levels in small firms. This does not mean that training is absent, and some surveys have attempted to measure informal training in SMEs – albeit with the risk of inviting overestimation by including minor ongoing activities (Kitching, 2008). Training is not absent in small firms, but it is relatively informal and unstructured.

As for recruitment and selection, one image of small firms is that they rely heavily on informal means such as personal contacts and referrals from existing employees. WERS 2004 in fact found that informal recruitment methods were used equally by small and large firms (Forth et al., 2006: 33). A US study finds that mimicking large-firm recruitment and selection practices can contribute to performance (Greer et al., 2016). We would, however, add three points. First, this fact says nothing about the weight placed on particular methods. Second, actual practice may differ from what is reported in a survey. Thus Taylor (2005) reports from four firms that, though managers claimed to use formal methods, employees stressed 'being known' personally and the role of kinship links. Third, practice may vary according to the type of small firm. In relatively unsophisticated firms in sectors such as clothing manufacture and hotels and catering, there is heavy reliance on word-of-mouth methods. Though formal methods may also be reported, these tend to be used to screen applicants, or when all else fails. What is important is an applicant who is known to the owner and is believed to have the necessary commitment. Technical skills may be less important than harder to define attributes such as attitude and commitment. These tendencies are heightened where firms are run by people from ethnic minorities, who tend to recruit from particular parts of the labour market and for whom kinship ties are often important. Note that this is not a fixed 'ethnic characteristic': minority businesses operating in, say, business services will be much less constrained by kinship ties; white family-owned firms in traditional sectors often rely on family and friends; and it is the combination of location in a particular market segment and background that leads to particular emphasis on informal recruitment channels. All that said, we suspect that all small firms tend to place a relatively large emphasis on informal methods of recruitment and even more so when they are selecting employees – who, after all, will have to work closely with existing staff and who indeed need to 'fit in'.

A third key area is performance appraisal. Research in three sectors – food manufacturing, ICT, and the media and creative industries – is useful here in that it covers traditional and more modern parts of the economy (Tsai et al., 2007; Edwards et al., 2010). The extent of use of appraisal was on a par with what would be expected from Table 30.1. Employees also reported the presence of appraisal (with 68 per cent reporting that their performance was appraised) and that the practice was not mere window-dressing: of those reporting the use of appraisal the great majority reported a strong or very strong link between how effectively they worked and their appraisal rating. Yet there was also evidence of a lack of structure in the process. In some firms, workers were unsure whether appraisal had in fact taken place. In most, the process was much less formalized than one would expect in large firms, with rather little documentation or training of appraisers. Perhaps most significantly, evaluations depended on the judgement of managers, who may also be owners of the firm. Taylor (2005) similarly reports on four firms where appraisal targets and associated rewards reflected close personal interaction and were ultimately in the hands of managers. This is not to say that the process is necessarily simply subjective or biased, and little discontent among employees over the issue was recorded in these studies. The key point is that the process is more personalized and informal than the term 'appraisal scheme' tends to convey.

A fourth issue is payment systems. As noted above, these are important in that it is firm-level decisions that affect pay while formal pay structures seem to be rare. A great deal is thus left to choice. Small firms appear to deal with this choice through rules of thumb, which turn on what seems to be the going rate together with some idea of what is fair. At this point, we need to be clear as to what is in the pay package. Some observers present the small firm as a site of shared benefits between owners and workers, as might be indexed by profit-sharing schemes or bonus arrangements. Yet the research just mentioned found remarkably few systems of this kind, as did earlier research on mainly low-value-added firms (Arrowsmith et al., 2003). Cox (2005) reports – from a study of four relatively large (120–450 employees) firms that did use variable pay schemes – that managing both the procedural and distributive aspects of variable pay proved very difficult. In short, formality and informality interact.

Research on small firms thus has different emphases. Several of those discussed above stress the use of formal systems, and many focus on high-performance practices. A good example is the study by Klaas et al. (2012), which finds in a US sample that the use of these practices contributed to a belief that HR systems were effective. By contrast, researchers adopting a case study or ethnographic approach continue to stress informality, even in professional service firms where formal processes might be expected (Wapshott and Mallett, 2012; Mallett and Wapshott, 2014). A partial resolution lies in the fact that the former studies stress mediating variables, notably a firm's communication system. In other words, HR practices take on a specific meaning in the small-firm context. Second, it may be that the practices operate through the messages that they give rather than in a mechanical way. Using a practice is a way of signalling that there is a considered rather than a haphazard approach to HR. As Verreynne and Parker (2011: 422) put it, it is not a particular practice that is important but how a small firm uses it 'in creative ways'. Third, it is still the case that informal face-to-face relationships predominate in most small firms most of the time. In a study of relatively large (50–99 employees) firms that were in fact trying to develop a structured approach, 'informal practices pervaded the firms'(Atkinson et al., 2016: 28).

UNDERSTANDING MANAGEMENT PROCESSES

The case for an 'integrated' approach has been advanced by Harney and Dundon (2006). They suggest that an 'open systems' perspective is best placed to capture the complexity of HR practices in small firms. These authors stress the intersection of external influences such as the product market and internal strategic choice in explaining the complexity of small-firm practice. Yet there is one key element absent from their list: the familial context (Edwards and Ram, 2006; Edwards et al., 2006).

We have seen that most small firms are family owned. And many that are not family firms are likely to bear the imprint of their founders, for example the many firms in sectors such as bioscience that were founded as spin-offs from large firms. This was evident in Hannan et al.'s (1996: 513) study of 100 young, high-technology firms; the authors found 'startling diversity in founders' employment models even among start-up companies within the very same industry, competing directly against one another'. Four types of employment relations were identified:

- a 'factory' model, which emphasized pecuniary attachment and managerial control;
- a 'commitment' model based upon peer and 'cultural' control;
- a professional model that stressed attachment to work;
- and an 'engineering' model that exhibited a more instrumental approach to work relations.

The 'blueprints' of company founders were key to explaining the variety and durability of these approaches.

Hence, management processes will be strongly shaped by the preferences and assumptions of the owning group. This is not to say that there will be one common view. In one firm that we studied, there was a long-standing dispute between one member of the owning family and another over the nature and extent of formality, with one arguing for a more systematic approach, including the employment of an HR professional, and the other preferring traditional family ways. The point is that purely personal preferences, which are not necessarily right or wrong, will play a larger role than in large firms. Gilman and Edwards (2008) report a firm that used psychometric testing because its founder thought that the method was a good idea.

The longer term development of a firm is also likely to reflect personal choices. Some family firms consciously choose to remain small because they like the family atmosphere and because there is no personal ambition to develop the business. Other rationales for remaining small include the fear that, once a firm becomes significant, it will be the target of a takeover by a large firm. Much will depend on the personal ambitions of owners and whether or not they wish to develop the business for the next generation. Such ambitions, and their implications for HR practices, rarely attract the importance they merit in standard accounts of HRM in small firms. Yet they are central to an appreciation of the dynamics of business development in small firms. Wheelock and Baines (1998), for example, maintain that the survival and growth of the microbusiness cannot be fully appreciated without an understanding of the household in which the business owner is located. Aldrich and Cliff's (2003) 'family embeddedness perspective' echoes this approach in its explication of the variety of ways in which developments in the family can influence the trajectory of the enterprise.

In detailed case studies of restaurants, Ram et al. (2001) found that the development of the business owed much to the dynamics of relations within the household. Many households worked towards the survival of the family enterprise (although there were differences between family members). Such an imperative militated against the substantive 'growth' of the business. However, this did not mean that the business remained static; the key factor appeared to be the priorities of household members at any one particular point in time. The presence of second-generation family members in many of the restaurants suggested a degree of continuity. However, there were many tensions in these firms, which meant that an uncomplicated transition from one generation to another, and smooth employment relations between family members, could not be taken for granted. The 'life-course' of different family members will influence the shape and form of the small-business household. Developments in their domestic life circumstances, disenchantment with the often-onerous nature of restaurant work, and inter-family tension militated against unproblematic continuity of the family business.

UNDERSTANDING EMPLOYEE EXPECTATIONS AND RESPONSES

A further piece of the jigsaw concerns what employees expect. Do they want formal procedures, in which case an HR manager may well find formalization to be a sensible strategy, or do they prefer informality? The headline finding is that workers in small firms are generally more content, on such measures as job satisfaction, loyalty, and views on managers' ability and trustworthiness, than those in large ones (Forth et al., 2006). This analysis has been systematized in a study of 'self-reported job quality', that is how workers view subjectively objective aspects of jobs such as the autonomy that they permit (Storey et al., 2010). This focus is important because measures of job satisfaction necessarily conflate the job itself and expectations, so that high reported satisfaction in small firms might reflect low initial expectations. Job quality is a more objective indicator. There is no reason to expect, moreover, that any shaping by expectations is exclusive to the small firm: such a worker may not expect high wages, but then a worker in a large firm may not expect an ability to affect its strategy. The result is that job quality is felt to be highest in small firms, and also that workers in small workplaces owned by large firms have relatively high reported job quality. Moreover, measures of HR formality tend to reduce job quality in small firms.

These results are at first sight surprising. Pay in small firms tends to be lower than it is in large ones, and career opportunities are also more restricted. We also need to consider whether size is in fact important. A classic study compared workers in small and large firms in the same industries, and concluded that the sector, plus personal factors such as age, were more important than size (Curran and Stanworth, 1981).

An explanation lies in a qualified argument for a size effect (Tsai et al., 2007; Sen Gupta et al., 2009). Curran and Stanworth rightly argued that size itself is not an explanation but perhaps went too far in denying it any role. Two features linked to size stand out. First, there are the close personal relationships that necessarily characterize the small firm, as stressed in classic (Moule, 1998) and more recent (Wapshott and Mallett, 2012) ethnographies. From the point of view of managers, workers are people with whom they have to work on a daily basis, so that consideration for workers and their concerns is likely. Specifically, this means a willingness to allow for give and take. A classic example is leave for family or personal needs. In large firms, rights to this will be determined through bureaucratic procedures, whereas in small ones trusted employees can be allowed time off, possibly with its being made up later. From the point of view of workers, managers are not distant, and they are often seen on a regular basis so that there is some sense of seeing what the firm is about. Manager and worker views come together in the effort bargain, the negotiation of how much work gets done for what reward. In small firms, the elements are often defined informally so that, for example, the exact schedule of working hours is not defined. Similarly, the reward side may contain elements, such as being allowed to use the firm's vehicles for personal use, which are understood through tacit agreement.

Second, the work process in small firms tends to be less formalized and Taylorized than it is in large firms. In both manufacturing (Sen Gupta et al., 2009) and services (Wapshott and Mallett, 2012), formal rules, procedures and targets tend not to be used.

The result is that employees have a more personalized and diffuse relationship with managers than is the case in larger firms. This does not mean that the basic lines between owner and manager are blurred. Some scholars used to argue that small firms, particularly those in professional services, would be marked by a lack of distinctions of this kind (Scase, 2005). The evidence in fact shows that it is very clear who is the owner and that such things as gains-sharing are rather rare. Personal relationships have costs as well as benefits, for the absence of rules means that it can be hard to define one's rights. This explains why it is that, despite high levels of satisfaction, small firms tend to have a high incidence of claims for unfair dismissal (Saridakis et al., 2008). In the minority of cases where things go wrong, there are few formal procedures to put them back on track.

Workers' expectations and responses will also be conditioned by the prevailing pattern of social relations in the workplace. Kitching's (1997) study of three contrasting sectors, namely computer services, employment and secretarial services, and free houses and restaurants, identified different kinds of 'culture'. These cultures gave meaning to employment and to the relationship between owner–managers and employees. In computer services, there was a 'work' culture: job satisfaction acquired through the content of work roles was an important feature of employment relations. This contrasted with the more instrumentally oriented (i.e. 'money') culture of employment services firms, and the predominant culture of 'sociability' in free houses and restaurants.

Ram's (1999) intensive case study of a small consultancy firm further illustrates this point. Employees joined the firm because there was an opportunity to be associated with an organization that had a good 'reputation', yet there was also the scope to develop their own particular specialisms. One consultant commented that a particular attraction of joining the firm was that it 'had the advantages of shelter and cover but none of the disadvantages of a bureaucracy' (Ram, 1999: 882). Others spoke of the prospect of working with a 'team of peers'; the 'exciting' nature of the work; and the 'choices' that the firm offered. However, it is important to note that these features redolent of 'collegiality', 'autonomy' and 'trust' were not the only inducements for joining the company. Competitive financial packages, a directorship, or the prospect of becoming a full partner were also significant.

Or consider a striking finding from studies of relatively low-wage firms (Holliday, 1995; Moule, 1998; Ram, 1994). One might expect that in such low-wage firms in highly competitive industries managerial control would be very tight. In fact, a repeated result is that time-keeping can be lax and that workers come and go with considerable freedom. The reason for this result is that managers in small firms are likely to know the demands of production and to be relaxed if workers go absent at times of slack demand. The quid pro quo is that workers are often expected to work overtime at very short notice, commonly without any overtime bonus. There is thus an implicit bargain about work effort, and attempts to formalize the bargain could run into difficulty.

The implications for HR are two-fold. First, workers in small firms develop shared expectations that will shape responses to HR practice. The ways in which, say, performance appraisal would work in Kitching's three cultures are very different. Second, however, cultures have contradictory elements. Thus Ram found that, though consultants enjoyed the informality of the small firm, there were also concerns about the vagueness and secrecy of pay determination. It is, moreover, possible to change cultures as firms evolve (Ram et al., 2001b). The approach to HR needs to be sensitive to the space for change and the interests that may promote and retard it.

