Comparative Labour Law and Industrial Relations in Industrialized Market Economies
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Comparativism is no longer a purely academic exercise, but has increasingly become an urgent necessity for industrial relations and legal practitioners due to the globalisation of the economy, the growth of multinational enterprises and the impact of international and regional organizations aspiring to harmonize rules. The growing need for comprehensive, up-to-date and readily available information on labour law and industrial relations in different countries led to the publication of the *International Encyclopaedia for Labour Law and Industrial Relations*, in which almost ninety international and national monographs have thus far been published and which now is online, together with the other twenty-four Encyclopaedias.

This book, *Comparative Labour Law and Industrial Relations in Industrialized Market Economies*, goes a step further than the Encyclopaedia in as much as most of the chapters provide comparative and integrated thematic treatment. Our aim is to describe the salient characteristics and trends in labour law and industrial relations in the contemporary world. Our book is obviously not exhaustive with respect to the coverage of countries and topics. We limit ourselves mainly to the industrialized market economies.

The book is divided in three main parts: an *Introduction* relating to methodology, and documentation, including the use of Internet. The second part concerns *International Actors*, such as the International Employers’ Organisations and the International Trade Union Movement, as well as Human Resources Management. The third concerns the *Sources of Regulation*, concentrating on International and European Labour Law, as well as on Codes of Conduct for Multinational Enterprises and describes also the rules in case of conflict of laws.

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The last part deals with *International Developments and Comparative Studies* in not less than fifteen chapters.

Encouraged by the warm reception of the first ten editions, we hope that the XIth edition will also serve as a textbook and reference work to facilitate the task of teachers and students of comparative labour law and industrial relations. We also hope that the book will provide labour lawyers with the necessary insights to cope with a world which is increasingly international.

Roger Blanpain,
Leuven, March 2014
# List of Abbreviations

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>AFL</td>
<td>American Federation of Labor</td>
</tr>
<tr>
<td>ALO</td>
<td>Arab Labour Organisation</td>
</tr>
<tr>
<td>APEC</td>
<td>Asia-Pacific Cooperation</td>
</tr>
<tr>
<td>AU</td>
<td>African Union</td>
</tr>
<tr>
<td>BetrVG</td>
<td>Betriebsverfassungsgesetz</td>
</tr>
<tr>
<td>BIAC</td>
<td>Business and Industrial Advisory Committee</td>
</tr>
<tr>
<td>CEEP</td>
<td>European Centre for Public Enterprises</td>
</tr>
<tr>
<td>CFA</td>
<td>Committee on Freedom of Association</td>
</tr>
<tr>
<td>CGT</td>
<td>Confederation Generale du Travail</td>
</tr>
<tr>
<td>CGU</td>
<td>Council of Global Unions</td>
</tr>
<tr>
<td>DGB</td>
<td>Deutscher Gewerkschaftsbund (German Federation of Trade Unions)</td>
</tr>
<tr>
<td>EC</td>
<td>European Community</td>
</tr>
<tr>
<td>EEA</td>
<td>European Economic Area</td>
</tr>
<tr>
<td>ELLN</td>
<td>European Labour Law Network</td>
</tr>
<tr>
<td>EMF</td>
<td>European Metalworkers’ Federation</td>
</tr>
<tr>
<td>EP</td>
<td>European Parliament</td>
</tr>
<tr>
<td>EPD</td>
<td>Equality and Prohibition of Discrimination</td>
</tr>
<tr>
<td>ESC</td>
<td>European Social Committee</td>
</tr>
<tr>
<td>ETUC</td>
<td>European Trade Union Confederation</td>
</tr>
<tr>
<td>ETUI</td>
<td>European Trade Union Institute</td>
</tr>
<tr>
<td>EU</td>
<td>European Union</td>
</tr>
</tbody>
</table>
List of Abbreviations

EWC European Works Council
TFEU Treaty on the Functioning of the European Union
FDI Foreign Direct Investment
FTAA Free Trade Agreement of the Americas
GSEE General Confederation of Labour
GTM Global Talent Management
GUF Global Union Federation
HRM Human Resource Management
ICC International Chamber of Commerce
ICE Regulations Information and Consultation of Employees Regulations
ICEM International Federation of Chemical, Energy, Mine and General Workers Union
ICFTU International Confederation of Free Trade Unions
IELL International Encyclopaedia for Labour Law and Industrial Relations
IFC International Finance Corporation
IFTU International Federation of Trade Unions
ILERA International Labour and Employment Association
ILO International Labour Organisation
IME Industrialized Market Economy
IMEC International Maritime Employers’ Committee
IOE International Organisation of Employers
IOM International Organisation for Migration
IRRU Warwick Business School Industrial Relations Research Unit
ISSLL International Society for Labour and Social Security Law
IT Information Technology
ITF International Transport Workers Federation
ITS International Trade Secretariat
ITUC International Trade Union Confederation
MNC Multinational Corporation
MNEs Multinational Enterprises
NAFTA North American Free Trade Agreement
NCP National Contact Point
NGOs Non-governmental Organizations
NLRA National Labour Relations Act
NLRB National Labour Relations Board
OAS Organisation of the Americas
OATUU Organization of African Trade Union Unity
**List of Abbreviations**

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Full Form</th>
</tr>
</thead>
<tbody>
<tr>
<td>OECD</td>
<td>Organisation for Economic Cooperation and Development</td>
</tr>
<tr>
<td>OEEC</td>
<td>Organisation for European Economic Cooperation</td>
</tr>
<tr>
<td>RSA</td>
<td>Rappresentanze sindicali aziendali</td>
</tr>
<tr>
<td>RSU</td>
<td>Rappresentanze sindicali unitarie</td>
</tr>
<tr>
<td>SE</td>
<td>Societas Europea (European Company)</td>
</tr>
<tr>
<td>SME</td>
<td>Small and Medium-Sized Enterprise</td>
</tr>
<tr>
<td>SNB</td>
<td>Special negotiating body</td>
</tr>
<tr>
<td>SSRN</td>
<td>Social Science Research Network</td>
</tr>
<tr>
<td>TUAC</td>
<td>Trade Union Advisory Committee to the OECD</td>
</tr>
<tr>
<td>WCL</td>
<td>World Confederation of Labour</td>
</tr>
<tr>
<td>WGTP</td>
<td>Working Group on Trade Promotion</td>
</tr>
<tr>
<td>WFTU</td>
<td>World Federation of Trade Unions</td>
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</tbody>
</table>
I. INTRODUCTION

1. The focus and context of human resource management, both in its practice within organizations and its study within academia, is in the midst of significant changes. In part, these changes reflect the events that began to occur during the mid-1970s and early 1980s. For example, during that period, the focus of business shifted from domestic to multinational to global; the speed at which business is conducted increased; organizations recognized that labour costs and labour must be viewed from a worldwide perspective; and organizations realized that competitive advantage can be seized and sustained through the wise utilization of human

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resources. And now, as we enter the second decade of the twenty-first century, the changes in these events have accelerated. Along with this has come a great deal more complexity and uncertainty. Companies are now constantly thinking about how to operate successfully in a truly global environment with more economic and financial uncertainties than ever. As a consequence, human resource (HR) departments in businesses throughout the world today are being viewed not only as acquirers and motivators of resources previously not thought of as competitive weapons, but also as resources of sufficient significance to play a role in the making of major decisions regarding global as well as domestic business strategy. All of this has helped create the subfields of strategic human resource management and strategic international human resource management. Consequently, these subfields are discussed in separate sections later in this chapter.

2. These changes in focus and context, and their consequences, have themselves been coming at a very rapid pace. This chapter gives us a chance to pause to put them into perspective. In order to provide this perspective from our vantage point in the US, we will examine both the changes and the consequences of those changes in terms of both the focus of and the context for human resource management. Throughout our examination, we refer to both the professionals and the department of human resource management (e.g., human resource professionals and the HR department) and the function of managing people (i.e., the human resources) in organizations. The importance of these distinctions becomes more evident as the chapter develops. As the chapter unfolds, two major phenomena in human resource management – strategic human resource management and strategic international human resource management – are described. In addition to these large, macro-developments in human resource management, this chapter also discusses major contemporary issues and topics, such as performance management, knowledge-intensive environments, pay for performance, effectiveness and the question, ‘Is there one best way? The academic side of all that is happening in human resource management is revealed in the discussions of theoretical frameworks now being used in the field as well as in the discussion of the stakeholder model. Both the academic and practitioner sides of the changes in the focus and context of human resource management and their consequences are combined in the discussion of the activities now considered to be the essentials of human resource management.


II. WHAT IS HUMAN RESOURCE MANAGEMENT AND HOW DOES IT OPERATE?

A. WHAT ARE THE ACTIVITIES THAT HR ENTAILS?

1. Strategic Analysis

3. Today, human resource management, in playing a greater role in the strategy of the organization, includes scanning the environment and looking at such things as competitors’ activities, legal conditions, economic trends and workforce demographics. Human resource management also requires keeping tabs on the environmental elements inside the organization such as its goals, competitive strategy, technology, culture, structure and workforce characteristics. Once this external and internal environmental scanning takes place, human resource planning begins to identify the firm’s short-term and long-term human resource requirements. In part, the determination of how to staff these requirements depends on the results of an analysis of jobs, which determines the sets of skills, abilities and competencies needed, as well as the numbers of people needed with each different set. To this point, human resource management has identified the business needs of the organization and their broad implications for human resource management. In part, this assessment of the needs of the organization promulgates in a view of the human resource management function and the people within the organization as sources of competitive advantage.

2. Strategic Implementation

4. After having identified the needs of the organization, the HR department is typically responsible for working with line managers to align the attitudes, motivations and behaviours of employees with the strategic needs of the organization, while also taking into account the external environmental conditions found during the environmental scan. This is the essence of strategic human resource management, which is discussed in more detail later in this chapter.

5. Ibid.
## Exhibit 5.1 Schuler and Jackson’s Four-Task Model for Managing Human Resources

<table>
<thead>
<tr>
<th>The Four Main Tasks</th>
<th>What the Task Involves</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Task 1. Managing Employee Assignments and Opportunities</strong></td>
<td>Includes deciding where to find the people needed, e.g., internally, externally, from the local area, or from other regions. Also involves the decision of whether to outsource the recruitment and selection process. Helping employees make the transition into the organization is also included in this task. Employees entering the firm need to be aware of the vision, mission, values and general strategy of the organization. To fully utilize the competencies, behaviours and motivation levels of these employees, organizations need to provide opportunities for interaction, learning, sharing of knowledge and information, and the chance to work together effectively. Decisions about organization structure, size, and change are included here too. Some of the questions that must be addressed to be effective in this task are:</td>
</tr>
<tr>
<td>– What number and type of employees are needed, with what qualifications?</td>
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<tr>
<td>– How productive do we need them to be?</td>
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<tr>
<td>– Where are they needed, and when?</td>
<td></td>
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<tr>
<td>– What are the total labour cost implications of our decisions?</td>
<td></td>
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<tr>
<td>– Where will they come from?</td>
<td></td>
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<tr>
<td>– Shall we keep organizational units a certain size?</td>
<td></td>
</tr>
<tr>
<td>– What opportunities for growth, development, and rewards will attract them to the organization?</td>
<td></td>
</tr>
<tr>
<td>– What are the roles of the HR Triad in managing employees?</td>
<td></td>
</tr>
<tr>
<td><strong>Task 2. Managing Employee Competencies</strong></td>
<td>This task involves ensuring that individuals have the needed skills, knowledge, and abilities (aka, competencies) to perform successfully. Systematic selection, based upon job analyses linked with an organizational analysis, helps ensure that the appropriate skills, knowledge, and abilities for all jobs and roles are known. Anticipating and planning for future jobs and organizational roles are also necessary to help ensure that employees in the future will be positioned (adequately trained) to have the appropriate competencies. Ensuring that the needed competencies are available requires answering questions such as:</td>
</tr>
<tr>
<td>– What competencies do employees have now?</td>
<td></td>
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<tr>
<td>– What new competencies will be needed in the future?</td>
<td></td>
</tr>
<tr>
<td>– Where will these competencies be available? At what cost?</td>
<td></td>
</tr>
<tr>
<td>– What competencies will be less important in the future?</td>
<td></td>
</tr>
<tr>
<td>– What are legal, social and cultural factors to consider?</td>
<td></td>
</tr>
<tr>
<td>– Which specific employees need which specific competencies?</td>
<td></td>
</tr>
<tr>
<td>– How can we assist people in learning new competencies?</td>
<td></td>
</tr>
<tr>
<td>– Can/should needed competencies be purchased or developed?</td>
<td></td>
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</tbody>
</table>
## The Four Main Tasks

<table>
<thead>
<tr>
<th>Task 3. Managing Employee Behaviours</th>
<th>What the Task Involves</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>The third task is identifying and ensuring that employees exhibit the appropriate behaviours.</strong> Because behaviours often reflect attitudes, values and knowledge, this task requires understanding how these are related to specific behaviours. Increasingly, employee behaviours are seen as instrumental in fulfilling the needs of the firm, given its competitive strategy and the expectations of important stakeholders. For example, a customer-focused-solutions orientation may require employees to initiate discussion non-defensively, respond to questions, and offer further assistance. Working effectively in teams requires coordinating with others, and so on. Questions to be addressed for this task include:</td>
<td></td>
</tr>
<tr>
<td>– What behaviours does the organizational culture value?</td>
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<tr>
<td>– What behaviours fit the employer’s brand image?</td>
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</tr>
<tr>
<td>– What behaviours are detrimental to the strategy and need to be eliminated or modified?</td>
<td></td>
</tr>
<tr>
<td>– Can behaviours be performed/learned by most employees?</td>
<td></td>
</tr>
<tr>
<td>– How do employees’ behaviours affect customers’ buying patterns and satisfaction?</td>
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</tbody>
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<tr>
<th>Task 4. Managing Employee Motivation</th>
<th>What the Task Involves</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>This task involves ensuring that employees are willing to put in the effort needed to perform at their best level (effort), ensuring that employees are willing to stay with the firm for at least the length of time required for the firm to recover its investment (retention) and ensuring that employees are willing to work at the agreed-upon time and place (reliability). Managing employee motivation involves answering questions such as:</strong></td>
<td></td>
</tr>
<tr>
<td>– How much more effort are employees willing and able to give?</td>
<td></td>
</tr>
<tr>
<td>– How can we increase employee productivity?</td>
<td></td>
</tr>
<tr>
<td>– What is the optimal length of time for employees to stay with the firm?</td>
<td></td>
</tr>
<tr>
<td>– How can we manage workforce reduction?</td>
<td></td>
</tr>
<tr>
<td>– Can production costs or customer service be improved by reducing absence and tardiness?</td>
<td></td>
</tr>
</tbody>
</table>
a. Four-Task Model for HR

5. To describe the primary responsibilities of the human resource function, we have developed the Four-Task Model, which states that the four main tasks of HR are: managing employee assignments and opportunities, managing employee competencies, managing employee behaviours, and managing employee motivation.\(^8\) These four main tasks, described more fully in Exhibit 5.1, are the raison d’etre of human resource management.\(^9\) Together they provide the logic that guides the choice of specific human resource management policies and practices.\(^10\)

b. Environmental Improvements

6. As an employee’s tenure with the organization increases, the HR department often uses improvement of the workplace environment to create organizational engagement within employees.\(^11\) Environmental improvements are a means of increasing the satisfaction of an organization’s employees, potentially resulting in increased organizational commitment and in helping the firm achieve its strategic goals.\(^12\) Environmental improvements can take the form of the introduction of new types of technology, changes in the level of quality of the product or service and an increase in the development opportunities available to the employees.

c. Empowerment/Engagement

7. Another action in the furtherance of the strategic objectives of the organization is the empowerment of the employees.\(^13\) Empowerment results from a change in the culture of the organization, which gives employees a greater opportunity to affect both their working conditions and the way in which they perform their jobs. As a consequence, employees become more engaged with workplace issues and the goals of the company. Empowerment is an important human resource management objective, particularly in organizations that are

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9. R.S. Schuler & S.E. Jackson. Used with permission.
attempting to implement total quality management and customer service improvement programmes and programmes to enhance the effectiveness of the company, all of which rely heavily on the engagement of employees.

3. A Link-to-the-Organization Role

8. The view that the HR department is a strategic partner assumes greater integration of that department into the activities of the organization than the traditional view of human resource management. Nevertheless, the more traditional activities of creating remuneration and benefits packages, tracking employee progress, bargaining collectively with unions, and evaluating employee performance remain under the aegis of the HR department.\(^{14}\) Despite the traditional nature of these functions, however, they too have been updated as a result of the partnership that the HR department has with the organization as a whole in furtherance of the strategic goals of the organization. For example, remuneration and benefits packages include not only direct compensation, but also performance-based pay and indirect benefits. While these topics may not seem to be radically different from those that were considered part of the remuneration packages a decade ago, they now must reflect the organization’s position on flexible time, flexible place, job sharing, gainsharing and other issues coming to the forefront as organizations increase their efforts to be more competitive; and for many organizations this means being competitive globally.\(^{15}\)

9. In addition, and partially as a result of a familiarity with the legal and regulatory environment that stems from its environmental scanning, the HR department is the department within the firm that is typically responsible for highlighting the need for compliance with laws regarding employment-related areas such as discrimination, privacy rights, and health and safety issues. As a result it is charged with creating ways to measure and monitor these activities to ensure compliance. These necessary activities are also part of the process of facilitating the implementation of the strategic plan of the organization.