INFLUENCES ON HR PRACTICE

We stressed at the outset that small firms display enormous diversity. We have presented elsewhere a formal framework that models different types of firms and indicates how open they may be to HR practices (Edwards et al., 2006). For example, a very small firm with strong family ownership and control may be resistant to formal HR techniques. For present purposes, we draw on the ideas of the framework by addressing some of the key ways in which small firms vary.

Sector

The importance of sector was underlined by the research of Curran and Stanworth (1981), which demonstrated that workers in two sectors – electronics and printing – often had more in common with large-firm workers from the same sector than with employees of similarly sized firms in different sectors. Scott et al. (1989) developed this approach by identifying four broad sectoral groups: traditional manufacturing, hi-tech manufacturing, traditional services (e.g. hotels) and hi-tech services. An analysis of WERS 2004 gives evidence (Edwards, 2012). Looking first at contrasts between small firms, there were marked differences by sector. Performance appraisal for example was used in only 26 per cent of manufacturing firms, compared to 78 per cent in health. There were also similarities with large firms in some sectors, such as health and some other service sectors, but marked differences elsewhere, for example among hotels and restaurants.

Further refinement is necessary if one wishes to understand the context of a particular firm. In the hotels and catering sector, for example, many firms comply with employment legislation such as the UK National Minimum Wage (Arrowsmith et al., 2003). But it is also true that there are parts of the sector where not only is legal compliance weak but also there is substantial use of illegal labour (Jones et al., 2006). The reasons for this reflect pressure and opportunity: competitive pressure leads firms to minimize on wage costs, while kinship and communal ties allow employers to recruit co-ethnic workers who are willing to work for illegally low wages. This opportunity structure is itself the product of wider forces in society, including the regime governing immigration and ethnic disadvantage. The result is a labour force with no choice but to work for low wages; firm owners are also pressed to operate in marginal conditions and suffer insecurity, long hours and low incomes, thus sharing the misery of their employees.

HR practices will vary according to sectoral conditions. In the extreme cases just discussed, there are few if any formal HR systems. Recruitment is done through word of mouth and written procedures are largely absent. Mainstream traditional firms are more likely to have in place the basics of written procedures. What is striking about them, however, is the rarity of pay structures: clear schemes that define what a 'job' is and the rewards structure attached to it (Gilman et al., 2002; Tsai et al., 2007). Indeed, the practice of leaving pay very much at the discretion of managers has also been observed in more advanced sectors such as the creative and media industries (Sen Gupta et al., 2009) and also, as we will see below, software consultancies – both qualifying as 'high-end' or specifically 'hi-tech' services. Now, the meaning of this informality differs. In professional jobs, regardless of the size of the firm, broad job boundaries and individual responsibility are taken for granted. In the media sector, moreover, freelance employment is widespread and freelancers will be paid in much the same way if they work for a major media company or a small firm – though of course the amounts that they earn will differ (Blair et al., 2003). In traditional firms, the lack of a pay structure does mark out jobs from those in larger firms.

Supply chain relationships between small firms and their larger customers can also affect the nature of HR practices. Power-dependency perspectives (Rainnie, 1989) suggest that the domination by larger customers is such that any scope for enlightened HR practices in small firms is severely limited. However, more optimistic assessments tend to view this relationship as a mechanism of 'supplier development', where the large firm facilitates the transfer of knowledge and new work practices to the small enterprise (Hunter et al., 1996). Bacon and Hoque (2005) offer some support for this thesis in their finding that larger customers are associated with a higher likelihood that the small firm will adopt a training strategy and achieve accreditation for HR practices. But this was not accompanied by the adoption of a more widespread set of HR measures, leading the authors to endorse Ram's (2000) finding that HR accreditation may be little more than a procedural measure with no subsequent impact on wider employment practices. More recent evidence (Ram et al., 2011) shows that being in a supply chain relationship with large firms indeed intensifies control over small supplier firms. In some contexts such as the IT sector this means the encouragement of a more professional and credentialized approach, which may have benefits for workers, while in other settings tighter monitoring and discipline were more evident.

The sectoral context sets constraints. But within those constraints there is room for choice. In particular, a given product market situation does not translate directly into an approach to HRM. Firms in the same context display different policies in regard to such issues as training (Edwards et al., 2009). Where workers have skills that are in short supply, as in road haulage (Marchington et al., 2003), firms may need to give special attention to recruitment and selection, but in other cases the product market may exert only weak influences on the HR policies adopted.

Family Ownership and Personal Control

A regular finding in small-business research is that the primary reason for starting a business is personal independence. This means that a substantial number of small firms will prefer small-scale informality and will lack explicit HR policies. Kotey and Slade (2005) report that 36 per cent of 'micro' (defined here as fewer than 5 employees) and 49 per cent of 'small' (5–19 employees) firms had been in existence for at least 10 years. These are likely to be mature businesses not seeking further growth, and HR practice would need to reflect a desire for continued informality based on personal relationships. Family-owned firms use fewer formal HR practices than similarly sized non-family firms (de Kok et al., 2006).

Family ownership is likely to exercise some clear effects, of which the most obvious is that non-family employees may be unable to climb to the top of the firm, with implications for career development. In some cases – usually in the more traditional and low-wage sectors – the firm may be used to find jobs for members of the family, which can close off opportunities for other employees as well as having clear implications in that family members may lack relevant business skills and experience. Mulholland's (1997) study of well-established family businesses in a variety of sectors suggests that such processes are not necessarily confined to 'low-value-added firms'. Mulholland examined entrepreneurial, managerial and preservation strategies characterizing successful (middle-class) family businesses. In one of these cases, the expansion of the business coincided with the involvement of the founder's five siblings. Mulholland (1997: 695) argues that the employment of male siblings is consistent with the management practices characteristic of industrial family capitalism, providing career paths while also safeguarding against labour market discrimination, that ethnic minorities potentially face. Such opportunities are rarely available to non-family members and are also strongly gendered.

A regular finding in small-business research is a tension between personal control and formal HR practices. A firm may, for example, have reached a size at which it formalizes its procedures, but if the owner maintains detailed engagement these practices may in effect be overridden. Gilman and Edwards (2008) report this tendency – significantly in a study not of traditional firms but of successful hi-tech companies. Pay and promotion are important areas in which this happens, with the owner wanting to make decisions as has always been done, often expressing impatience with procedures.

Personal control also has wider and more subtle effects. At one extreme, it can generate a pattern importantly identified as 'fraternalism' by Scase and Goffee (1982) in their study of the construction industry. In this pattern, owners and employees work alongside each other as equals and there is a strong sense of shared identity based not only on the firm but also on the traditions of a whole occupation. To the extent that firms here have a formal HR presence, HR practice will need to recognize egalitarianism and possibly avoid or adapt systems such as appraisal.

At the other extreme, personal control can imply autocracy. Evidence of extreme autocracy is in fact limited to certain sectors where sweatshop conditions are most evident. We saw above that in general small-firm workers report high levels of job satisfaction. Moreover, even in sweatshop conditions – that is, where wages are low and market competition is intense – autocracy is commonly moderated to produce 'negotiated paternalism' (Ram, 1994). The key reason is that employers need a degree of worker cooperation. Moreover, family and kin connections mean that there are mutual obligations other than the purely economic, so that straight autocracy is limited.

Between these two extremes lie situations in which personal control is one feature of a complex pattern of relationships. The evidence here is far from clear, not least because it is often presented to attack a stereotype. A standard image of the family firm is that of 'cultural unity [and] integration' (Ainsworth and Cox, 2003: 1463). It is then possible to undermine the image, as in the study just cited: evidence from two Australian family-owned firms shows that unity and integration coexisted with the expendability of employees, and there were also subtle divisions between the immediate family and more distant kin. The danger lies in inverting the image of unity to stress 'control' in the twin senses of dominance by owners and the successful pursuit of the owners' goals. Such a simple reading of the evidence should be avoided. Ainsworth and Cox (2003: 1476, 1480) in fact offer a more subtle view of culture in small firms. First, employees had a sense of commitment; in the words of one, 'they're a small business trying to make a living so you are a bit more responsible'. Second, the culture was not imposed but was enacted and constituted actively by various groups.

This point can be taken further through a study of a larger firm, a software consultancy with 150 employees (Grugulis et al., 2000). Training and development of staff were stressed, and the firm even had a 'culture manager'. In selecting new staff, character and attitude were stressed over technical skills. The culture was one of working hard and playing hard, and employees were well paid and enjoyed satisfying jobs. Control did not mean domination. At the same time, however, there was a strong expectation to fit into the demands of the firm, and employees found it hard to maintain a line between work and home.

Several HR implications stand out. Grugulis et al. (2000: 101) stress that practices in the firm were efforts to 'institutionalise … simple, personal control' and that the firm deployed 'sophisticated HR practices'. The task would then be to design combinations of practices that maintained a culture while also establishing formal mechanisms consistent with it. There might also be tensions to assess. Thus it is reported that there was a pay structure of a kind, but that this was kept very secret and employees believed that they were paid purely as individuals. As the firm developed, the relevant tensions may well have grown, and balancing a clear pay structure with the freedom to reward individuals as managers saw fit might become a central issue.

Size and Growth Orientation

A US study reports that, at the start-up of businesses, HR is among the majority of management functions that remain in the hands of the owners (Ardichvili et al., 1998). As firms grow, sets of key functions tend to be delegated at the same time, and delegation of HR tends to be associated with that of many other functions. The implication drawn is that, at this point, an HR role will become important and that a key part of the role will be the training and development of the new cadre of managers. The turning point stated is $1 million in sales, which with allowance for inflation might act as some kind of benchmark, though the point is likely to differ widely according to business sector and possibly also country.

A UK study of management development found that small firms with a strong orientation towards growth were the most likely to stress management development (see Patton and Marlow, 2002). A US study, using an objective measure of growth (rate of increase of sales), found that high-growth firms put more emphasis on HR practices than did low-growth ones (Carlson et al., 2006). Looking at US firms that had reached the stage of making an Initial Public Offering on the stock market, Welbourne and Andrews (1996) report that firms stressing HR had relatively high survival rates.

However, it is important to note that increased formality is not an inevitable consequence of small-firm growth. It is not uncommon for business owners to set up other small ventures to pursue growth objectives. The establishment of 'satellite' enterprises was a noticeable feature of Lazerson's (1988) study of small manufacturing firms in the Italian region of Emilia Romagna. This growth strategy enabled owners to maintain control, secure labour market flexibility, and achieve organizational efficiencies. Importantly, a key factor was the continued existence of extended families, which provided a foundation for economic relations based on cooperation and trust. Ackroyd's (1995) account of small, 'dynamic', UK-based information technology firms offers further support for this modus operandi. 'Informal strategic affiliations' and 'temporary alliances' between individuals and organizations of a similar size were integral features of these firms; growth was achieved by 'replication'. Such practices were crucial to the firms' ability to change and diversify the scale of their operations.

An orientation towards growth is not necessarily restricted to the relatively sophisticated firms. We have studied a small bakery, which had been in existence for over 30 years. It was run by two members of one family and in many respects was highly traditional and averse to formal HR systems. Yet it had grown, and two key developments were to employ a production manager from outside the family and to bring in a new director whose role was specifically to challenge the existing directors and to encourage new ways of thinking (Edwards et al., 2010). Ram et al.'s (2001a) study of ethnic minority businesses in the highly competitive restaurant sector documented instances of business owners developing new markets, adapting existing niches, and reoriented working practices. Firms that had sufficient resources expanded by opening more outlets; they had relatively 'open' practices to recruitment and management; complied with employment regulations; and adopted more innovative approaches to new product development. Other firms grew by concentrating on product differentiation rather than multiple business ownership. Hence rather than investing in new premises, these firms concentrated their efforts on refining their products and developing relationships with key staff that would nurture 'authenticity'.

It is of course an open question as to what determines a growth orientation. To some extent, it is constrained by sectoral location. Firms in declining sectors such as parts of manufacturing, and those that are dominated by very small firms, such as restaurants, will find it hard to grow. It is also strongly shaped by family ownership. To the extent that the owning family uses the business to secure a satisfactory level of income, growth will not be pursued. That said, there is considerable space for choice and personal preferences (e.g. Gilman and Raby, 2013), which in turn reflect the essential nature of the small firms, namely its basis in the personality and preferences of the owner.

Change Management

In terms of the HR role in growth and change management, there are more opportunities than might appear at first sight. Yet these need to be addressed in a particular way. As Bacon et al. (1998: 260) put it, based on several cases, the challenge was 'managing the introduction of the formalization necessary to retain management control while not destroying the informality and the culture of the small business'. It was not a matter of ending informality but changing its nature and making it more professional.

A detailed case study of a food manufacturing firm is relevant here, not least because it was in a 'traditional manufacturing' sector in Scott et al.'s (1989) categorization and yet was able to carry out the processes described by Bacon et al. (see Ram et al., 2001b). The result, as one manager in the firm put it, was that the firm had 'gone from being very laid back to being laid back'. A personnel manager was recruited, and formal processes not only in HR but also in the control of operations were introduced. These developments reflected but also reinforced the firm's move towards more high-value-added products, and also reflected the personal style and ambition of its owner.

The implications of not attending to the altered dynamics of informality that arise from business growth are evident in Ram's (1999) ethnography of a small management consultancy firm. During the course of the study, there was much talk of 'growing the business', particularly among the directorate. To this end, the owner introduced a formal business plan to the rest of the organization in which he outlined his views on how the firm should develop. In essence, he wanted to retire in five to seven years. One of the options was growing the company sufficiently so that it could be sold to a larger concern. Moving towards this kind of 'exit strategy' would, according to the owner, require a more '*transparently managed*' organization that had approved quality standards across a range of areas. Some nine months after the introduction of the business plan there was little if any talk of growth. There had been little if any attention accorded to managing actively the process of change, with one consultant bemoaning the lack of 'management'. Towards the end of the fieldwork, there was talk of 'redundancies', and the owner declared himself content to become a 'freelancer' and hence '*not having to pay the mortgages of six* *or seven staff*'. It seemed that his aspirations for retirement would have to be achieved by working as a freelancer himself in the future rather than selling a substantial business.