10. In summary, it appears that the HR department is responsible for activities such as the adaptation of the employee to the work of the company, the adaptation of the workforce to the goals of the company and the adaptation of the retention programmes to the needs and interests of the employees so as to ensure the organization’s ability to compete successfully and to achieve its strategic objectives. These activities, done in cooperation with the line managers and the employees and their representatives, increase the success of the corporation by generating productivity improvements, ameliorating the quality of work life, ensuring increased legal compliance, presenting the organization with a source of competitive advantage and ensuring future workforce learning, adaptability and flexibility.\(^{16}\)

\(^{14}\) Lundy & Cowling, 1995, supra.

\(^{15}\) Pfeffer, 1998, supra.

\(^{16}\) Schuler, 1994, supra.
B. STAFFING THE HR MANAGEMENT DEPARTMENT

1. Specialists versus Generalists

11. Human resource management today requires a breadth and a depth of knowledge that is greater than in earlier, more stable times. While both staff members and top leaders need to be functional experts regarding the activities performed and capable administrators, when the HR department is viewed as a strategic partner, it must also be able to act as a business consultant and to solve problems taking into account the global environment. As a result, today’s human resource management differs greatly in scope of activity from yesterday’s personnel management.

12. Specialists in the HR department focus on the specific human resource activities. These specialists typically come from backgrounds in which they have acquired technical information regarding human resource practices and policies, including law, industrial and organizational psychology, industrial labour relations, counselling, medical or health science, social service, organizational development, organizational change and design, total quality management, or information systems, given the recent emphasis on technology.17

13. Line managers, as HR generalists, are also important to the human resource function. One step along the career path of many line managers is in the HR department.18 During this phase of their careers, they spend two to three years receiving exposure to human resource practices and issues. At the end of this period of time, they have had exposure to the same areas as human resource specialists, although the managers will have had that exposure at a far more general level. The line managers then will be human resource generalists within the organization. After becoming an HR generalist, it is possible for a manager to lead the HR department or to be the general manager at one of the firm’s installations.19 In point of fact, spending part of one’s career in the HR department may become more and more prevalent, as a majority of line managers identified it as a critical step along a career path for themselves.20

2. Centralization versus Decentralization

14. With increasing numbers of line managers spending some of their career learning human resource practices, the question of arena of responsibility for

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19. Schuler, supra.
20. Schuler, supra.
human resource practices becomes relevant. In an organization with centralized human resource practices, the headquarters location is where the policy creation and decision making take place.21 In these centralized organizations, human resource management is typically more likely to reflect a recognition of human resource management as a strategic partner in achieving the goals of the entire organization.

15. In a decentralized organization, human resource activities are generally performed at lower levels and decisions are made either at the divisional, regional or departmental level.22 Thus, while decentralized human resource management allows the organization to have decisions made in the environment in which they are to be enforced, when the human resource function is decentralized, much of the ability to coordinate activities on a broad scale and to exchange information is limited. The practice of decentralized human resource management, then, enables several smaller HR departments within the same organization to be strategic partners, but makes coordination across them more difficult. The creation of a group of HR generalists rotating through these smaller HR departments would tend to facilitate the coordination of otherwise decentralized human resource practices. The development of a common organizational culture can also help coordinate the HR practices of otherwise separate HR departments.

C. PARTNERSHIP IN HR

16. Partnership in human resource management has arisen from a recognition of the value that the human resource function and the human resources of an organization can have in the implementation and achievement of the strategic goals of that organization. Although implementation is frequently discussed as important, the strategic management literature regarding how to carry out implementation is remarkably sparse.23 Nevertheless, it has been recognized that the implementation of the strategy is an important element in the achievement of the goals.24 Since implementation involves the workforce of the company, human resource management is seen as critical to implementation of organizational strategy and, as a result, to the accomplishment of organizational goals. The interaction between human resource management and an organization’s strategy and goals goes beyond filling the organization’s staffing requirements to include providing training, socialization, motivation and to meeting other needs that are equally important to the success of the strategy implementation process.

17. Thus the current issues in human resource management practice highlight the value of the strategic partnership among the HR department, the management and all the employees in managing the human resources of an organization. For

us, these three groups represent the HR TRIAD. Because of the vital role that human resource managers play in implementing the strategic plans made by the governing bodies within an organization, and because of the knowledge that they possess as a result of their environmental scanning, they are well suited to assist in preparing an organization for the changing context that it faces. A more detailed way in which each member of this HR TRIAD can contribute to managing the firm’s human resources is shown in Exhibit 5.2.

18. In summary, there are a number of areas in which changes have arisen as a result of the recognition of human resources as a partner in managing the firm, replacing the image of human resource management as being the functional area responsible for hiring and firing. In particular, the focus tends to shift away from being specialists toward being generalists; away from conflict and toward harmony with workers; away from individual-focused, narrowly developed human resource practices, and toward team-focused, broadly developed practices; away from operational issues and attraction/retention/motivation issues, and towards an organizational view based on benefiting strategy and the bottom line; and away from a domestic and internal focus and toward a global and external focus.25

Exhibit 5.2 Contributions of the HR TRIAD Members in Managing Human Resources

<table>
<thead>
<tr>
<th>Line Managers</th>
<th>Human Resource Professionals</th>
<th>Employees/Unions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Include human resource professionals in the process of creating a business strategy and putting into place means of achieving the business strategy.</td>
<td>Assist line managers, employees and unions in developing and implementing elements of human resource function.</td>
<td>Implement HR activities in conjunction with line managers and human resource professionals.</td>
</tr>
<tr>
<td>Work in tandem with human resource professionals, unions, and employees to develop and implement elements of the human resource function.</td>
<td>Work in tandem with line managers to forge links between human resource activities and the business.</td>
<td>Become responsible for managing their own behaviour and their careers in organizations.</td>
</tr>
<tr>
<td>Share responsibility for managing the human resources of the company.</td>
<td>Assist employees in voicing their concerns to management.</td>
<td>Recognize the value of and need for flexibility and adaptability.</td>
</tr>
</tbody>
</table>

In part this emphasis on partnership reflects a recognition that the HR department is more than a representative of the sum total of the human capital in the organization. In fact, the HR department has been recognized as not only a matchmaker between the skills of the employee and the needs of the organization, but also as a partner to the organization in formulating the strategy and planning the implementation of those strategies in pursuance of the organization’s goals. Perhaps in recognition of this new partnership, human resource directors have been included in the long-range planning process to a greater degree than ever before. In addition, this partnership has resulted in a view of the HR department not as a cost centre, but as a server of internal customers. The emphasis on the partnership between the organization and the HR department in creating and implementing strategic plans is apparent throughout the rest of this chapter, especially in reference to those organizations that are future-focused.

D. HR MANAGEMENT REFLECTS CHANGING CONTEXT

1. Globalization of Industry and Globalization of the Workforce

19. As a result of the globalization of industry, many firms now must compete on a global basis rather than on the regional basis previously used in order to survive. Thus human resource management in this international context requires focus not only on the functions, policies and practices of human resource management but also on the issues facing multinational enterprises (MNEs). Differing national cultures have different human resource management implications. One of the challenges that faces organizations as they globalize their operations is the adaptation of their HR practices to the new set of cultures in which the organization is operating and the creation of a manner of operation that

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is both comfortable to the organization and appropriate for those cultures.\textsuperscript{28} MNEs often face the need to be global and local and even regional. For them, this can be a continual discussion about which policies and practices can be global and which can or should be regional or even local. Typically there is not a right answer.

20. Increasingly organizations need to compete on the basis of innovation, flexibility and speed in a global context. Doing this successfully depends on the talent of their global workforce; consequently, they are placing a greater importance on global talent management. This means ensuring that they need to obtain the best employees possible and helping them share their knowledge and experiences with each other. It also means training and developing them to meet the ever-changing demands of new markets and new technologies.

21. Diversity plays an important role in organizations now more than ever. As an additional by-product of the globalization of industry, the relevant labour market sectors have broadened to include far-reaching areas of the globe. This market change is true for firms all over the globe. As organizations become more global and begin to do business in greater numbers of areas, the number and variety of cultures represented in their workforce also changes. As this number increases and as organizations attempt to treat each different culture with respect, practical issues can arise that may make doing business increasingly more difficult. For example, which religious and secular holidays need to be honoured based on the cultures represented in the workforce? Similarly, questions may arise regarding what the official language of the workplace will be and whether the speaking of other languages to co-workers will be accepted. Increasingly, this is requiring that MNEs think of their employees around the world as part of their global workforce. In this scenario, all employees are treated with equal dignity and respect, and thus with similar HR policies and practices.\textsuperscript{29}

2. Organizational Changes

a. Layoffs and Job Elimination

22. Layoffs and job elimination are significant features of the competitive landscape today, especially with the great recession beginning in 2008 and...
recovery still going on. Major businesses have announced layoffs of tens of thousands of employees. The ways in which these layoffs are handled raises some interesting human resource issues. First, it is not unusual for these layoffs to be tied to re-organizations or re-structuring of the organization. Sometimes, as a part of the re-organization of the company, although some jobs have been eliminated, other jobs have been created and need to be filled. The employees to be laid off may be given the opportunity to interview for these jobs and sometimes are required to interview to retain their current jobs. Managing this process correctly may limit the adverse reactions to the interview process common in those with long tenures in their current position. One way in which some companies minimize the number of employees to be laid off is by giving skill upgrades and additional training in order to enable them to remain with the company in another capacity. In these times of pressures to reduce costs (because of the global economic and financial uncertainties and hyper-competition) and industrial overcapacity and consolidation, organizations are less likely to be re-hiring employees, at any level.

b. Mergers and Acquisitions

23. Similar re-hiring and job elimination situations arise in the case of mergers and acquisitions. At the time in which the merger takes place, the transition team identifies both the skills and abilities necessary to run the newly created entity, and the skills possessed by the employees currently with the organization. Efforts are then made to match current employees with the jobs available, with line and human resource managers often playing the hiring role, selecting from the available pool of talent. The HR department of the new organization, often one of the first areas created, is thus crucial to the success of the new venture, providing training and guidance in selection of employees for the new work teams, and acting as a strategic partner by assisting in determining the needs of the newly created organization. But because the reality of many mergers and acquisitions is to reduce costs, the resulting total number of employees of the two companies is very likely to be significantly greater than the number of employees who remain in the new entity.30

c. Innovation in Technology

24. An additional type of organizational change, which is often paired with the shift from an industrial to a service economy, is the change in the level of innovation that results from changes in technology. Innovation is often credited with increases in productivity. But, in order for that increased productivity to exist, the human element must be considered as part of the changes. Innovation typically requires upgrading the skills of employees generally through further

training. The rationale behind the need for attention to the human element in the adoption of new technology is apparent if one recognizes that current employee skill sets may need to be changed in order to ensure its successful adoption. Attention to the human element results in creating an environment that is conducive to the use of the new technology. As technical innovations become more rapid in the workplace, such as the use of social media and all things associated with big data, the rate at which the workforce will be expected to adapt to the changes in technology will also increase. This need for adaptability will further necessitate the ability of the workforce to be flexible, and to learn quickly. These needs have the potential to change the demographics of the workforce.

d. **Innovation of Practices**

25. Innovation is not limited to technology, however; work practices and procedures such as manufacturing processes also can be fertile ground for innovation. Many organizations are currently or have recently gone through re-engineering processes and other procedures to rationalize work flow. Re-engineering examines organizational processes and identifies ways to re-organize their value creating processes in order to improve measures of performance. For these innovations to be successful, the human resources of the organization – that is, the people – must be taken into account. Total quality management has been defined as ‘the generation of structures and a culture of quality to pervade all aspects of the organization’. From the human resource perspective, the cultural element of this definition requires the integration of quality into the training and socialization processes that take place within the organization. Training and socialization alone, however, are insufficient for successful innovation. Once these training and socialization endeavours have taken place, the HR department plays an integral role in supporting the company culture of total quality through ensuring the presence of the appropriate practices, policies and philosophies. This preservation of an atmosphere favouring learning and change is viewed as being a necessary condition for innovation to take place. In addition, total quality management indicates that there is a link between the company and the customer, whether that customer is an internal one, such as a different division, or an external one, such as a major client. At some level, this represents an acknowledgment of the influence of the stakeholders on the organizations, a factor that will be discussed later in this chapter. Customers may be viewed as strategic

partners who can help in the improvement of the product or the service produced.\(^{35}\)

e. Teams

26. Teams also dot the landscape of the current workforce. In part supporting TQM and JIT initiatives, teams are found in many manufacturing workplaces. Teams are part of the workplace from the boardroom on down. A great deal of research has been done on the effect of top management teams, and on communication within teams.\(^{36}\) Human resource management impacts teams by helping to create an atmosphere conducive to the functioning of teams, by empowering workers to work with other team members to craft solutions to problems facing the organization and by socializing and training workers to work within the team structures.

3. Outsourcing and Offshoring and Reshoring

27. Outsourcing has also become one of the strategies used by industry both in response to uneven demand patterns and as a means of reducing fixed wage costs.\(^{37}\) A typical service organization that outsources its employees will establish a core of employees who will work for the organization year-round. In times when work is required beyond that baseline, additional employees will be hired temporarily to meet the needs of the organization. In a manufacturing organization, the make or buy decision is often the relevant decision, based on a criterion of the short-term cost or benefit of each option. Outsourcing operates similarly, with an organization deciding to outsource the work needed to create a particular component if it is less expensive to do so. From the human resource perspective, effective human resource managers must deal with the fluctuations in the size of the workforce that this practice brings and must be able to identify the key means of selection and training for these temporary employees.

28. Offshoring is the movement of jobs within an organization (typically an MNE) from one part of the world to another for the express purpose of utilizing equally qualified, but lower-wage individuals. India is a country that has a vast pool of highly educated individuals who are paid substantially less than comparably qualified individuals in the US or Europe. Thus many US and European companies are offshoring jobs to India and many other countries. In the longer term, however, this may result in a convergence of human resource management practices rather than a divergence because these individuals who receive the offshored jobs will demand to be treated with the same respect and

\(^{35}\) Legge, 1995, supra.


\(^{37}\) Legge, 1995, supra.
dignity as those individuals in the home country company. In addition, over time countries such as India and China will become such critical markets to most MNEs that they will move more and more of their operations, and thus total employment, outside of the original home country. But some MNEs such as GE are finding that the wage differential that was attractive may disappear, and the need for better quality and faster delivery becomes even more important. When this happens, MNEs may bring back, reshore, their operations to the headquarter’s country such as GE has done.

4. Legal Issues

29. The legal landscape for employment relations is in constant flux. Issues such as discrimination, workplace safety and employee privacy rights are of concern to employers and employees all around the world. In response to the competitive pressures of globalization, governments impose regulations on labour issues and they may also coordinate their policies, agree to treaties that regulate international business activities and even form new governmental bodies. Through such actions, political leaders and country representatives work in partnership with business leaders to create new rules for economic growth and development.\(^3\)

30. In addition to legal authorities, the best employers also are responsive to the concerns expressed by a variety of nongovernmental consortia, although these generally have no official authority to impose rules of business conduct. Instead, the force of their appeals to business is limited by the strength of the support they receive in the social realm. The members of nongovernmental consortia may include government officials, labour leaders, human rights activists, religious leaders, consumer organizations, student groups, community groups and/or various other stakeholders. Worldwide, the International Labour Organization (ILO) is perhaps the most important such organization. Founded in 1919, its mandate is to promote ‘social justice and internationally recognized human and labour rights’. Representatives within the ILO include workers, employers, and governments. Together, these stakeholders formulate international labour standards regarding the right to organize, collective bargaining, forced labour, equality of opportunity and treatment, and an array of other working conditions.\(^4\) Recently the Fair Labour Association (FLA) has become a voice for trying to improve the working conditions in factories around the world. Their participation has encouraged MNEs to adopt policies and practices to help improve the working conditions in the companies that are part of the supply chain that is so important in the operation of MNEs today.

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E. FORCES IMPACTING HR MANAGEMENT

1. Pressures for Social Responsibility

31. Organizations are also faced with increased social pressure to behave in a socially responsible manner. In part this pressure comes from society at large, in its role as one of several stakeholders of the organization. A non-governmental group that promotes socially responsible approaches to conducting business is Social Accountability International (SAI). SAI administers a certification process called Social Accountability 8000 (SA 8000). Companies that wish to be considered for SA 8000 certification volunteer to undergo an intensive audit and to permit additional scheduled and unscheduled inspections. To obtain certification, the company must satisfy standards in the areas of child labour, forced labour, health and safety, collective bargaining, discrimination, disciplinary action, working hours and compensation. Successful completion of the certification process gives a company the right to use the SA 8000 logo, which serves like a social seal of approval. Companies that depend on suppliers who operate in countries with few protective regulations may put pressure on their suppliers to obtain SA 8000 certification, which serves as a form of insurance. By requiring suppliers to be certified, global companies can feel more confident that their goods and services will not be subject to protests over unethical management practices.40

Issues such as the location of factories and the choice between greenfield and brownfield sites, which previously were relegated to the strategy domain of the relevant organization, have taken on strong social and human resource components.41 This topic has become and will continue to become an important one for government and non-government organizations as more and more MNEs expand their operations globally to given sites, often with local country incentives, only to move them when conditions, such as increased wages and benefits, become less favourable to the MNE.

2. Elements of the Stakeholder Model

a. The Organization as Stakeholder

32. The organization as a whole can be viewed as a stakeholder of human resource management as shown in Exhibit 5.3. The organization’s concerns of improving productivity, improving profitability and surviving all impact human resource management. Each of these concerns necessitates a more effective utilization of the firm’s human resources. As a result, the concerns of the organization give the organization as a whole a stake in the operation of the HR department.