Conclusions

The above set of factors should not be taken to imply a deterministic link between, say, market position and HR practice. Wu et al. (2014) for example report that neither the extent of competition nor the dominance of customers explained the take-up of a set of HR practices (discussed in the next section). This is not surprising, for Ram (1994) had shown that intense market competition does not lead to autocracy in the workplace. The factors have effects, but only in specific contexts and subject to other forces. Gilman et al. (2015) for example show, in a study of employee voice, that business sector had some effect, for instance a tendency to formalism in the bureaucratic context of the finance industry, but that such effects were shaped by many other things, notably the beliefs and orientations of owner–managers. Owners who were non-strategic in their approach to business (three of the five cases) tended to find it hard to give up authority and to doubt whether employees really wanted voice. In short, as identified in our formal framework (Edwards et al., 2006), matters of choice operate in the context of the structure of the firm, for example the extent of its familial relationships, which is in turn embedded in the external environment.

HRM AND PERFORMANCE IN THE SMALL-FIRM CONTEXT

The debate on the role of HRM in organizational performance has been extended to the small firm. A relatively early study in Australia found that elements of strategic HRM were found in small manufacturing firms and that they appeared to contribute to performance (Teo et al., 2001). Way (2002) reports a US survey of 'high-performance work systems', embracing such things as self-directed teams and job rotation, group-based performance pay, and formal training. He finds that the *extent* of these systems did not differ between small and large firms. He also argued that their *role* was similar in that they were correlated with measures of performance in much the same way as was the case in studies of large firms. Another American study looked more specifically at high-commitment practices and found that they were associated with performance; it also looked further by, rather unusually, considering employee attitudes and finding that a sense of involvement seemed to be one mechanism linking the practices to outcomes (Allen et al., 2013). Similar results are reported for a group of hi-tech firms (Messersmith and Guthrie, 2010). Sheehan (2014) studied firms in the UK. She reports that in a sample of firms with 10 to 249 employees, out of 17 HR practices the mean number in use in relation to the majority of employees was around 10 (9 in 2007 and 11 in a follow-up in 2011). She finds links with performance, even when prior levels of performance were controlled for. A further UK study addresses the important question of just how many practices are in place compared with large firms. Wu et al. (2015) used a set of 17 'high-performance' practices to create an overall score; they found a mean score on their index in small firms of 10.7, compared with 13.7 in medium-sized firms and 18.0 in large ones. It is thus not the case that small firms lack all such practices, but there is also clearly a size gradient in their use. Turning to performance, Wu et al. find some links between the practices and measures of performance in large and small firms but not medium-sized ones. They offer little explanation of this, other than the speculation that firms in this last group may have felt under pressure to introduce HPWSs too rapidly to fit their overall needs.

As to what to make of these results, there are clearly unexplained differences, for example whether the extent of HPWSs is similar across all sizes of firm. The most reasonable evidence is that extent in fact differs. The effects also appear to be more complex than headline results might imply. Thus the Wu et al. study used four measures of performance and found a link with HPWSs in small firms in relation to only one of them (productivity). It makes the key point, in our view often ignored in the overall HPWS–performance debate, about costs (on the cost issues and the fact that uptake of HPWSs is in fact low across the economy, see notably Kaufman, 2015). For Wu et al., any productivity benefits may be offset by the costs of the systems so that in small firms there are no overall financial benefits.

What would then be needed are careful case studies investigating at least three things: just which HPWSs are used in different kinds of small firm; what in a small-firm context is expected to affect performance; and what the costs and benefits are. The second point is critical. Does a practice such as performance-related pay mean the same thing in a small firm as in a large one, and what specific elements of the practice might be appropriate in firms of different kinds? We lack information on such questions so that the results from quantitative studies can be at best no more than indicative. Other quantitative studies suggest that the mechanisms linking HPWSs and productivity may be complex. The obvious mechanism implicit in the literature as a whole is some kind of effect on employees which in turn feeds through into greater effort. Yet Storey et al. (2010) report that some aspects of the practices, notably formal systems and HR structures, had negative effects in small firms in terms of employees' job quality. We also know from case studies that practices that were reported to be in place are not always used consistently and that formal practices can be undermined by the actions of owners. For example, in two firms with performance appraisal schemes, the owners intervened in the stated processes because they saw the firms as their own property and wished to reward employees on the basis of personal judgement (Gilman and Edwards, 2008; see also Taylor, 2005).

It does not follow that such idiosyncratic behaviour was either 'bad' for performance, in being arbitrary, or 'good', in deploying informal personal ties. The outcomes are likely to be highly dependent on context, and in particular the kinds of expectations that are generated. Consider a contrast between two firms, one with about 40 employees and the other about 20, in the media industry (see Edwards et al., 2010; also Ram and Edwards, 2010: 246). Though they were in the same sector, they differed in management style and it was the smaller that was the more formal, for example in the documentation of HR practices and an annual review procedure. They were both successful, but their routes to success were different. Expectations and norms were probably more salient in linking employees to outcomes than was the existence of this or that practice.

CONCLUSION

We have discussed formality and informality, and argued that the view that small firms are informal, and that this is a weakness, is incorrect: informality is not total, and it brings benefits not least in terms of employee responses. Moreover, much of the focus in large firms in the last 10 or 20 years can be analysed in terms of a search for informality: consider delayering and decentralization at strategic levels and teamwork and empowerment in HR. There are practices that can be learnt from small firms. As Bacon et al. (1998: 267) conclude, communication is direct, and links between employee behaviour and firm performance relatively clear and immediate, while change programmes are more 'organic' and 'authentic'.

This does not mean that informality switches from being a sin to a virtue. As Gray and Mabey (2005: 480) remark, informality can 'co-exist with confusion and uncertainty'. Small firms always face the danger that a decision will be made out of personal preference or in haste. This is particularly the case when they come into contact with the formalities of state regulation in such matters as health and safety and individual employment rights. Informality needs to be kept in check, just as too much formality in large firms can lead to inaction. Informality and formality are enacted and negotiated; they are not eternal unchanging characteristics.

As for models of HRM, Welbourne and Andrews (1996) make the interesting remark that HRM, particularly in its strategic form (SHRM), implies a complex, and indeed virtually impossible, task of continually fitting the components of the HR system together and ensuring a 'fit' with business strategy. In our view, this is one of the general problems of the SHRM paradigm. It is particularly salient in small firms, which not only lack the resources to engineer 'fit' but which are also likely to endanger their informality and flexibility if they try to do so. It makes more sense to think of HR practices as being broadly tied together. The *principles* of SHRM are relevant, in encouraging firms to think actively about their HR practice and where it might connect to business strategy. A rapidly growing software firm, for example, might be advised to ensure that it has a payments system that goes beyond the merely ad hoc. But more complexity could be counterproductive. The generic recognition that firms have 'idiosyncratic competencies', and wider interest in the resource-based view of the firm, imply that any firm needs to generate its own models. This is particularly true of small firms, where personal relationships and the absence of standard approaches are central. HR in such firms needs to recognize the constraints that arise, but also the possibilities of engaging flexibly in the development of the firm.

Notes

1 As to why this is a common bound, one might speculate about how human groups work, drawing specifically on Dunbar's Number. This says that about 150 is the upper bound for human groups to work effectively on a face-to-face basis. The idea was applied in a business context by Gladwell (2000) who argued that firms such as Gore-Tex deliberately limited the size of any one facility to around 150 people, so as to reduce coordination problems. While the structure of firms cannot be explained by one human characteristic, it is the case that coordination problems grow at a rising rate as the size of an organization increases. It is also the case, as discussed below, that personal face-to-face ties are key features of the small firm.

2 We looked at this in WERS 2004, which has data on the proportion of employees trained to do jobs other than their own and the proportion actually performing such jobs. The data show that there is in fact *less* of this cross-job activity in small firms than in large ones; this is also true when we compared very small workplaces (5–9 employees) that were free-standing with workplaces of the same size owned by large (100+ employees) firms. Our interpretation of this turns on the meaning of a 'job'. In large firms, jobs are clearly defined, often through formal job descriptions, and very small workplaces will be, for example, the local branches of financial institutions. In independent establishments, staff will be expected as a matter of course to take on a wider set of duties. One indicator from WERS is that formal job evaluation schemes are rare in small firms. We also found that managers' reports of employee job variety and control pointed to higher levels of autonomy in small than in large workplaces, which is consistent with the view that small-firm jobs are relatively flexible.

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31

HRM in Multinational Companies

B. Sebastian Reiche and Dana Minbaeva

INTRODUCTION

While the typical multinational company (MNC) only makes up a fraction of the total share of businesses around the world, the number of MNCs has more than doubled since 1990 to over 80,000, and together they account for roughly 80% of world trade and 75% of private sector R&D (Dobbs et al., 2015). Add to this the growth of MNC forms with other internationalization trajectories such as born global firms (Knight & Cavusgil, 2004), and a rise of MNCs from emerging markets (e.g., Kostova, Marano, & Tallman, 2016), and it becomes evident that the multinational serves as an important organizational context for the design and diffusion of HRM policies and practices. This is of particular relevance as the HR function typically has higher levels of location specificity relative to other functions (e.g., Schuler & Rogovsky, 1998), which requires MNCs to make trade-offs between the configuration of their HQ- and subsidiary-level HRM (Pudelko & Harzing, 2007). A recent special issue of *Human Resource Management Review* (Al Ariss & Sidani, 2016) not only attests to the ongoing interest in this scholarly domain but also points to many unanswered questions.

Scholars studying HRM in MNCs broadly aim to address two overarching questions: (a) how is HR managed in MNCs; and (b) what can be considered salient outcomes (Brewster, Mayrhofer, & Smale, 2016)? To that end, this chapter will outline the various HRM issues that MNCs encounter across national borders. We will first pinpoint the domain of HRM in MNCs before discussing key thematic areas that have received research attention. Subsequently, we will review relevant theoretical lenses and methodological approaches adopted in past research and then provide recommendations for meaningful future research.

THE DOMAIN OF HRM IN MNCs

The globalization of business inspired scholars to address the prevalent issues associated with how HR is managed in the global environment. That refers to a wide range of HR issues in the context of MNCs, commonly subsumed under the term ‘international HRM’ (IHRM; see also Chapter 5 in this volume). In their seminal article, Taylor, Beechler, and Napier (1996: 960) defined IHRM as ‘the set of distinct activities, functions and processes that are directed at attracting, developing and maintaining an MNC’s human resources.’ A defining feature of IHRM is thus its focus on managing HR across countries. The related domain of comparative HRM (see Chapter 6 in this volume) aims to understand causes, predictors, and correlates of relevant differences and similarities in HRM systems and approaches across national contexts (Brewster, Mayrhofer, & Farndale, 2018). While it also takes a cross-national lens, it is primarily focused on understanding and contrasting different local HRM contexts, either from a culturalist (Reiche, Lee, & Quintanilla, 2018) or institutionalist (Whitley, 1992) perspective. More recent work has pointed toward areas of cross-pollination between the research on HRM in MNCs and comparative HRM (Brewster et al., 2016).

Linking IHRM with strategic needs of international business has developed an emerging field of strategic international HRM (SIHRM). SIHRM borrows many ideas from the work on SHRM of domestic companies, but, in contrast to SHRM, uses them to link HRM with the strategic management processes of MNCs. Consistent with Schuler (1992) and Wright and McMahan (1992), Schuler, Dowling, and De Cieri (1993: 422) defined SIHRM as ‘human resource management issues, functions, and policies and practices that result from the strategic activities of multinational enterprises and that impact the international concerns and goals of those enterprises.’ They offer an integrative framework for SIHRM, which distinguishes among (a) SIHRM issues related to the differentiation and integration of local units, (b) SIHRM functions related to resource allocation across those units, and (c) SIHRM policies and practices associated with local units’ resource utilization.

The framework was revisited by De Cieri and Dowling (2012) to reflect the dramatic global changes and challenges faced by MNCs. These include business challenges, such as the aging workforce, skill shortages, or industrial disputes, as well as crises and shock events of the past decade, including terrorist acts (Wernick, 2006), a global financial crisis (Griffith-Jones, Ocampo, & Stiglitz, 2010), several natural (e.g., the Icelandic volcanic eruption in 2010; the earthquake and tsunami in Japan in 2011) and environmental disasters (e.g., the BP/Deepwater Horizon oil rig explosion off the US Gulf Coast), and political events (e.g., Brexit and a rise in populism). Concerns about external factors have led many MNEs to rethink their approaches to management. According to De Cieri and Dowling (2012), SIHRM should reflect and respond to the changes in general external factors and stressed the need for resilience and environmental dynamisms.

More recently, researchers in the domain of HRM in MNCs have focused on examining the construct space of global talent management, which Mellahi and Collings (2010: 143) define as:

> the systematic identification of key positions which differentially contribute to the organization’s sustainable competitive advantage on a global scale, the development of a talent pool of high potential and high performing incumbents to fill these roles which reflects the global scope of the MNC, and the development of a differentiated human resource architecture to facilitate filling these positions with the best available incumbent and to ensure their continued commitment to the MNC.

This strand of research thus concentrates more on a particularly valuable group of HR within the MNC (i.e., those considered as talent). However, while the criticality of global talent management for MNCs is unquestioned, little research has examined the mechanisms through which it relates to performance at the HQ, subsidiary, and individual employee levels (Collings, Mellahi, & Cascio, forthcoming). In this regard, Morris, Snell, and Björkman (2016) adopt an architectural approach to outline how different types of human capital in MNCs develop from the individual level, to the unit level, and then to the firm level to build a talent portfolio. Consistent with earlier research on SIHRM, the authors argue that an MNC's strategy determines which configuration of the talent portfolio will be emphasized and integrated to achieve superior performance.

AREAS OF THEMATIC EMPHASIS

Scholars have primarily advanced our knowledge regarding HRM in MNCs along four main lines of research, including (a) the standardization vs. localization debate, (b) the transfer of HRM practices, (c) the role of HRM practices in MNC knowledge transfer, and (d) the role of the corporate HR function. Below, we discuss each in turn.

The Standardization–Localization Debate

A range of frameworks and empirical studies have focused on identifying patterns of HRM in MNCs that differ in how they are structured to meet international and strategic demands. MNCs are viewed as a nexus of differentiated practices 'ranging from manufacturing to finance to human resources, each of which faces distinct pressures for global efficiency and for local responsiveness' (Rosenzweig & Nohria, 1994: 230). HRM practices – probably more than others – are subject to dual pressures for local adaptation and internal consistency (Evans & Lorange, 1989). Empirical findings suggest that MNCs are willing and able to change their domestically developed HRM architecture to adjust to the local operating environment of business (Schuler & Rogovsky, 1998). At the same time, MNCs seek to develop a consistent approach: HQs have responsibility for and strategic interest in developing HRM practices that are 'broad enough and appropriate enough for the several local units to adopt to their local environmental and competitive strategy needs' (Schuler et al., 1993: 436).

The implications of the internal consistency and local isomorphism puzzle are central in the debate on which HRM practices are employed in MNCs. One of the most valuable empirical contributions in this context was made by Rosenzweig and Nohria (1994), who examined the resemblance of a number of subsidiary HRM practices to local practices and to HQ practices. Considering a set of related hypotheses, they empirically tested[1] whether the extent to which the affiliate is embedded in the local environment, the extent of flows between the parent and the affiliate, the characteristics of the parent, and the nature of the industry influence the design of HRM practices. Unfortunately, the study covered only selected HRM practices: the extent of employee benefits, the extent of annual paid time off, the use of bonuses to compensate managers, the degree of participation in executive benchmarking, gender composition in management, and the amount of employee training. As the authors stated, a major conclusion from the study is that 'although internal consistency may be of some importance, it is apparent that overall, HRM practices are primarily shaped by local isomorphism' (Rosenzweig & Nohria, 1994: 248). Further, the level of similarity to local practices was found to be significantly related to the method of founding, dependence on local inputs, the presence of expatriates, and the extent of communication with the parent.

Following Rosenzweig and Nohria's (1994) seminal work, a large stream of research has examined relevant contingencies that may explain the degree of standardization vs. localization that MNCs pursue in their HRM activities, functions, and processes across countries (e.g., Brewster & Wood, 2014; Tregaskis & Brewster, 2006). Early research conceptualized contingency frameworks with the aim of integrating a multitude of factors that may influence the tension between global coordination and local responsiveness (e.g., De Cieri & Dowling, 2012; Schuler et al., 1993; Taylor et al., 1996). These included both exogenous factors such as industry attributes and national culture as well as endogenous factors, including firm size and maturity or organizational culture. More recently, research has found that HRM practices were converging across countries and doing so in line with higher levels of standardization in MNCs (Edwards, Marginson, & Ferner, 2013). A reason given is that MNCs use the standardization of aspects of HRM practices that they perceive to constitute a firm-specific advantage to be exploited (Rugman & Verbeke, 2003). This implies that MNCs of different nationalities may exhibit distinct patterns of management coordination and control at the global level but with some consistency maintained within HRM practices of an MNC and its subsidiaries (Brewster, 2006; Brewster & Wood, 2014).

Another line of research, however, remains doubtful as to the degree of convergence in HRM activities across MNC subsidiaries. Both 'culturalist' and 'institutionalist' schools have identified a number of specific pressures for local differentiation, whether these are different cultural values, local institutional arrangements, or national business systems (Aycan, 2005; Reiche, Lee, & Quintanilla, 2018; Whitley, 1992). Other work has tried to integrate the two schools of thoughts by explicating the different degrees of latitude each offers in the design of HRM practices (Vaiman & Brewster, 2015). It is argued that organizations have relatively more agency in dealing with cultural as compared to institutional factors, for instance by hiring local employees who are untypical of the wider cultural context and share cultural values with those of the organization, or through systematic induction and socialization programs. By contrast, cultural differences may be most significant for the design of HRM practices in areas where institutional requirements are less restrictive, such as in training and communication as well as talent selection and development.

Pudelko and Harzing (2007) extended the debate of standardization vs. localization, arguing that MNCs are facing not a dual but a triple challenge: standardization towards HQ practices, standardization towards global best practices, or localization. Similarly, recent work has highlighted the simultaneous pressures for convergence and divergence that MNCs face as their design of HRM practices is shaped by varied demands at the local, organizational, and global levels (Al Ariss & Sidani, 2016). In short, what is consistent about studies on HRM in MNCs is their inconsistency with each other. A hope of finding coherent results, which would cover the entire range of HRM practices, remains elusive. A recent study by Edwards, Sánchez-Mangas, Lavelle, Minbaeva, and Jalette (2016) shows that while it is possible that there is a process of convergence, it is certainly a process that is far from complete. Indeed, there are good reasons to think that practices of MNCs will never be the same across countries. This is partly because of the continuing pattern of national distinctiveness in context, with the different preferences of actors in each country sustaining cross-national variation (Edwards & Kuruvilla, 2005).

Transfer of HRM Practices

A second area that has received much attention from scholars in the domain of HRM in MNCs aims to establish the nature of and conditions for the cross-national transfer of HRM practices within MNCs (Welch & Björkman, 2015). Broadly speaking, work has tried to answer questions about both the *desirability* of practice transfer, reflecting the value that MNC managers perceive in such transfer, and the *feasibility* of practice transfer, which is concerned with the degree to which transfer is possible.

In terms of desirability, scholars have pointed to several benefits for diffusing HRM practices from HQ, including learning effects and ease of communication and personnel rotation (Pucik, Evans, Björkman, & Morris, 2017). Others have discussed practice transfer in terms of the strategic posture of the MNC. For example, Taylor et al. (1996) differentiated between three IHRM strategies that are themselves driven by the HQ's international strategy and top management beliefs. Accordingly, while an exportive or an integrative IHRM strategy places value on the cross-national diffusion of HRM practices, either from HQ in the former or by developing worldwide best practices in the latter case, an adaptive strategy favors localization and sees little value in transfer.

Whereas a majority of studies focuses on practice transfer from HQ, scholars increasingly acknowledge that practices and resources in MNCs should flow multilaterally (e.g., Yang, Mudambi, & Meyer, 2008), especially in the case of network-based MNC structures (Bartlett & Ghoshal, 1989). Accordingly, more recent attention has been placed on examining the conditions that facilitate reverse transfer of HRM practices from subsidiaries, either vertically to HQ or horizontally to other MNC units. Research has derived several factors that influence the likelihood of such reverse transfer occurring, including the economic strength of the host-country setting, the degree of internationally integrated production, and the number of cross-border communication mechanisms in the HR function (Edwards, Sánchez-Mangas, Bélanger, & McDonnell, 2015). At the subsidiary level, related research has studied the prevalence of strategic HR capabilities, including the experience of subsidiary HR managers and social ties between HR managers at the subsidiary and HQ, respectively (Mäkelä, Sumelius, Höglund, & Ahlvik, 2012), pointing to ability-related preconditions for the reverse transfer of HRM practices.

The question of feasibility of practice transfer is implicit to the debate on the tension between standardization and localization. However, even in situations where broader contextual conditions would allow for divergence, the transfer of HRM practices is often less than straightforward. For example, scholars have pointed to the MNC as a highly contested social transnational space, within which practice transfer occurs (Ferner, Edwards, & Tempel, 2012). This contested nature derives from three distinct characteristics. First, given the diversity of different actors and units within MNCs, often joined through mergers and acquisitions, HQ control and authority is necessarily limited and with it the ability to impose practice transfer (e.g., Morgan & Kristensen, 2009). Second, subsidiary actors have been shown to build local resources and mobilize political support from internal and external actors to negotiate or resist the transfer or implementation of HRM practices that are imposed from HQ (e.g., Geppert & Williams, 2006). Third, subsidiary actors are thought to engage in a number of micro-political games as they jockey for social positions within the wider MNC (Kristensen & Zeitlin, 2005) and the adoption and implementation of diffused HRM practices serves as a salient context to do so.

There are also other obstacles to HRM practice transfer. Beyond particular cultural and institutional characteristics, Kostova and Roth (2002) identified certain relational factors that can foster or inhibit practice transfer. Specifically, they found that a subsidiary unit's perceived dependence on, trust in, and identification with its HQ positively affect the implementation and internalization of organizational practices. Kostova and Roth also examined the conditions under which a subsidiary will adopt a practice symbolically, defined as a situation in which a practice is formally adopted for legitimacy reasons (i.e., high level of implementation) without the belief in its real value for the MNC (i.e., low level of internalization). This is more likely the case when (a) the regulatory institutional profile of the host country enforces the practice while the cognitive and normative components of the host country's institutional profile are less consistent with it, and/or (b) the subsidiary is highly dependent on the HQ but has low levels of trust in, and identification with, it.

A considerable body of research has moved beyond the dichotomous question of whether or not – or which – HRM practices ought to be transferred across MNC units by studying how a given practice is modified as a result of its transfer. Originally based on translation theory, which posits that practices change in content and meaning through collective exposure to different sets of actors (Callon, 1986; Czarniawska & Sevón, 1996), this idea has also been applied to the transfer of HRM practices. Such hybridization of practices can, for example, occur in the form of reframing them linguistically (Brannen, 2004) or through political agency of subsidiary actors (Morgan & Kristensen, 2009). Other qualitative research has pointed to the highly complex and dynamic patterns of hybridization that account for multilevel perspectives and conceptual bricolage (e.g., Gamble, 2010). Further, drawing on the equifinality assumption that multiple unique combinations of HR practices are possible and equally effective (Delery & Doty, 1996), modification of HR practices at the subsidiary level can also be achieved by either changing the relative overall share of context-generalizable vs. context-specific practices (Reiche, 2008), or locally adapting specific practices without losing the intended purpose and effect of their overarching HR policies (e.g., Clark & Lengnick-Hall, 2012).

The Role of HRM Practices in MNC Knowledge Transfer

Scholars in the domain of HRM in MNCs also contributed substantially to the debate around knowledge transfer in MNCs. A common theme in this line of research is that MNCs can develop knowledge in one location and then exploit it in other locations, requiring an internal transfer of knowledge. Early research on MNC knowledge transfer suggests that MNCs can institute various organizational policies and practices to overcome transfer barriers associated with knowledge transfer, thereby facilitating internal knowledge transfer. Lado and Wilson were among the first to suggest that HRM practices 'can contribute to sustained competitive advantage through facilitating the development of competencies that are firm specific, produce complex social relationships … and generate organizational knowledge' (1994: 699).

The proposition that HRM practices could be viewed as the means and mechanisms of knowledge transfer in MNCs was well received and quickly developed in the literature. Researchers found that various HRM practices could be employed to deal with the determinants of knowledge transfer and thereby facilitate the knowledge-related outcomes for MNCs. Specifically, it was suggested that HRM practices could facilitate the transfer of tacit and complex knowledge, enhance absorptive capacity of knowledge receivers, facilitate disseminative capacity of knowledge senders, build organizational bridges, and support the learning environment (Foss, Minbaeva, Pedersen, & Reinholt, 2009; Mäkelä and Brewster, 2009; Minbaeva, Mäkelä & Rabbiosi, 2012; Minbaeva, Pedersen, Bjorkman, & Fey, 2014; Minbaeva, Pedersen, Björkman, Fey, & Park, 2003; Schleimer & Pedersen, 2013). More recent debate in the area of HRM and knowledge transfer in general has been encouraging scholars to go beyond a mono-level approach with an emphasis on the aggregate level (Felin, Tomsik, & Zenger, 2009; Minbaeva, Foss, & Snell, 2009) and called for a deeper understanding of the relationship between HRM practices and knowledge, implying a need to theorize about individual heterogeneity (Felin & Hesterly, 2007) and individual interactions (Felin & Foss, 2005). In this regard, extant research on individual-level knowledge sharing (for a review see Minbaeva, 2013) recognizes ability, motivation, and opportunity as antecedents of knowledge-sharing behavior (e.g., Chang, Gong, & Peng, 2012; Minbaeva et al., 2014).

A sizable body of research has examined the role of international assignees as agents of HRM practice transfer (e.g., Gamble, 2010; Harzing, Pudelko, & Reiche, 2016). It is assumed that the presence of international assignees enables the diffusion of standardized MNC practices because they act as carriers of corporate culture (Harzing, 2001) and empirical evidence indeed suggests that a higher number of parent-country expatriates is positively related to a foreign subsidiary's adherence to HRM practices from HQ (e.g., Ahlvik, Smale, & Sumelius, 2016; Myloni, Harzing, & Hafiz, 2007). However, the processes through which such people-based transfer occurs have received relatively less attention.