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40. For certification information see: www.saicertification.com; and www.ipc.org.
Exhibit 5.3 Stakeholders and Their Concerns


b. Organization Members (Employees) as Stakeholders

33. The employees are one of the most important stakeholders in the organization, even in those organizations not owned by the employees. The emphasis placed on the role of the employees within the organization has increased, particularly in light of the adoption of strategies of total quality management and customer-focused management. Just as the value of the worker was recognized by the advances in human resource practice that took place in the manufacturing sector segments, such as the automotive industry and the high-technology factories, as the business becomes more focused on the service sector, the employees who are providing those services of necessity must become more important. This increased the importance of results in further training and development of these employees, and in a focus on creating positive, long-term relationships with these employees. This may become an even greater challenge as companies expand into others countries, thus creating multiple sets of employees with different skills and cultural backgrounds.

c. Customers as Stakeholders

34. The emphasis on customer service and strategic partnering with customers has become more prominent, in part as a result of the JIT manufacturing
initiatives, TQM, and knowledge-based competition. The consequences of the
new partnership with customers are many. First, job descriptions have changed,
which in turn results in needs for different skill sets for the jobs.\textsuperscript{42} Second,
customers have been included in the performance evaluation process in many
organizations. Since the customers are now part of the evaluation process, an
emphasis on customer service is a logical result. Third, these customers often act
as part of the design team when new products are being designed. For example,
this pattern has been followed by some of the major automotive manufacturers.
Finally, customer satisfaction surveys are being undertaken by increasingly large
numbers of organizations to determine how better to serve their customers.\textsuperscript{43}

\subsection*{d. Investors as Stakeholders}

35. Investors are viewed as one of the most important stakeholders because
without their capital, the business could not continue. The time orientation of the
investors is a driving force for the corporation as well. To the extent that investors
are focused solely on the short-term profits of the corporation, the good of the
corporation can be jeopardized. In the case of corporations that are owned (via
stock ownership in savings plans) by the employees, the long-term good of the
organization may supplanted an interest in immediate profit. In either case, the
capital transfer from the investors is dependent on their willingness to continue to
invest in a company with that particular strategic focus. This view has come under
some discussion lately because of the significant decline in major stock markets,
with the result that many employees were left with much less ownership value in
the company. This has made it less interesting for employees to want to continue
to invest in that company, or any other for that matter.

\subsection*{e. Strategic Partners as Stakeholders}

36. Companies of all types are becoming increasingly interdependent with
other organizations, thus major stakeholders also include suppliers alliance
partners. Suppliers provide the resources a company needs to conduct its business.
In addition to the capital of owners and investors, the resources needed by most
companies include material and equipment, information, and people. Other
companies usually supply material and equipment. Suppliers of people might
include schools, the professional associations that serve specific occupational
groups, state employment agencies and companies that offer electronic recruiting
services. Through various forms of cooperative alliances, a company seeks to
achieve goals that are common to all members of the alliance. Some alliances are
formed to influence government actions. Research and development needs is
another common reason for alliance formations. Joint ventures represent yet

\textsuperscript{42} Jackson et al., 2012; 2014, supra.
\textsuperscript{43} S. White & B. Schneider, \textit{Service Quality} (Mahwah, NJ, Lawrence Erlbaum, 2003).
another basis for forming alliances. HR issues arise as organizations manage these and other forms of strategic alliance. Thus, as a strategic partner, the HR department has the opportunity not only to assist in the implementation of strategic plans, but also to help the plan to the environment in which it is to be implemented.

f. Society as Stakeholder

37. Society in general is viewed as being a stakeholder as well. Societal needs are made manifest in several different arenas: the legal framework under which the organization operates, the social mores of the areas in which the organization operates and the constraints imposed by the natural environment. The legal framework is used by society as a means of enforcing the needs of society as a whole and of the environment. Although these two types of needs are often both interpreted by and protected through society at large, they do not represent the limitations of society’s interest in the practices of the organizations. In particular, this recognition of needs may be a result of the pressure exerted by society both through legislation and through organized activity – both in support of and in opposition to corporate practices.

38. Global expansion also attracts attention to issues of workplace safety and practices of large organizations operating either domestically or worldwide. Thus human resource managers realize that decisions made on benefits and working conditions become issues for which the company must answer as a result of the ever-present nature of the media. As a result, including the HR department in both the strategic planning process and the implementation process is crucial to the preservation of a positive public impression of the company, which may in turn assist in preserving revenue generation for the company.

39. From the institutionalist perspective, practices have a life of their own once they have been standardized across an industry. On a societal level, pressures exist that seek to preserve the status quo, at least in terms of practices, in all industries. Thus those who believe that legitimacy is of primary importance will seek to conform to the industry standard. On the other hand, other societal forces favour innovation. Thus innovative organizations may attempt to improve the standard or change it entirely in an attempt to gain a competitive advantage. These differing perspectives point up the difference between those who believe that there is one best way for all situations and those who believe that an action is only appropriate for the particular environment in which it is undertaken. Further discussion of these perspectives is found at the conclusion of this chapter.

F. STRATEGIC HUMAN RESOURCE MANAGEMENT

40. Strategic human resource management has been recognized as a source of value added for the firm. For example, Kanter\textsuperscript{45} notes that strategic human resource management assists organizations in dealing with ‘strategic surprises’, which require the company to exhibit both flexibility and innovation.\textsuperscript{46}

41. Given the characteristics the company must exhibit, it is no surprise that, strategic human resource management is concerned about linking its activities with the needs of the organization, and understanding the multiple stakeholders of the organization.\textsuperscript{47} These two concerns incorporated in a variety of HRM activities, notably the HR practices, policies and processes, and programmes and philosophies (5-Ps) undertaken by the HR department in the organization. In line with the focus on strategic partnership, human resource management serves as a means of aligning the strategic needs of the organization and the multiple stakeholders with the implementation of these 5-Ps. This alignment takes place through the use of the human resources of the organization to further the strategic needs of the organization. These are now described in more detail.

42. These strategic needs are derived from the strategies, objectives and plans of the organization, but are implemented in the environment in which the company currently finds itself. As such, human resource managers are well positioned to assist in this activity, given an understanding of the competitive environment and the firm’s multiple stakeholders, and their knowledge of the internal characteristics of the firm.

43. One indication that human resource practitioners are included in the strategic management process seems to be the terminology used for the strategic plan of the organization. Generally, when the strategic plans are known as strategic business objectives, there is an impact on the human resource philosophy (as well as all of the 5Ps). This philosophy indicates the role which human resources are viewed to play in the organization. For example, it provides guidelines for acting on business issues related to people, and for developing the human resource programmes based on strategic needs.

44. As human resource management has come to be viewed as an integral part of the organization, it both reflects and begins to shape the strategic planning process including strategic objectives and issues. Strategic issues and objectives partly determine the interpretation and meaning assigned to HR issues, and these meanings are then translated into HR objectives and more specific HR policies and practices. Clearly, the field of strategic human resource management has evolved into a very important area of human resource management. And because it is now recognized that human resources are vital to the successful implementation of an organization’s strategy and strategic objectives, many scholars and

\textsuperscript{45} Kanter, 1994, supra; Jackson et al., 2014, supra.
\textsuperscript{46} Lundy & Cowling, 1996, supra.
practitioners focus on utilizing the insights and suggestions of SHRM. Some of the major works and authors who have helped shape this field of SHRM over the past thirty-five years are listed in Exhibit 5.4.

**Exhibit 5.4. Major Works and Contributors to the Field of SHRM**

<table>
<thead>
<tr>
<th>Reference</th>
<th>Brief Description of Content</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1980–1989</strong></td>
<td></td>
</tr>
<tr>
<td>Blumberg &amp; Pringle, 1982.</td>
<td>Argues that existing theories fail to predict individual job performance because they fail to consider how managerial actions influence employees’ opportunities to perform well. Presents a three dimensional (ability, motivation, opportunity) interactive model of work performance, subsequently referred to as the AMO model.</td>
</tr>
<tr>
<td>Miles &amp; Snow, 1984.</td>
<td>Presents an historical account of how the HRM function and the services it provides changed as organizational forms evolved from the agency (owner-manager) form to the functional form to the divisional form through to mixed forms (e.g., matrix); then offers guidelines for developing a proactive HRM system that supports the implementation of three alternative strategies (defender, prospector, analyser) and leverages its human capabilities.</td>
</tr>
<tr>
<td>Hendry &amp; Pettigrew, 1986.</td>
<td>Notes that the appearance of strategic HRM in the US, and considers whether this concept might be useful and relevant within the UK context; specifically discusses strategic HRM’s applicability for addressing current challenges facing UK personnel managers, including decentralization of the personnel function and increasing workforce flexibility.</td>
</tr>
<tr>
<td>Schuler &amp; Jackson, 1987.</td>
<td>Argues that the role behaviours needed from employees for the effective implementation of differing strategic imperatives (cost, quality, innovation) serves as a rationale for developing a link between competitive strategies and HRM practices, introducing the so-called behavioural perspective for strategic HRM; presents dimensions of role behaviours likely to vary across competitive strategies and menus of the choices to be made in designing HRM practices.</td>
</tr>
<tr>
<td><strong>1990–1999</strong></td>
<td></td>
</tr>
<tr>
<td>Hendry &amp; Pettigrew, 1990.</td>
<td>Appearing in the inaugural issue of <em>The International Journal of Human Resource Management</em>, the article traces the origins of [strategic] HRM, provides an explication and critique of it as a conceptual model, outlines the perspective guiding the author’s research program at Warwick University,</td>
</tr>
</tbody>
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identifies themes and issues that the field ought to address; and argues for adequate treatment of strategy in future research.

**Milliman, von Glinow, & Nathan, 1991.** Extends congruence/ ‘fit’ theory in strategic HRM by considering a longitudinal organizational life cycle model of HRM in multinational companies; points out the need to include two additional aspects of ‘fit’ in strategic human resources and emphasizes the need for flexibility in strategic international HRM. Presents propositions concerning the relationship of fit and flexibility to organizational effectiveness in multinational companies and suggests new research directions relating fit to flexibility over the organizational life cycle in different organizational and environmental contexts.

**Wright & Snell, 1991.** Presents an integrative perspective of HRM systems based on the notion of managing competencies and behaviour. Six HRM strategies are derived by juxtaposing three elements of a system (input, process, output) with two strategic HRM foci (competencies and behaviour).

**Schuler, 1992.** Defines strategic HRM as linking HR activities with strategic business needs; introduces the ‘5 P’s’ of human resources (philosophy, policies, programmes, practices and processes) and describes the functions they perform to create alignment between business needs and the HRM system.

**Schuler, Dowling, & De Cieri, 1993.** Extends strategic HRM into the international arena by offering a framework of strategic international HRM anchored in the strategic components of multinational enterprises (interunit linkages and internal operations); uses several theoretical lenses to develop research propositions concerning strategic international HRM.

**Truss & Gratton, 1994.** Addresses several conceptual issues associated with strategic HRM, including the meaning of strategic HRM and the key variables and relationships that should be included in a strategic HRM model; presents a detailed critical analysis of the literature, summarizes the most important research questions, and describes a process-based model of strategic HRM in an effort to remedy major weaknesses in existing models.

**Jackson & Schuler, 1995.** Noting the slowness with which US firms adopted the so-called ‘best practices’ identified through applied behavioural science research and recent critiques of the acontextual nature of such research, the authors provide a
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<td>Guest, 1997.</td>
<td>Argues that evidence shows an association between high performance or high commitment HRM practices and organizational performance, but the explanation for the association is unclear. Presents a model to explain the linkages in an effort to focus future research on key issues.</td>
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<td>Boxall, 1998.</td>
<td>Builds on the resource-based view and other perspectives to sketch a theory of human resource advantage that address how firms can use HRM strategy to build and defend competitive superiority throughout phases of an industry life cycle and identifies aspects of the theory that are especially in need of more research.</td>
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<td>Wright &amp; Snell, 1998.</td>
<td>Presents a framework for fit and flexibility in strategic HRM focusing on HRM practices, employee skills, and employee behaviours and reviews past work within that framework. Presents a model of strategic HRM and uses it to explore the concepts of fit and flexibility as they apply to strategic HRM; also applies the concepts of resource and coordination flexibility to strategic HRM and discusses implications for practice and research.</td>
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<td>Lepak &amp; Snell, 1999.</td>
<td>Proposes an HRM architecture typology for four forms of employment: internal development, acquisition, contracting and alliance. Builds on the resource-based view of the firm, human capital theory, and transaction cost economics to pose new research questions about employment modes and relationships, HRM configurations, and competitive advantage.</td>
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<td>Purcell, 1999.</td>
<td>After noting the oft-repeated claim that a set of ‘best’ HRM practices predicts firm performance, provides a critique of this dominant strategic HRM perspective, noting the following weaknesses: (1) over-reliance on the use of a single methodology – namely single-respondent,</td>
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‘quick’ cross-sectional surveys; (2) inadequate consideration of strategic contingencies, including external market strategies and internal operational strategies; and (3) inability to deal with change and interconnected contingencies. Calls for paying greater attention to differentiation within an HRM architecture and calls for more research on the processes through which strategy-HRM fit is achieved.

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<td><strong>Paauwe &amp; Boselie, 2003.</strong></td>
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<td>Zhou, Zhang, &amp; Liu, 2012.</td>
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<td>Boxall, P. 2013.</td>
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Lengnick-Hall, Lengnick-Hall, & Rigsbee, in press.
Lays a foundation for studying strategic HRM in the supply chain by offering a framework that includes both intra- and inter-organizational relationships and identifies links between HRM systems and supply chain orientation; offers propositions for future research; and describes a decision making model that has implications for both research and practice.

Jackson, Schuler and Jiang, 2014.
Provides an extensive review of all the major works and authors in defining and shaping the field of SHRM. Provides a review of the theoretical bases and provides suggestions for future work in the field.

**Note:** Full citations appear in the Selected Bibliography, which appears at the end of this chapter.

45. Throughout the strategic planning process, the goal is to ensure that the efforts of the HR department support the organizational activities and changes undertaken as a part of the strategic plan. HR programmes derive from the firm’s strategic aims and intentions, and involve human resource management issues. The practices are geared around managing and leading employees and performing operational roles. Managerial roles focus on the traditional elements of planning, organizing, delegating and coordinating, while leadership roles establish direction, motivate and inspire employees, and align people in the creation of desired changes. Operational roles, on the other hand, are more facilitation oriented, describing daily activities. These roles are often reinforced by HR practices.

46. These reinforcing HR practices act as guidelines for action, without resorting to being the rules for behaviour in given situations. Their success depends in large measure on the level of participation by employees in both the planning and implementation stages. Consistency in participation and involvement of employees between these two stages is important to the success of the practices. Recognition of this need for consistency also brings an awareness of other aspects of strategic human resource management, and results in a greater need to act in a systematic manner.

G. **STRATEGIC INTERNATIONAL HUMAN RESOURCE MANAGEMENT**

47. Human resource management has also become international in scope. As a result of the costs of research and development of new products and of marketing, many organizations view the marketplace as being global in nature. However, along with the view of the marketplace as being global comes concerns regarding the applicability of products and services across national boundaries. In

particular, customs and tastes differ from region to region and country to country. Thus many organizations become MNEs as a means of surviving. As a result, they need to manage globally in order to survive, and to manage locally, in order to take into account the different cultures in which they operate. In addition, there is often a need to move operations from one country to another, thus producing a need to continually evaluate the suitability of human resource policies and practices in the new country. Thus there are several relevant issues for strategic international management of human resource policies and practices.

48. Strategic international human resource management is the result of internationalizing the human resource management approach being used in organizations that have identified the value of human resources for the firm. Strategic international human resource management is defined as being "human resource management issues, functions, policies and practices that result from the strategic activities of MNEs and that impact the international concerns and goals of those enterprises." 53

49. The practice of strategic international human resource management is dependent upon two strategic MNEs components: inter-unit linkages and internal operations. Inter-unit linkages are concerned with the ways in which the units of a firm that are scattered throughout the globe are integrated, controlled and coordinated. Internal operations, on the other hand, encompass the remaining issues. For example, internal operations would be concerned with the way a unit operates in concert with the laws, culture, society, politics, economy and general environment of a particular location. 57

50. As noted previously managing a domestic workforce can differ drastically from managing a foreign workforce. Nevertheless, many organizations that operate internationally have adopted the human resource practices of their parent country. As they take different views of operating internationally, their level of sensitivity to the cultural variance grows, and some organizations alter their policies accordingly. Others adopt local practices, which makes standardization across national boundaries within one organization more difficult. Nevertheless, as the total workforce of MNEs includes more highly educated individuals around the world, standardization of some practices such as recruitment, selection,


52. Ibid.

53. Ibid.

54. Evans et al., 2010, supra; Schuler & Tarique, 2007, supra.


training and appraisal may become more similar. Over time, compensation practices and even relative pay levels may converge as employees within an MNE work more closely with each other on multinational teams and projects.