Since international assignees are rarely HR professionals and often lack education or experience in HR, research has examined specific expatriate characteristics, including ability and motivation-related factors, which inhibit or facilitate HRM practice and knowledge transfer (Chang & Smale, 2013). Further, while earlier research has mainly pointed to parent-country expatriates as transfer agents, more recent evidence suggests that subsidiary managers, who have been inpatriated to the HQ, also serve an important transfer function, for both conventional and reverse transfer directions (e.g., Harzing et al., 2016; Tungli & Peiperl, 2009). In addition to direct transfer through bridging, international assignees also serve a brokerage function (Reiche, Harzing, & Kraimer, 2009). Specifically, assignees may transfer HRM practices indirectly through their boundary spanning, linking home and host-unit staff and assisting the exchange of HRM-related knowledge.

The Role of the Corporate HR Function

Research regarding the role, activities, and structure of the corporate HR function, while clearly pertinent to the management of HR within MNCs, remains underdeveloped, not to say overlooked. Still, initial evidence suggests that the mode of organizing corporate HR activities varies substantially across different IHRM structures. In early work, Scullion and Starkey (2000) found that the corporate HR function in highly centralized, global firms undertook a wide range of activities and roles that included management development, succession planning, career planning, strategic staffing, top management rewards, and managing the mobility of expatriate managers. By contrast, highly decentralized firms pursuing a multidomestic international strategy concentrated mainly on management development and succession planning for senior executives.

More recently, Farndale et al. (2010) identified four dominant corporate HR roles, which they labeled 'champion of processes,' 'guardian of culture,' 'knowledge management champion,' and 'effective political influencer.' Drawing on 248 interviews in 16 MNCs, they also showed that these roles differ according to the primary IHRM structure prevalent in an MNC (from highly dependent to highly independent), pointing to a configurational design of the corporate HR function. Research focusing on global talent management identified additional roles of the corporate HR function, including 'network leadership and intelligence' and 'managers of internal receptivity' (Farndale, Scullion, & Sparrow, 2010). Together, these initial studies suggest that there is no one best structure and role design for the corporate HR function, but rather that it is likely to vary across international strategic orientation (cf., Taylor et al., 1996), MNC corporate structure, and employee group.

More broadly, there are a number of additional contingencies that, while implicit to previous research, would merit closer academic scrutiny. For example, the level of strategic HR capabilities at the subsidiary level (see Mäkelä et al., 2012) will likely determine the scope and reach of corporate HR function activities. Similarly, technology provides enhanced possibilities to separate operational from more strategic roles through outsourcing and offshoring HR activities, for example, in the form of HR shared service centers. Indeed, there is an assumption that the use of an HR shared services model will enable the HR function to be more strategic at the corporate level while increasing cost-effectiveness at the operational level. At the same time, evidence suggests that the financial and emotional costs of transitioning to a shared services model outweigh the predicted tangible cost savings (Cooke, 2006). Further, given the multilingual context in which MNCs operate, research has also demonstrated that the acceptance and use of electronic HRM systems in foreign subsidiaries depends on corporate language standardization in the firm (Heikkilä & Smale, 2011).

THEORETICAL APPROACHES

An alternative way toward taking stock of research on HRM in MNCs is to move beyond a thematic perspective and examine the main theoretical lenses that scholars have adopted. A look at past research suggests that the field is both theoretically dispersed and theoretically underdeveloped. The good news is that scholars have built on a variety of theoretical angles to situate their conceptual and empirical studies, including the resource-based (e.g., Taylor et al., 1996) and knowledge-based views of the firm (Harzing et al., 2016), cultural theory (Schuler & Rogovsky, 1998), institutional theory (Edwards et al., 2016), comparative capitalisms, particularly the national business systems approach (Edwards & Kuruvilla, 2005), and resource dependency theory (Rosenzweig & Nohria, 1994). To that end, the literature reflects and has been shaped by broader research on the transfer of organizational practices (e.g., Kostova, 1999). The latter work can be divided into two main strands, drawing on structural or contextual features and agency or organizational perspectives, respectively (Gamble, 2010). The former consists of approaches focusing on the nation as the main unit of analysis, including culturalist and national business systems lenses, and those highlighting the role of industry sector and the international division of labor. By contrast, agency perspectives primarily examine the potential for organizations and/or their members to influence organizational outcomes, and entail SIHRM and micropolitical accounts.

At the same time, relatively few HRM scholars have sought to integrate different theoretical perspectives to further substantiate and develop our understanding of the mechanisms through which HR is managed in MNCs and how salient outcomes are achieved. For example, while the broader literature on the transfer of organizational practices has started to combine both structural and agency perspectives (Kostova, 1999), this has been little reflected in the domain of HRM in MNCs. Theoretical integration is also needed across levels of analysis to adequately capture patterns of HRM practices according to their embeddedness in broader dynamics of the firm, industry sector, nation, region, and at the global level. However, as Kaufman (2016: 339) pointedly states, 'economic theories and concepts are sometimes regarded with skepticism by HRM researchers,' which may also explain why there has been little cross-pollination between the broader domains of international business and HRM. Kaufman (2016) therefore calls for a closer integration of economic principles of international trade and economic geography into models of HRM in MNCs. Almond (2011) similarly argues that IHRM research has largely failed to examine the link between MNCs and the geographies they operate in at sub-national levels.

Further, there continues to be a large amount of descriptive empirical research (e.g., Chang & Smale, 2013; Farndale et al., 2010; Tungli & Peiperl, 2009), reflecting the continued lack of sufficient theoretical development of IHRM research more broadly (De Cieri & Dowling, 2012). In this regard, the area of HRM practice transfer appears to be most theoretically grounded relative to the other three thematic areas reviewed earlier. At the same time, the domain's focus on contingency frameworks, which integrate a multitude of factors explaining the design and transfer of HRM practices in MNCs, falls short of explicating the dynamic nature of transfer and adaptation processes (Brewster et al., 2016). Here, micropolitical approaches promise to provide a more fine-grained picture of the underlying dynamics of HRM practice transfer, adoption, and internalization (Ferner, 2000; Ferner et al., 2012). Similarly, recent research that explicitly differentiates and conceptualizes the alignment between the subsidiary-specific transfer intentions of HQ and the actual implementation of HRM practices by subsidiaries (Ahlvik et al., 2016) offers avenues for furthering our understanding of the strength of HRM systems in MNCs (see Bowen & Ostroff, 2004).

Recent developments in the strategic management field around the need to build micro-foundations in management research (for a review see Foss & Pedersen, 2014) have high relevance for HRM in general and HRM in MNCs in particular. Minbaeva and De Cieri (2014) presented an emerging map of strategic international HRM, stressing the need for multilevel theorizing in SIHRM research. These authors argue that such research is needed and timely for two important reasons: (a) a growing quest for greater understanding of what performance matters at what level within MNCs; and (b) an ongoing realization that not all intended practices are implemented and those that are implemented may be perceived differently by the local employees in the MNC subsidiary. According to Minbaeva and De Cieri (2014), future research will benefit from clearly identifying and investigating the core questions in SIHRM at multiple levels, specifically focusing on potential interdependencies located between the levels of analysis.

METHODOLOGICAL CONCERNS AND REACH

From a methodological perspective, scholars have primarily adopted survey and case study designs which are mostly cross-sectional in nature (Brewster et al., 2016). Similar to the stated lack of theory development, this methodological focus stands in stark contrast to the expected dynamics underlying HRM practice transfer and adaptation. While such processes tend to evolve over long periods of time, thereby posing particular challenges to research design and data collection, scholars have attempted to address these issues through repeated surveying of unmatched samples (e.g., Björkman, Smale, Sumelius, Suutari, & Lu, 2008), regular collection of country-level HRM data as in the form of Cranet (www.cranet.org), and in-depth case studies of a small subset of organizations (Kristensen & Zeitlin, 2005). It is clear, however, that quantitative studies with unmatched samples face problems of equivalence and comparability, which makes it more difficult to draw meaningful process-related conclusions.

Further, Edwards et al. (2016) argue that previous research has failed to study MNCs in their original country. As they explain, ‘a key test of whether MNCs really have developed standardized practices along the lines of global norms is whether they manage their indigenous workforces in similar ways’ (2016: 998). The main argument is that if there are similarities in how MNCs manage their workforce globally, we would see similar patterns of practice in the domestic operations of MNCs across countries, regardless of whether they operate in the host or home country. Unfortunately, there are not many studies that include both indigenous MNCs and foreign subsidiaries operating within the same context in the same sample.

Studies that aim to treat geographical location as a substantive variable are equally rare. Indeed, most studies focus either on foreign subsidiaries in one host country belonging to MNCs from different countries of origin, or on foreign subsidiaries that are dispersed across different host locations but are associated with MNCs of the same home country (Brewster et al., 2016). A notable exception in the thematic area of international assignees as transfer agents is the study by Harzing and colleagues (2016), which combines data from foreign subsidiaries across 13 different countries belonging to MNCs headquartered in 25 countries of origin.

Similarly, despite the rise of MNCs from emerging markets (Kostova et al., 2016), the majority of studies to date focus on HRM of MNCs headquartered in developed countries. In their review of the strategic HR literature in US and UK journals, Batt and Banerjee (2012) find that the research continues to be US- and UK-centric. For example, while the share of studies based in the USA and published in US journals dropped from around 95% in the late 1990s and early 2000s, it still stood at 80% in the second half of the 2000s, with studies from emerging markets accounting for about 8%. However, as these authors suggest, the majority of this international research continues to build on US conceptual frameworks and examines whether results from the US literature can be generalized to other country settings. These findings highlight the continuous role of the USA – the world's most powerful economy – as the dominant national model that makes US MNCs bearers of dominance effects (Edwards et al., 2016; Pudelko & Harzing, 2007). By contrast, we know very little about how MNCs from developing or emerging markets design and adapt their HRM systems and activities across locations.

WHERE DO WE GO FROM HERE? DIRECTIONS FOR FUTURE RESEARCH

Given the growth in number, origin, and forms of MNCs, the multinational will continue to serve as an important setting to study the design and diffusion of HRM policies and practices. To advance our understanding of HRM in MNCs, we believe that it is imperative for future research to (a) more closely examine the role of context, (b) investigate HRM practices across multiple levels, and (c) more explicitly adopt a process view. We outline each area below.

On the Role of Context

A lot has been written about the role of context in international management studies in general and in studies on HRM in MNCs in particular. Brewster et al. reviewed the literature and conclude that research within HRM in MNCs 'has exhibited a preoccupation with studying the effects of external contextual determinants on MNE headquarters and subsidiary HRM practices' (2016: 293). They also note that the reverse case – how HRM practices of MNCs influence the institutional context in which MNCs operate – needs more attention. Unfortunately, in studies on HRM in MNCs, the heterogeneity of the context is often acknowledged but seldom used for theorizing. In order to advance our knowledge on HRM of MNCs in specific contexts, we need to understand how HRM is practiced by every actor within the focal business ecosystem, how these actors interact, and how these interactions are affected by and affect the business environment, both immediate and global. Such research can directly respond to the call for greater contextualization in international management research (Minbaeva, 2016). In this regard, May, Stewart, Puffer, McCarthy, and Ledgerwood call for 'more direct contextualization of theoretical propositions as opposed to post hoc contextualizing' (2011: 719; see also Michailova, 2011).

Furthermore, many of the findings on HRM in MNCs will have to be revisited given the dramatic changes in the global business environment and the current global landscape where many societies are wrestling with the positive and negative changes brought about by globalization and related concerns such as immigration and income inequality. For example, would it be more difficult for MNCs in the future to attract local talent? Will MNCs through their recruitment strategies increase geographic inequality by draining some locations or boosting high-skilled migration? What will be left behind after MNCs close their operations and move facilities elsewhere?

Overall, we need more context-rich rather than context-free research. The use of the context as a *source* for theorizing (Whetten, 2009) provides HRM and international management researchers with an opportunity to make a more compelling theoretical contribution (Cheng, 2007) and fulfil our role as responsible and accountable members of society (Collinson, 2017).

On Multilevel Theorizing

Up till now, the HRM field in general and research on HRM in MNCs in particular have taken a more collective-level (aggregate, reduced-form) approach, reasoning in terms of 'HRM policies,' 'human capital pools,' and 'HRM architecture.' This is unfortunate because, especially this field, due to the nature of its research questions and content of findings, would seem to speak directly to micro-, individual-level issues and relate those to collective outcomes, using the logics of emergence and aggregation. For example, much has been said about the potential role of HRM in global strategy implementation. Yet, demonstrations of concrete HRM activities that can enhance the effective execution of corporate strategy are lacking. Such demonstrations will have to include careful theorizing about how the intended HR strategies, which originated from global strategies, are formulated at the HQ level, get implemented at the subsidiary level via HR policies, and how these HR policies in turn get translated into practices which will be differently perceived and interpreted by local employees in foreign subsidiaries.

Equally important is work on how fragmented individual performance gets aggregated to team, organizational, and, ultimately, global performance. This aggregation implies potentially strong interdependencies between an individual and others in the same context as well as across contexts. Explaining such interdependencies has proven to be a 'main intellectual hurdle both for empirical research and for theory that treats macro-level relation[s] via methodological individualism' (Coleman, 1986: 1323). Studies on HRM and MNC performance are no exception.

At the micro level, there is also room for further theoretical development. For example, while increasing research theorizes about the conditions for technological change and adoption (e.g., Beaudry & Pinsonneault, 2010), we know little about the interplay between cognitive, affective, and motivational factors in influencing the acceptance and adoption of HRM practices across an MNC's various units.