H. CROSS-BORDER ALLIANCES: INTERNATIONAL MERGERS AND ACQUISITIONS AND INTERNATIONAL JOINT VENTURES

51. With the increased costs of developing new products and entering new markets, more and more companies are finding it necessary to enter into agreements with others. Two of the most significant for human resource management are international mergers and acquisitions and international joint ventures. While international mergers and acquisitions have the tendency to reduce the number of companies in a market, international joint ventures typically create another company through the agreement of two or more companies to create a joint venture. In both cases costs can be reduced, profits enhanced, speed of market entry increased and risks managed. The research strongly suggests that many failures in these cross-border alliances are due to ineffective human resource management. 59

III. WHAT ARE SOME OF THE THEORETICAL FRAMEWORKS THAT ARE APPLICABLE IN STUDYING THE HUMAN RESOURCE MANAGEMENT FIELD?

A. RESOURCE-BASED VIEW

52. The resource-based view of the firm emphasizes the need for resources as being primary in the determination of policies and procedures. 60 Organizations are viewed as being able to succeed by gaining and retaining control of scarce valuable resources. 61

53. Within the organization, the HR department can be viewed as being a holder of scarce resources in the sense that it controls access to the skills necessary for the achievement of strategic goals, and that only through it can another department gain access to needed resources. 62

58. Schuler et al., 2002, supra.
59. Taylor et al., 1996, supra; Schuler et al., 2002, supra.
54. On a broader level, a firm may be able to lure and retain the top talent as a result of some competitive advantage linked to the improvements in the environment of the organization made by the HR department either alone or in concert with some attractive remunerative scheme. The application of this theory to human resource practice has been viewed as a study of what effective organizations do with people.63 These competitive advantages are sustained through continued training, support of organizational culture, selection processes and other traditional human resource practices. This assessment, however, begs the question of why performance of traditional HR practices can result in a competitive advantage. Competitive advantage can arise when HR management is viewed as a strategic player within the organization, and as such is included in the entire process of creation and implementation of strategies for the organizations, including the implementation of traditional HR practices.

B. INSTITUTIONALIST THEORY

55. Institutionalism suggests that organizations operate in a manner consistent with the rationalized myths which will garner them legitimacy in their external environment.64 This external environment is made up of a broad variety of stakeholders. This adherence to rationalized myths in an attempt to retain legitimacy results in both survival and constraints on organizational actions.65 In part, one of the sources of this diffusion of operating myths is the professionalization of the industry.66 Other sources include local social mores and the nation-state (in the sense that laws institutionalize certain practices as discussed previously).67 Institutionalization is a source of both structure and practice in the workplace.68

65. Meyer & Rowan, Ibid.
66. DiMaggio, supra.
56. In the human resource arena, there are a number of forces arguing for institutionalization of practices and policies. Certainly among these forces, the primary one is the emphasis on environmental awareness, which aligns well with the emphasis HR departments must now place on environmental scanning. For example, as the trend toward an educated workforce continues, and as organizations create more HR generalists, it becomes increasingly more likely that expectations will exist regarding which policies and procedures are ‘appropriate’ for a given organization in a given location. These expectations are often coloured in some manner by the interaction of the policies and procedures with the legal system under which the organization operates, and the practices of other organizations in the industry. Institutionalism thus provides a means by which a firm can avoid the pitfalls associated with adopting an inappropriate set of policies and procedures.69

57. However, there are also several arguments against institutionalization. By definition institutionalization requires adoption of what amounts to standardized practices. Because competitive advantage requires inimitability, this adoption cannot by definition provide a competitive advantage, but can only produce competitive parity. Thus in a changing environment, adoption of institutionalized practices can relegate an organization to the position of follower of the pack rather than its leader. Thus in formulating HR practices and policies, an organization must decide whether it is content in following or not, and, if not, how it can distinguish its practices in a way that will create a competitive advantage.70

C. AGENCY THEORY

58. From the legal perspective, an agency relationship exists between an employer and an employee. Agency theory posits that this relationship may be subject to difficulties to the extent that the employer and the employee (in legalese, the principal and the agent, respectively) have differing goals, and when monitoring the employee’s actions is difficult for the employer.71 Agency theory has made recommendations regarding the ways in which the interests of the employers and employees can be aligned.72 Agency theory has also been used in studies of occupation-based job-pricing differences as a predictor of differences in job pricing methods and pay variability.73 HR management can use this theory as a lens through which to view the practices and policies that it promulgates.

D. General Systems Theory

59. General systems theory views systems as made up of complex, independent parts.\textsuperscript{74} Inputs to this open system come from the environment, are transformed during processing through the system, and are returned to the environment. Using an open systems model, human resource management is studied as a subsystem within the larger system of the organization.\textsuperscript{75} A competence management model of organizations has been described by Wright and Snell,\textsuperscript{76} who viewed human resource management through the lens of the open systems perspective. Here skills and abilities come from the human resources in the environment and are the input to the system as the organization hires new employees. These skills and abilities are then acted upon as the employees go about their jobs, resulting in outputs such as satisfaction for the employee and performance for the organization. Another example of general systems theory is the multilevel organizational systems approach that has been applied to the understanding of training implementation and transfer.\textsuperscript{77} General systems theory is useful as a means of understanding the role of HR in the larger context.

E. Human Capital Theory

60. Human capital theory appears largely in the economics literature in reference to people’s productive capacities.\textsuperscript{78} The crux of this theory is that people are of value to the organization because they make it productive. In essence the organization has invested in people just as if they had invested in machinery, viewing them as an additional type of capital. As a result, all the costs related to training, retraining, motivating and monitoring the organization are viewed as additional investments in the human capital of the firm, just as maintenance of machinery would constitute an investment in the capital of the firm.\textsuperscript{79} Given the

ways of attaining and maintaining human capital, HRM logically is a means of increasing the value and level of an organization’s investment in human capital. Human capital can be attained by either hiring from outside the organization or by training and developing human capital already within the organization. The decision to ‘buy or make’ depends on a comparison between the projected value to the organization, which will be realized when the capital is deployed and the costs to the organization of each option, given the current environmental context.

F. LIFE-CYCLE THEORY

61. Life-cycle theory notes that there are several stages of the life of an organization. These stages have been described as start-up, growth, maturity, decline, and revival. As an organization moves through these stages, researchers have suggested that HRM practices which fit with the life-cycle stage of the organization will result in organizational effectiveness.

G. ROLE BEHAVIOUR THEORY

62. Role behaviour theory focuses on the interdependent role behaviours that serve as building blocks for the organizational system. According to Katz and Kahn, role behaviours are defined as ‘the recurring actions of an individual, appropriately interrelated with the repetitive activities of others so as to yield a predictable outcome’. The primary means by which the organization sends role information through the organization, supports desired behaviours, and evaluates role performances is human resource management. Schuler and Jackson used this theory to link HR practice with the competitive strategy of the organization. Different strategies require different role behaviours of the employees and thus require different human resource practices. Therefore, human resource management is effective when the expectations which it communicates internally and the
ways in which it evaluates performance are congruent with the system’s behavioural requirements.\textsuperscript{87}

H. \textbf{TRANSACTIONS COST THEORY}

\textsuperscript{63} Transactions cost theory takes an economic viewpoint of the creation of governance structures which establish, monitor, evaluate and enforce exchanges previously agreed upon.\textsuperscript{88} Central to this theory are two assumptions: bounded rationality and opportunism. Opportunism assumes that if any potential for advantage exists, it will be taken. On the part of employees, the potential for opportunism exists when the employee is specially trained or possesses specialized knowledge or skills which have a market value for other organizations.

\textsuperscript{64} The context in which the organization operates dictates the specific needs of the firm as well as whether those needs are likely to be satisfied internally or externally, and at what cost. Bounded rationality dictates that there are a limited number of options that can be assessed by any given organization prior to making a decision.\textsuperscript{89} In part, the context in which the organization operates also dictates the set of options that must be considered prior to making a decision. Human resource activities seek to take advantage of bounded rationality while attempting to prevent the exercise of opportunism through the execution of contracts, the creation of monitoring and compliance assurance systems and through the revision of the contracts when necessary.

I. \textbf{STRATEGIC CONTINGENCY THEORY}

\textsuperscript{65} Strategic contingency theory recognizes that there are several strategic typologies. The choice made by an organization of which strategy to pursue requires systematic management of human resources in order to ensure appropriate and successful implementation. Strategic contingency theory posits that the choice between various typologies is dependent upon the environment within which the organization operates.\textsuperscript{90} Two of the most well-known of these typologies are the defender-reactor-analyser-prospector theory proposed by Miles and Snow\textsuperscript{91} and the five forces framework created by Porter.\textsuperscript{92} Following this

\textsuperscript{87} See, e.g., N. Fredericksen, \textit{Toward a Broader Conception of Human Intelligence}, 41 Am. Psychol. 445–452 (1986).


\textsuperscript{90} Lundy & Cowling, 1996, supra.


recognition of the value of circumstances in selecting a strategy, the choice of human resource practices and strategies is similarly viewed as being most effective when their selection is contingent on strategies pursued by the organization.\textsuperscript{93} For example, prospectors may find it more important to look externally for people with a more current technological background so as to get the most cutting-edge abilities within the company. In contrast, an organization pursuing a reactor strategy would value knowledge about the organization’s own process over technological advances.