On the Need for a Process View

As we discussed in our section on methodological approaches, future studies should more carefully unfold the dynamics underlying HRM practice transfer, adoption, and adaptation across subsidiaries of MNCs. Starting with Rosenzweig and Nohria (1994), studies on HRM practice diffusion within MNCs have offered considerable insight into why diffusion of practices is desirable, how the transfer happens, and what defines the degree of adaptation or adoption. However, studies very rarely delve deeply into what happens to such practices during and after the process. Ansari, Fiss, and Zajac see this as 'an important omission, since management practices often cannot be adopted by user organizations as "off-the-shelf" solutions' (2010: 67). Instead, they argue that the diffused practices are likely to evolve during the implementation process, 'requiring custom adaptation, domestication, and reconfiguration to make them meaningful and suitable within specific organizational contexts' (2010: 68). As we outlined, this notion is integral to translation theory (Callon, 1986; Czarniawska & Sevón, 1996) and we would encourage more research to examine the dynamics of such recontextualization. We believe that adopting a process view will generate a more nuanced theoretical and practical understanding of the diffusion of HRM practices in MNCs, across organizational, geographical, cultural, and institutional boundaries.

Note

1 The final population included 1,055 affiliates in 10 two-digit SIC industries with a response rate of 23.6%. Industries ranged from food processing to electronics to wholesale trade, while affiliates' parent companies came from eight countries (Canada, France, Germany, Japan, the Netherlands, Sweden, Switzerland, and the United Kingdom).

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32

Human Resource Management in the Public Sector: New Public Management, Responsive Governance and the Consequences of the Economic Crisis[1]

Stephen Bach

Public service human resource management (HRM) has rarely been integrated into mainstream HRM texts. Books dedicated to public service HRM, or separate overview chapters, are more common (Bach and Kessler, 2012; Leisink and Knies, 2018). The distinctive values and institutional arrangements of public services, and their oversight by the state, have encouraged separate consideration of public service HRM. Public service workplaces have featured as research locations to examine HR developments, but have rarely been integrated into mainstream debates. This tendency is reinforced by a long-standing assumption that despite continuous public service reform, the values and institutional structures of the public sector remain distinct and there is limited value in considering public service HRM as an integral component of mainstream HRM research. As the boundaries and barriers between sectors have loosened, there is increased recognition of the similar HR challenges faced by large organisations, whether in the public or private sector.

External crises have been important in shaping developments in public service HRM. During the 1970s, economic upheaval and the advent of governments committed to shrinking the state were the precursor to widespread managerial reforms intended to ‘reinvent’ government (Osborne and Gaebler, 1992). This policy shift was associated with the arrival of the new public management (NPM) movement (Hood, 1991). NPM emphasised the importance of disrupting public sector organisational and incentive structures. The introduction of competition and contestability principles was designed to pressurise managers to enhance efficiency and performance, mimicking behaviour in the private sector (OECD, 1995; 2005). Moving beyond the label of new public management reforms revealed a more complex picture in which public sector restructuring was interpreted, filtered and adapted in a variety of ways, shaped by differing institutional traditions (Bach and Bordogna, 2011; Pollitt and Bouckaert, 2011). Recognition of the variable uptake and unintended consequence of NPM reforms encouraged more critical scrutiny and questioning about the continuing relevance and application of these trends (Christensen and Laegreid, 2011; Osborne, 2011). It was, however, the consequences of the global financial crisis of 2008 which unleashed a sustained period of fiscal constraint and an age of austerity. Governments targeted public expenditure and these constraints led to wage restraint, via wage freezes or cuts, alongside measures to reduce public sector employment.

The global financial crisis was a stark reminder of the consequences for public services when economic performance and consumer confidence are curtailed rapidly. As the backlash against globalisation gathered pace, underpinned by concerns about income inequality, technological change and a crisis of democratic capitalism (Streeck, 2016; Wolf, 2014), there was a corresponding loss of trust in public institutions and business. Heightened criticism of large corporations’ labour standards, executive pay and systems of governance were commonplace (Mayer, 2013). This altered operating environment for private companies resembled long-standing features of the public domain: accountability to multiple stakeholders and increased obligations placed on companies for a variety of societal objectives; relatively open scrutiny of performance; and the need to restore and maintain public trust. The dominant orthodoxy that public services could benefit from uncritical adoption of private sector practice was therefore severely tested by disenchantment with corporate practice and widespread unease that governments were reducing public sector employment in response to failings that originated in financial services (Blyth, 2013). This chapter examines the context for HR in the public sector before examining the NPM reforms and the subsequent impact of the global financial crisis and austerity measures.

CONTEXT

The significance of state employment arises from the size and scope of government activity. Although policy-makers emphasise the requirement to ‘right size’ state employment, increased political and economic uncertainty and the disruption of new technologies are leading to increased regulation and reach by government. In combination with ageing populations and associated increased demand for public services, the public sector remains a major component of the global workforce. Although many OECD countries reported sizeable reductions in central government employment as a result of austerity measures, public sector employment as a proportion of total employment across the OECD remained stable over the last decade. It needs to be remembered, however, that in the crisis period employment levels decreased across whole economies, not just in the public sector. In 2015, the public sector comprised 18% of total employment across OECD countries (OECD, 2017). There are large variations with general government employment comprising around 30% of total employment in Norway, Denmark and Sweden, 16.4% in the UK, while Japan has the lowest percentage at 6%. It is therefore important in interpreting national data to recognise different national traditions which impact on the size, location and historical evolution of public services.

Although in virtually all countries the core civil service, military, police and emergency services are state employees, in health, education and social care, usually regarded as public services, this is not invariably the case. The United States is the best-known outlier in which health sector employment is overwhelmingly located in the private sector (Givan, 2016). The US case highlights the importance of different national traditions in which public services have been a more integral feature of some economic models. In Northern and continental Europe, public sector employment grew rapidly in the middle decades of the 20th century, but in Eastern and Central Europe it was only after the fall of communism that these states started to invest in public service employment (Bach and Bordogna, 2016).

Public sector employment, especially in Europe, has been part of the system of social protection, providing a safety net for citizens and universal access to essential public services. Public employers have multiple expectations placed on them, contributing to the goal of inclusive full employment, providing welfare services to ensure an educated and healthy workforce, and overseeing transfer payments to limit the impact of job loss and ill-health. This societal role in which the public sector workforce is financed and controlled, directly or indirectly by politicians, gives rise to particular values and institutions that shape public sector HRM. The state's approach to public sector employment is invariably infused with a political dimension and government priorities can be identified by their approach towards their own workforce. Long-standing priorities include attempts to address low pay and improve diversity, but other concerns are less durable. The UK government's endorsement of individual performance-related pay, regional pay and social partnership has fluctuated markedly in recent decades (Bach and Kessler, 2012).

State employment decisions are therefore subject to levels of public accountability and transparency that arise from the government's role as custodian of public funds. Decisions particularly in relation to selection, promotion and rewards are open to public scrutiny and this has encouraged standardised forms of HR practice. An important aspect of this accountability concerns the pay and conditions of public sector employees; the state has to reconcile the expectation that it should be a fair employer with its duty to taxpayers as the guardian of the public purse. Establishing 'fair' pay has been especially difficult for those public sector occupations that have no direct equivalents in the private sector. Many governments address this problem by unilateral pay determination using indexation or other forms of comparison with pay growth in the private sector to set wages. Joint regulation via collective bargaining (negotiations between employers and trade unions) is also widespread.

HRM practice can also be related to the structure of the workforce, which is distinctive in terms of gender, occupation and the strength of collective representation. Women comprise 58% of public employment, a much higher proportion than for total employment (45%) (OECD, 2017). In Europe, women make up a much higher proportion of the workforce than men in education, health and social work. Equal representation of women in senior management jobs has advanced since 2010. On average women represent 32% of governmental senior roles in OECD countries with wide national variations, but only four countries achieve parity. These gender characteristics contribute to high levels of part-time working in the sector and have also ensured that effective diversity and inclusion practices are prominent features of state employers' HR agenda.

A further distinguishing feature relates to the occupational composition of the public sector workforce and the employment of a high proportion of professional workers, including doctors, nurses, teachers and social workers. In the UK, this is reflected in the fact that 57% of public sector workers have a higher education qualification compared with 36% in the private sector (IFS, 2014). Professions are characterised as possessing an expert body of knowledge, inaccessible to outsiders, requiring high levels of self-management and with a primary loyalty and sense of identity to the profession rather than the employer organisation. Career advancement is often associated with developing higher levels of expert knowledge rather than upward progression in an existing employer hierarchy and may involve periodically moving between employers. This model has made management of professions challenging and NPM reforms have often stalled because of their inability to gain the support of existing and emergent professions.

Professions have also shown a strong attachment to the expression of collective voice. Trade union density in the public sector is almost without exception higher than in the private sector and these differences can be very large (Bordogna and Pedersini, 2013). In the UK, trade union density in the public sector is 53% and in the private sector it is 13% (Department for Business, Innovation and Skills, 2017). Wide gaps also exist outside of Europe, such as in the United States with 34% public sector union membership compared with 6.5% in the private sector (Bureau of Labor Statistics, 2017). It is not only that public sector workers are concentrated in large workplaces, associated with higher union membership, but that professional workers also have a strong sense of occupational identity and these collective interests can be safeguarded by trade union membership. Professional workers also seek career development and legal protection from trade unions as well as improvements in pay and working conditions via their union membership.

Finally, the public sector workforce is ageing rapidly and despite some exceptions the share of people employed in central government aged 55 years or over exceeds the proportion between 18–34 (OECD, 2016). Countries confront a looming retirement wave and this will not only lead to a loss of experienced staff but also exacerbate workforce shortages (OECD, 2017). Pension policy has become a more prominent HR concern and most countries are attempting to revise upwards the age at which public sector workers can retire with a full pension, which has provoked strong trade union opposition. Overall, the public sector remains a distinctive, very large, labour-intensive sector in which the services provided are often inseparable from the employees delivering the service. Consequently the nature and outcome of any HR reforms depends on the response of the workforce which is itself shaped by its experience of existing HR practices.

TRADITIONAL PUBLIC ADMINISTRATION

This approach is associated with a Weberian model of hierarchical authority, underpinned by rule-governed behaviour and functional specialisation. It is exemplified by traditional civil service systems that embodied systems of rules about merit-based recruitment and promotion, which usually involved competitive examinations. Rules were established for security of tenure enabling civil servants to pursue careers, progressing through internal labour markets, often on the basis of seniority. Remuneration was frequently established unilaterally by the state and was based on job-related criteria with little recourse to market value. These rules resulted in uniform employment conditions and they were often formalised in statutes and regulations overseen by a separate central personnel authority (Bach and Bordogna, 2011).

The main purpose of this model was to clarify the degree of political involvement in staffing decisions and to remove political patronage. The role of the civil service has been to administer state policy in an impartial and neutral manner according to agreed procedures, providing institutional and political stability. The UK has traditionally had the most marked separation of the political and administrative spheres with no formal political involvement in appointment, promotion or dismissal of top civil servants. The continental European tradition grants civil servants a unique legal status exemplifying their role as custodians of the public interest. A distinctive version of this governance structure is the special legal status of *Beamte* in Germany, whose position in society is enshrined by a precisely defined set of legal rights and obligations (Keller, 2016). The United States has a more overtly political staffing system in which top officials are political appointments and can expect to be replaced when the administration changes. When there is more overt political involvement in staffing decisions, there is more external oversight of the recruitment process (e.g. senate confirmation hearings in the United States) and greater restrictions on civil servants' ability to act in a party political manner (Ketelaar et al., 2007: 15).

These systems are underpinned by assumptions about the values and motivation of the workforce and the existence of a distinct public service motivation (PSM). A long-standing perspective, which has been debated fiercely over recent decades, is that public sector workers are intrinsically motivated and are attracted to public services by their innate sense of purpose and altruism (often termed pro social motivation). These innate traits can be enhanced or diminished by organisational policies and practices, but nonetheless research studies reiterate that employee PSM is distinctive, a conclusion that has not always been accepted by policy-makers (Christensen et al., 2017). Public service organisations' HR practices have been underpinned by a set of expectations about the values and motivation of the workforce. Professional self-regulation, utilising the workforce's desire to deliver high-quality services and limited state intervention to measure and monitor performance, was a dominant feature of traditional HR policy.

From the late 1970s, the idea of a distinct PSM was challenged. Public choice analysis that emphasised 'producer capture' was more sceptical of public servants and viewed the workforce as self-interested and attempting to maximise its own welfare. Public servants, it was suggested, engaged in bureau-maximising behaviour to increase their status and remuneration, facilitated by the absence of competitive pressures or systems of performance management (Niskanen, 1971). Contrasting perspectives on the motivation of the public sector workforce were labelled as 'knightly' and 'knavely' behaviour by Le Grand (2003). He argued that public servants frequently exhibit both forms of behaviour, but that appropriate incentive structures could foster knightly behaviour. This more critical scrutiny of the motives that drive public servants underpinned the proliferation of systems of performance management in the public services in the 1980s. Designed around assumptions of self-interest, the focus was on extrinsic, pecuniary rewards rather than intrinsic reward and was exemplified by enthusiastic policy support for the adoption of individual performance-related pay, largely based on practice in the private sector. The turn to performance-related pay was part of a broader movement to use design principles from the private sector and apply them to the public sector, which became associated with the influential NPM agenda.

NEW PUBLIC MANAGEMENT

NPM has been the dominant public sector reform agenda framing changes in HRM practice over recent decades. This reform agenda originated in high-profile English-speaking countries (UK, United States, Australia and New Zealand) and was endorsed and popularised by the OECD and global management consultancy firms (Kettl, 2000; OECD, 1995). Many continental European countries have experimented with NPM measures but have tried to go with the grain of their legal, political and institutional traditions (Pollitt and Boukaert, 2011).

Despite definitional ambiguities, there is agreement that, in broad terms, NPM aimed to remove differences between the private and public sector, importing business techniques and values as the only way to improve public service efficiency and effectiveness (Hood 1991; Kettl, 2000; OECD: 1995; Pollitt and Bouckaert, 2011). The main reforms associated with NPM included the following:

- Promoting increased managerial freedom to manage, which strengthens managers' powers and enables them to adopt private sector corporate practice. In some cases the emphasis was on a freeing up managers in a 'letting the manager' manage model, while in others it was more of a target-driven 'make the manager manage' approach.
- Privatisation to shift ownership and employment practices towards patterns prevailing in the private sector.
- Organisational restructuring that shifted away from traditional bureaucracy towards loosely coupled semi-independent organisational units with devolved managerial responsibility, intended to make organisations more responsive to citizen demands and more accountable for results.
- Greater competition in service provision by the introduction of market-type incentives into the financing and provision of public services. Examples included the outsourcing of services, internal markets and other contractual mechanisms.
- A movement away from an emphasis on policy towards a focus on measurable standards of performance and individual accountability for outputs.
- A shift away from an emphasis on development and investment towards cost-cutting and more efficient use of resources.

It was claimed that NPM was universal in its application (Hood, 1995) and consequently a process of global convergence could be expected. Any variations across countries in the adoption of NPM was simply a question of timing with 'leaders' encouraging 'laggards'; the possibility that other reform paths could be pursued was not considered (Bach and Bordogna, 2011). Changing traditional patterns of public sector HRM practice was integral to this agenda with performance prioritised over equity. The replacement of indexation and collective mechanisms of pay determination (involving trade unions) was favoured with an emphasis on discretionary and individual mechanisms (especially performance-related pay and variable bonuses). The expectation was of a fundamental transformation in HR practice in the public sector towards 'best practice' in the private sector.

Many decades of NPM-inspired reforms have yielded mixed results. The dominant message of many studies is that there are significant variations across countries, in different segments of the public sector and in relation to different measures (Bezes and Jeannot, 2017; Pollitt and Bouckaert, 2011). It remains unconvincing to argue that there has been a wholesale adoption of practices associated with the private sector and that in some areas of HR policy and practice there has been more *divergence* in approach between public and private sectors *within* countries. For example, in the UK union membership declined in the public sector much more slowly than in the private sector during the 1980s and 1990s (Bach et al., 2009). In terms of HR practice *between* countries, specific legal, institutional and administrative traditions proved to be particularly strong in the public sector, resulting in national path dependencies that limited convergence (Pollitt and Bouckaert, 2011; Pollitt and Dan, 2011).

Policies of privatisation, marketisation and legislation in areas such as gender equality have encouraged a narrowing of differences in practice between the public and private sectors *within* individual nation states. These trends have been facilitated by the privatisation of the energy, transport and telecommunications sectors and the outsourcing of functions to the private sector. The outcome has been the extension of standard employment law arrangements to public sector employees and the weakening of the special legal or procedural norms that distinguished employment in the state sector. This has frequently led to a reduction in the number of employees covered by specific administrative law and a harmonisation of recruitment, promotion and dismissal processes towards prevailing practice in the private sector. The importance of seniority in career development and pay systems has been reduced (OECD, 2007a). In Ireland, the *2004 Public Service Management (Recruitment and Appointments) Act* reformed the recruitment process to facilitate more open and flexible recruitment practices without recourse to a central process. Rules on dismissal and recruitment for many civil servants were relaxed, but this was accompanied by new rights to access unfair dismissal legislation. The picture is not straightforward, however, especially amongst civil servants, because existing employees often retain their special status following privatisation with ordinary contracts being applied to newly recruited staff. Thus in France and Germany former postal and railway staff retained their former employment status (Bordogna, 2007: 19–20). This highlights the point that without changes in management behaviour, embedded institutional patterns of HR practice may be hard to alter. It also signals that the new public management's focus on the opportunism of agents may lead to the neglect of the degree to which principals are willing and able to act as principals or may indulge in opportunistic behaviour themselves.

CONSEQUENCES OF HRM REFORM

Apart from these specific changes to the employment status of public sector workers, the consequences of NPM for HR practice can be grouped under three main themes: decentralisation and devolution, performance management, and flexible service delivery.

Decentralisation and Devolution

A central element of the NPM agenda has been the fragmentation of organisational units into their constituent business units. These administrative units have been ceded greater responsibility for performance, financial resources and in many cases HR practice. Increased discretion is often devolved to these administrative units for the recruitment, deployment and pay of their staff. The underlying purpose of these reforms has been to ensure services are more responsive to the citizens they serve. A prominent rationale for the creation of executive agencies in the UK and elsewhere was that the separation of policy work, from the operational delivery of services in agencies, would ensure that the importance of effective service provision would no longer be less important than policy development. The UK government established around 200 executive agencies in the late 1980s. A similar process of creating semi-autonomous public organisations, termed agencies, has been widespread globally (Verhoest et al., 2012).

These new service units typically took on the employer role, along with a notional responsibility for many of the policies and practices required to manage employees. This shift in the level of responsibility for HRM had a significant impact on a range of institutions, practices and stakeholders. Pollitt (2006) in his study of executive agencies in Finland, the Netherlands, Sweden and the UK reported that performance measurement was becoming more prominent within executive agencies, but he notes also that UK respondents expressed concerns that the policy/operations gap had become too wide with departments becoming increasingly divorced from where policy is applied. It is equally apparent that the use made of these HR discretions and the scope to develop distinctive HR policies and practices have often remained constrained or produced unintended consequences. This stems from finance authorities reluctance to loosen control of the paybill and limited HR capacity and capability to manage more devolved HR systems. There have also been concerns that devolution can lead to the duplication of effort, significantly increase transaction costs, inhibit mobility and lead to unjustified variations in pay and conditions for similar jobs, as has occurred in Australia (Podger, 2017).

Devolution has also had significant consequences for the HR function. Taking its cue from broader HRM developments, HR has sought to shift to a more strategic, business-orientated perspective and to delegate more responsibility to line managers. It is generally recognised that HR issues have a higher profile within public sector organisations than in the past but the degree to which this has been translated into a higher profile and more strategic role for the HR function is more uncertain (Bach and Kessler, 2012; Truss, 2008). The uncertainties surrounding the HR function were captured by a comment from a young French civil servant educated at the elite *Ecole National d'administration* (ENA) who suggested that 'the best way to make a mess of your career is to be involved in human resource management or this kind of stuff' (cited in Rouban, 2007: 495).

Performance Management

The emphasis on performance which combines a focus on outputs with incentives for individuals and organisations that achieve their targets has been the most widespread aspect of NPM reforms. The concept, however, can be applied in different ways and there is a degree of cynicism about the performance mantra espoused by governments alongside some resentment among staff at the implication that in the past the workforce was disinterested in performance (Ketelaar et al., 2007). The drive towards performance incorporates a variety of practices from individual performance appraisal which may be linked to higher organisational or government- level performance targets, and to performance indicators and league tables which have become standard practice over recent decades.

Performance management has often been viewed as part of a reform agenda to increase the influence of managers and to reduce the autonomy of professional staff directing them towards government defined targets. Power (1997) memorably termed this the rise of the Audit Society, signifying the increased number of individuals and institutions subject to more intensive audit requirements, and it was widely assumed in the 1980s and 1990s that professional staff would be losers and managers winners. This characterisation has been modified and a more nuanced position has emerged in which it is recognised that individual professional groups (nurses, doctors, teachers, social workers) have fared differently. Occupational control of services remains strong with professional staff sometimes developing hybrid roles in which they can be beneficiaries of NPM reforms, despite resenting the imposition of targets that they had not devised and the workload involved in documenting outcomes (Bach and Kessler, 2012). Nonetheless, there are considerable risks for those adopting hybrid roles. A study of 22 medically trained NHS CEOs characterised them as 'keen amateurs' who were vulnerable in post and required enhanced professional development (Ham et al., 2011).

The broader point is that performance management arrangements and the roles assigned to professional staff can either reinforce a low trust dynamic focused on the *control* of staff or be more orientated to *dialogue* and development. Pollitt (2006) reported that performance measurement was used in a more consensual 'dialogue' style approach in Finland and Sweden and to a lesser extent the Netherlands, compared with the harder edged 'control' arrangements in the UK. These findings resonate with surveys of top managers across Europe that noted variations in managerial autonomy and performance arrangements linked to the intensity of NPM reforms (Bezes and Jeannot, 2017).

There is continuing debate about what type of performance is being measured. An emphasis on responsiveness to the needs of the customer and associated efforts to incorporate service quality indicators into performance measures have been widespread. Some of the workforce implications mirror broader debates in the service sector about the role of the customer as 'a second boss' with government organisations using mystery shoppers to evaluate the quality of service and the performance of employees. As Rosenthal and Peccei (2007) point out, in their study of the UK government employment agency Jobcentre Plus, the idea of the 'customer' has a particular meaning in a public service context. Personal Advisors are charged with facilitating customer choices, but at the same time are under pressure to meet their key target of getting people back into work, involving a degree of compulsion. As well as illustrating the increased pressure on public sector staff in a performance culture, it also indicates the altered behaviour expected of staff. More recently, some of the emphasis on 'ends' has been supplemented by an enhanced focus on 'means'. In other words, there has been a recognition that ethical principles and values should shape behaviour and that the way in which results are achieved is as important as the results themselves. Many countries have increased the prominence and importance of ethical principles to guide civil service behaviour as part of a search for more rounded forms of performance assessment (e.g. Podger, 2017).

The adoption of individual performance-related pay (PRP) has remained contentious. This practice can be seen to have several attractive features for public sector organisations. Traditional pay systems, characterised by standard pay rates and service-related increments, were perceived as weak tools for the management of employee performance because of their perceived limited ability to motivate and incentivise individuals compared with PRP. More practically, it has been viewed as a means of establishing tighter control of the paybill. Pay systems which generally paid across-the-board increases and guaranteed annual increments could be replaced by an approach which rewarded on a much more selective basis, at the same time signalling that public sector workers are accountable and only receive pay increases linked to performance. PRP has been adopted by many countries from Canada, the Netherlands, New Zealand, the UK and the United States to Denmark, France, Germany, Ireland and Italy which have often been viewed as reluctant to introduce performance pay (OECD, 2005). Two points, however, need to be kept in mind. First, the numbers covered by PRP are often very small and confined to senior civil servants. In the French case, it was only in 2004 that an element of performance pay was piloted for 44 directors of central administration in six ministries and although in 2006 it was extended to other senior civil servants in these departments, the experiment remained limited to a tiny proportion of civil servants (Ketelaar et al., 2007: 43). Second, although there are a few exceptions, in general the performance component comprises a very small proportion of overall pay – often 1 to 3% – which raises questions about the degree to which the intended incentive effects can operate.

While the UK government was able to introduce PRP into the civil service where it remained the direct employer, its application in other public services was extremely limited and overall incidence remains well below usage in the private sector. Moreover, PRP was negatively correlated with workforce performance in the public sector (Bryson et al., 2017). In terms of paybill control, there was such a strong assumption among employees of an across-the-board cost of living increase that any attempt to use PRP to motivate staff required additional pay funding in addition to the existing paybill. In terms of its value as a management tool, research in the UK Inland Revenue Department cast major doubts on the motivational effects of such schemes for public servants (Marsden and Richardson, 1994). Adopting the tenets of expectancy theory, the authors found PRP was unlikely to motivate public servants. The setting of tangible performance objectives for public servants is difficult given the range of stakeholders they have to serve and the nature of their work; the clarity of the link between such objectives and pay is likely to be unclear and weak given various pay constraints; and typically public servants place less weight on pay relative to other rewards, especially where the amounts of performance pay available are small. In the absence of an effective performance appraisal system PRP is invariably ineffective.

These findings have been accepted by the OECD, formerly a leading advocate of performance pay, and it concludes that 'PRP is unlikely to motivate a substantial majority of staff, irrespective of the design' (OECD, 2005: 6). Nonetheless, following Marsden (2004) the OECD suggested that PRP has an important role to play in encouraging goal-setting and appraisal, in stimulating managerial change and in renegotiating effort norms upwards. More recently, the OECD, in a study which included Denmark, the Netherlands and Sweden, among others, has cooled further on PRP, underlining the costs and lack of evidence about its benefits (OECD, 2016: 224–226). These developments illustrate a wider point that commentators have become much less assertive about the utility of NPM-style reforms and much more willing to acknowledge shortcomings.

Flexible Service Delivery

The strengthening of management prerogatives was intended to enable labour to be utilised more flexibly. One of the most well-known trends has been the increased contracting out (outsourcing) of public services, with the main appeal being a belief that contracting out would reduce the cost and improve the quality of service provision.

Fragmentation, commercialisation and outsourcing of services such as refuse collection have spread into administrative functions including payroll and HR. This process has been accompanied by inferior rates of pay for new starters and the undermining of labour standards (Smith Institute, 2014). Outsourcing has increasingly taken a variety of forms and extended beyond large private sector providers to include social enterprises and mutuals; there has been some insourcing of services as well. Public sector organisations are using shared service models and other forms of partnership working for service delivery on a more frequent basis. Trade unions have been concerned about contracting out because of job losses, widening gender pay inequalities and the implications for trade union organisation. For example in the UK, the growth in the number and type of employers because of outsourcing increases the workload for trade unions in organising and representing their membership. This increased employer diversity is illustrated by the case of the public sector trade union Unison, in which 22% of new members in 2015–2016 that joined the local government group were employed in the private sector (Unison, 2016).

Attempts to make the public sector more permeable to outside talent, facilitate work–life balance, and ensure the workforce is more representative of the citizens it serves have encouraged the growth of more diverse employment arrangements with more recourse to temporary and fixed-term contracts. In the UK, on average just under a quarter of senior civil servants were recruited externally in the years up to the start of austerity measures in 2010, concentrated in specialist roles such as finance and information technology (NAO, 2013). External appointments have exacerbated the anomalies that stem from pay delegation, resulting in significant pay variations in the senior civil service (SCS) for similar roles. In 2012, civil servants that joined the SCS from outside the civil service earned on average 24% more than internal appointments (NAO, 2013: 42).

To widen career paths, organisations have attempted 'to grow their own workforce' and diversify their staff mix. Among shortage occupations such as social work, municipalities are drawing on local labour markets to develop non-professionally qualified social work assistants to progress into social work (Kessler et al., 2006) with similar developments occurring in relation to teaching and nursing assistants. The paradox here is that whereas many flexibility practices such as outsourcing are making more recourse to external labour markets, these types of 'grow your own' strategies are contributing to a reinvigoration of internal labour markets and the type of 'bureaucratic' career structures criticised by the proponents of NPM. The challenge is that it can be very difficult for organisations to blend effectively forms of internal and external labour flexibility and there are some signs that employer enthusiasm for externalisation has waned.

Employers have also sought greater flexibility in the manner in which they communicate and involve their workforce. Although public sector unions remain important actors, there is some unease among public sector unions that they may be on the same trajectory of decline as their private sector counterparts, although there are important variations between countries. Martinez-Lucio (2007) highlights the degree to which public sector trade unions have broadened their agenda beyond the defence of collective systems of employment regulation. There has been increased engagement with political campaigns seeking to defend public services and the development of alliances with service users that challenge managerial definitions of customer interests. In Spain and Sweden, trade unions negotiated pacts with government to implement programmes of change, such as total quality management. These developments signal that trade unions are slowly moving beyond a traditional 'producer' agenda to one that seeks alliances with users to shape the reform agenda.

Overall, although greater concern for diversity and related measures to increase the representation of ethnic minorities and persons with disabilities in the public sector are to be welcomed, flexibility is often a euphemism for forms of work intensification. Although HR reforms often seek to emphasise the empowerment of staff and increased participation in decision-making, the workforce often experiences these reforms in terms of increased customer aggression, more surveillance of its work and associated paperwork to demonstrate its contribution, alongside elements of the Taylorisation of work.

RESPONSIVE GOVERNANCE AND THE CONSEQUENCES OF AUSTERITY MEASURES

A much more cautious and questioning attitude towards NPM has emerged over the last decade. This does not mean that NPM is dead (de Vries, 2010) or that none of its components may be fruitfully imported into public service HR practice, but it indicates that even among influential proponents of NPM, there is a willingness to acknowledge the risks of NPM policy and the scope for unintended and even perverse effects (OECD, 2016).

Two main limitations of NPM have been noted. The first relates to the consequences of disaggregation and the fragmentation of the public sector with the proliferation of semi-autonomous agencies focused on delivery. This has led to significant transaction costs as nominally independent units have duplicated HR and other functions, and in the process there has been a substantial loss of central capacity and institutional learning. These shortcomings can be illustrated by experience of the UK executive agencies. By 1998, 139 agencies had been established employing three-quarters of all civil servants, but subsequently there has been a modest cull in the number of agencies (James et al., 2012). The model remains intact, but concerns emerged about the fragmentation of public services and criticism that individual agencies, foundation hospitals and academy schools were preoccupied with delivering their own results to the detriment of collaboration across organisational boundaries. Moreover, the distancing of policy and delivery meant that policy was devised without any certainty that it could be delivered at the front line. Encouraging collaboration within and across sectors and strengthening networks has been a partial if incomplete response to these criticisms (Bach and Kessler, 2012).

The second shortcoming relates to the impact on managerial and workforce behaviour of the incentive structures and targets that became a defining feature of the public sector context. Although directing more attention at enhanced performance has gained wide support, there is considerable unease about the narrow and short-term orientation this has encouraged. The development of a competitive ethos has frequently discouraged cooperation and this has led to detrimental effects as collective, system-wide needs have been neglected. A highly critical report on workforce planning in the NHS concluded that the devolution of workforce planning to individual NHS hospitals led managers to neglect this function and underestimate their requirements, resulting in catastrophic shortages of health sector personnel (Health Committee, 2007). These examples raise broader issues of accountability which were widely debated in the Cave Creek tragedy in New Zealand in which 14 people were killed in a national park. There was controversy over whether the chief of the executive agency should have resigned or if blame lay with the politicians that established the fiscal and performance environment in which the tragedy occurred (Chapman and Duncan, 2007). There have also been concerns that under NPM an imprecise but nonetheless powerful public sector ethos has been eroded by the disempowerment of professional staff and the establishment of a low-trust managerial culture; this is certainly a widely voiced grievance amongst professional staff in the UK (Bach and Kessler, 2012).

These developments signal that NPM had lost some of its potency and given way to a new discourse and set of practices associated with governance and networks, even before the financial crisis hit in 2008. The emphasis shifted from ‘government’ to ‘governance’, focused on the interdependence between actors which included the public, private and voluntary sectors. Network governance signalled an emphasis on collaboration between a wider range of actors within networks to produce more coherent ‘joined-up’ solutions (Bevir, 2010). In shifting away from an overreliance on market mechanisms and contractual incentives, Osborne (2011) contends that network governance responded to and overcame many of the limitations of managerialism and marketisation that fragmented public services, eroded coordination and portrayed users as passive consumers. Network governance policies encouraged forms of co-production and institution building, especially in relation to workforce development and regulation, and fostered partnerships between organisations and with the workforce. Tensions between continuing managerialism and marketisation and forms of network governance were exemplified by the difficulties of reconciling hands-off steering with the political saliency of public services that fostered continual direct forms of political intervention (Bach and Kessler, 2012). These tensions demonstrated the shortcomings in practice of separating what Osborne and Gaebler (1992) termed ‘steering’ from ‘rowing’, making it difficult to implement policy.

The Global Economic Crisis: Impact on Public Sector HRM

A more immediate impact on public sector HRM occurred as a result of the economic crisis that unfolded after 2008. In many EU and other countries, the public sector has been a prime target of government austerity policies because budget cuts impact on public spending and the workforce comprises a large component of this expenditure. Working conditions, employment levels, pay dynamics and pension benefits of public employees have all been widely affected, often with implications for the quality and quantity of services provided. The crisis and accompanying austerity measures have also stimulated analysis of the extent to which the crisis provided a window of opportunity to undertake structural reforms, including changes in employment relations institutions and employee voice practices, that were not possible in more settled times or, conversely, may have stymied reform because of the lack of resources, managerial capacity and political will to drive through unpopular reform measures (Bach and Bordogna, 2016; Katz, 2013).

The most visible effects of austerity policies relate to employment levels and pay, given that in most countries the quickest way to reduce the total paybill, repeatedly pursued since 2008, has been to decrease the number of public employees and to cut or freeze their pay. As Bach and Bordogna (2016) note in their analysis of EU countries, between 2007 and 2014, employment levels in the public administration subsector decreased in 16 out of the EU27 countries. In 11 countries employment levels decreased both in public administration and in the entire economy, including Greece, Italy, the Netherlands and Denmark; in general, the decrease has been notably more marked in public administration than in the entire economy. In five other member states a reduction in public administration employment levels occurred despite employment growth in the economy as a whole, including the Czech Republic, France, Germany and the UK. Only a minority of countries, albeit a significant minority, recorded an increase in public administration employment between 2007 and 2014, including Sweden, Hungary and Slovakia.

In terms of pay, many countries instigated wage freezes or even actual cuts in salary, with Ireland and Greece well-known cases. Between 2007 and 2014 the total compensation of general government employees markedly decreased in a number of countries, notably in Greece (–16.5%) and the UK and Hungary (–6.9%). Particularly strong wage growth in Eastern and Central Europe reflected a ‘catching-up’ process, linked to developments in the private sector.

The crisis also impacted on systems of employee voice and involvement. After several decades in which NPM reforms aimed to enhance the similarity of employment practices in the public and private sectors, the crisis underlined the distinctive capacity of the state as an employer to act unilaterally to determine the terms and conditions of public sector employment. Many governments asserted that they had little option but to implement austerity measures as rapidly as possible to reassure financial markets. This often resulted in established systems of tripartite discussion and collective bargaining being suspended or modified and the imposition of wage freezes and pay cuts (International Labour Office, 2013a: 125). The International Labour Office expressed concern in its Oslo Declaration that ‘social dialogue and collective bargaining serve as effective tools to mitigate the impact of the crisis, but in many countries they have been weakened’ (2013b: 1).

Three main developments occurred that impacted on employment relations institutions and HR practice: a return to unilateralism and the erosion of employee voice; the repeal of collective bargaining arrangements; and the reduced scope of collective bargaining. A large number of governments imposed wage freezes, wage cuts or increases in working hours without any prior consultation with employer or trade union organisations. In countries that received external financial assistance from the IMF or EU, such as Greece, Portugal, Romania and Spain, there was negligible consultation or negotiation. In many cases, such as the UK public sector wage freeze, measures were announced in Parliament bypassing established channels of employee voice. In other cases such as Italy the government simply cancelled the bargaining round and imposed pay cuts. These changes therefore reflect a new centralised unilateralism which resembled the traditional unilateral regulation of the public sector employment relations by central political authorities, but with a renewed emphasis on cost control. These trends are linked to an altered context in which the increased importance of international forces and supranational actors (notably the EU and European Central Bank) in influencing public service employment relations is evident. This trend represents the broadest and most significant legacy of the crisis: a shift away from an institutional context traditionally sheltered from external pressures and conceived as at the exclusive disposal of domestic actors – national governments and social partners – towards one much more exposed to international actors and developments (Bach and Bordogna, 2013).

One clear implication of the crisis was that managerial autonomy was very much subservient to budgetary requirements and centralisation of HR policy and practice was reasserted. The assumption, however, reflected in the requirement on governments to return to Parliament to extend wage freezes, is that these represent exceptional and *temporary* measures. By contrast, in some jurisdictions there has been a concerted attempt to *remove* collective bargaining rights. Severe deficits at national or local level and an ideological climate hostile to the public sector workforce and its representatives have been used to remove collective bargaining rights or narrow the scope of collective bargaining. Republican governors in US states have been in the vanguard of highly contested legislative moves to repeal bargaining rights. In Wisconsin, Governor Walker enacted the ‘Budget Repair Bill’ that denied state and local employees the right to negotiate on issues like pensions, healthcare benefits and working conditions and severely circumscribed the parameters of wage bargaining increases (Freeman and Han, 2012). Two other states, Oklahoma and Tennessee, also curtailed collective bargaining rights, while states including Nevada removed bargaining rights for specific groups such as doctors. There has also been a narrowing of the scope of collective bargaining and legislatures have removed and in many cases prohibited bargaining over a range of issues with healthcare benefits, the most frequent item removed from the bargaining agenda in the United States (Malin, 2012). Another mechanism that has been used to amend collective bargaining has been the increased use of dispute resolution procedures including mandatory arbitration.

CONCLUSION

Public sector HR policy has in most countries been caught up in a continuous process of reform that has major consequences for HR practice. The rise of the NPM movement signified a rejection of traditional models of HRM in the public sector. The establishment of a more assertive managerialism in conjunction with tighter control of resources, forms of marketisation, and changes in organisational structures ensured that the burden of adjustment was placed squarely on the workforce. Although in many countries the public sector became more efficient, for the workforce this efficiency drive was mainly associated with more intensive working practices, downsizing, tighter control of performance and the dilution of union influence. In terms of HR practice, attempts were made to ‘deprivilege’ the employment conditions of public sector workers and encourage a degree of convergence between employment practices in the public and private sector.

The economic crisis generated a heightened sense of insecurity and uncertainty, but also prompted a reappraisal of HR policy and practice. NPM reforms often failed to recognise that HR practice has both to facilitate the efficient delivery of public services and to enshrine deeper constitutional values that are integral to the delivery of public services. Some of the much derided features of the traditional ‘bureaucratic’ model of HR practice is being reinvented. This approach associated with due process, following defined rules in an impartial manner, integrity and hierarchical accountability, is designed to ensure that clear guidance underpins and shapes responsible behaviour (Pierre and Rothstein, 2011). The existence of clear and open rules, for example in how personal data is used, enhances public trust in government organisations (Deloitte and Reform, 2017). An emphasis on public service efficiency has not receded, but there has been less emphasis on competition and markets and greater preoccupation with networks, trust and reciprocity.

Loss of trust in institutions has reignited an interest in citizen involvement in public services and an emphasis on how public service users can co-produce service provision with the workforce to improve engagement and effectiveness (Alford, 2009). An extended period of austerity accompanied by new demands being placed on public services has focused attention on the motivation and engagement of the public sector workforce (Christensen et al., 2017). Finally, the blurring of boundaries between public and private sectors is apparent with changes in public service financing, the growth of alternative providers and digitisation which has encouraged the state to concentrate on commissioning and performance assessment rather than direct public service delivery. Longer-term partnerships with the private sector and new forms of collaborative governance to 'join up' public services across service boundaries and digital platforms have become more prominent (Donahue and Zeckhauser, 2011).

What is clear is that the public sector will continue to experience organisational reform. The HR agenda will have to take account of a wider variety of providers delivering public services, encompassing public, private and third-sector providers, and a more diverse workforce, less dominated by the traditional professions, will need to respond to increasingly vocal and demanding citizens.

Note

1 This chapter is dedicated to the memory of my Warwick University colleague David Winchester. I benefited from David's immense expertise and understanding of public sector employment relations. David was a kind and generous friend, colleague and mentor.

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