\textsuperscript{66} Porter also offers a typology that distinguishes organizations based on a focus on product differentiation, cost leadership, or market breadth.\textsuperscript{94} Schuler and Jackson\textsuperscript{95} have adopted Porter’s typology to describe the role of HRM in various of these strategies using the role behaviour perspective. Thus under either model noted, HR practices need to be consistent with the business strategy chosen by the organization in order for implementation of that strategy to be successful.

J. **Organizational Learning Theory**

\textsuperscript{67} According to organizational learning theory perspective offered by Kogut,\textsuperscript{96} prior learning facilities the learning and application on new, related knowledge.\textsuperscript{97} This idea can be extended to include the case in which the knowledge in question is itself a set of learning skills constituting a firm’s absorptive capacity. This capacity increases as a function of the previous experience, its learning processes, and the need for information the firm considers lacking in order to attain its strategic objectives. In the foreign market entry, advocates of the internationalization process school have argued that firms expand slowly from their domestic bases into progressively distant areas. Learning from previous expansions is the driving force behind new investments.\textsuperscript{98}

K. **Information Processing Perspective**

\textsuperscript{68} This perspective is based on the premise that organizations are created to facilitate the flow of information for effective individual and organizational

\textsuperscript{93}. Lundy & Cowling, 1996, \textit{supra}.
\textsuperscript{94}. Schuler & Jackson, 1987, \textit{supra}.
\textsuperscript{95}. Schuler & Jackson, 1987, \textit{supra}.
decision making. The focus is on the capacity and facilitation characteristics of organizational structure and practices such as human resource ones that support, encourage, and reward transfer of information within the organization, across its boundaries to IJV partners and the IJV itself, and that enables the organization to acquire knowledge to transform the data and information. Learning theory then enters to address how the organization can use this information in a creative way to better deal with and learn from the environment and its own experiences.

IV. WHAT ARE SOME OF THE KEY ISSUES RELEVANT TO THE PRACTICE OF HUMAN RESOURCE MANAGEMENT THAT ARE LIKELY TO BE PREVALENT IN THE TWENTY-FIRST CENTURY?

A. LEADERSHIP

69. Because of the rapidly growing complexity, enhanced global competitiveness and unprecedented uncertainty, today’s leading companies are realizing that they need superb management more than ever before. As a result attention on leadership has increased dramatically. In addition, when companies expand globally, they are often competing for the same employees as the major organizations headquartered in that country. Thus, one of the challenges for human resource managers is to craft a hiring programme that not only identifies leadership potential of candidates but also provides development opportunities for them that help fulfil that potential once they are employed. This is one of the major aspects of the current programmes in global talent management. Thus the search and need for leadership will only grow more intense and global during this decade.

B. PERFORMANCE MANAGEMENT AND PAY FOR PERFORMANCE

70. During the past decade, North American HR professionals have adopted the term performance management to refer to a set of HRM policies that includes performance measurement, performance feedback and performance-based rewards. While there are many current trends that might be discussed here, we focus
on two specific issues, namely the widespread adoption of multi-rater performance evaluation and feedback, and performance-based pay (also known as pay for performance).

Many North American companies assume that supervisors know more than anyone else about how well subordinates perform their jobs, so they give supervisors all the responsibility for measuring employee performance and providing feedback. Supervisors produce more reliable and useful performance judgments than other sources, perhaps because they have knowledge about several aspects of the employees’ performance. Nevertheless, increasingly, North American employers understand the need to ensure that a wide variety of perspectives are considered when making employment decisions. To compensate for the disadvantages of gathering data from any single source, most large organizations involve multiple participants when measuring performance and providing feedback. Employees view this as more fair, which creates greater openness and enhances the quality of the super-subordinate relationship. The use of self-appraisals increases employees’ satisfaction with the appraisal process as well as their commitment to performance goals. In team-based organizations, anonymous peer appraisals appear to increase interpersonal effectiveness, group cohesion, communication openness and group satisfaction. Increasingly, upward appraisals are being used also. A survey of executives in the largest one thousand US companies revealed that a majority believed that employees should be allowed to participate in formal reviews of the managers. For managers who do not already perform well, upward appraisal can be quite useful. One study followed managers for five years to track changes in performance following upward appraisal and feedback. The results showed that managers who initially performed poorly significantly improved after receiving the results of upward appraisals. The greatest improvements occurred for managers who met with their direct reports to discuss their own performance results. Upward feedback is most effective when it is accompanied by specific suggestions about how to improve.

Pay for performance or performance-based pay, has also become an issue for many organizations. It is intended to serve as a linkage between the strategic goals of the organization and the activities of the individual, and to serve as a means of reinforcing organizational norms. Its success depends on an assumption that money motivates performance, and that differential performance can be recognized adequately in this manner. Notably, organizations such as Cleveland, Ohio-based Lincoln Electric have been using this strategy for decades, with a great deal of success in some but not all countries. In recent years, other companies have recognized the potential for improved performance available through this practice and have attempted to copy it. When instituting a programme such as this when an organization operates overseas, special care must be taken to align the incentives and bonuses paid for exceptional performance with items that actually motivate the members of that culture and are legally feasible. For example, stock options, which are available to some US workers, are typically not subject to the same tax benefits globally. Thus HR managers must adapt the HR
programmes, policies, practices and philosophies of the organization to reflect the different environments in which it is operating.

Following the financial crisis of 2008, many people expressed substantial ethical concerns about the aggressive use of performance-based pay by the financial services industry. But ethical concerns about performance-based pay are not really new. Because of its powerful motivating ability, performance-based pay is recognized as a potential explanation for unethical behaviour by employees in a variety of jobs and industries. Poorly designed pay practices can lead to employee behaviours that maximize the performance being measured, yet are detrimental to the interests of the employer and/or customers and/or the broader society. Widespread use of performance-based pay has also contributed to increasing pay disparities between high-level executives and other employees. CEO pay levels in the US are widely perceived unfair. CEOs of US companies are paid more than four hundred times what their employees earn, on average. While public concern about unfair CEO pay is the norm, HR professionals have generally done little to address this issue, and HR scholars have done to examine the consequences of those perceived inequities.

Looking ahead, we expect the issue of performance management to continue to attract attention within North America. Concerns over the role that some HRM policies and practices have perhaps played in creating greater income disparities and tempting employees to engage in unethical behaviour will likely challenge HRM experts to consider new approaches to monitoring and rewarding employee performance. Furthermore, to the extent that societal unease with corporate executives persists after current economic conditions have moderated, it is likely HR scholars and professionals will be called upon to pay greater attention to the HR systems used to manage high-level executives in particular.

C. EFFECTIVENESS OF HUMAN RESOURCE MANAGEMENT USING MULTIPLE STAKEHOLDERS

71. Effectiveness in a human resource context can be viewed as matching the right person for the job with the right job for the person. In part, it results from a knowledge of both the tasks to be done and the pool of talent available to perform those tasks. As organizations are seeking to improve their bottom line through improvement of efficiency product quality, and decrease in costs, the value of human resource effectiveness is being documented in the academic literature\(^{102}\) and is becoming more obvious to organizations. From the perspective of the human resource manager, effectiveness translates into a need to be aware of the environment in which business is being done, both on a local and on a global scale, and of the skills, abilities and competencies represented within the organization. This awareness, paired with knowledge of the strategic plan of the organization and the steps necessary to achieve those strategic goals, will allow a

human resource manager to ensure that the person with the right behaviours, competencies and motivation is available when and where needed. Certainly the needs of the customers and of the society in which the company is operating are increasingly important and relevant to human resource management. Thus effectiveness measures in human resource management more often reflect the needs of multiple stakeholders.103

D. TECHNOLOGY AND KNOWLEDGE TRANSFER

72. Technology is the process used to transform inputs into usable outputs. It varies both by degree of continuity and level of knowledge required by the system. As technology has become more advanced, and as these changes have taken place at increasing speed, organizations have been forced to keep up with these changes. This need to keep up has meant that organizations are put in the position of requiring increasing levels of technical skill from their employees and future employees. This requirement, in turn, changes the level and type of training sought by members of the organization as well as changing the minimum desirable set of skills for candidates being hired. Here the cooperation between HR management and union representatives can assist in providing training and encouraging employee flexibility. Having the cooperation and trust among employees in an organization can also help them use the technology to transfer and share knowledge more broadly and more rapidly.

E. FLEXIBLE WORK ARRANGEMENTS

73. One of the most valuable accommodations to a diverse workforce a company can make is flexible work arrangements. These arrangements often fall into three main categories: re-designed jobs/work conditions, flexible time, and flexible places.

74. Re-designing jobs creates a means of restructuring the jobs to allow the same work to be done, but in different ways perhaps, and by workers with different characteristics. Re-design can help accommodate job conditions to workers with disabilities, thus providing more opportunities to a broader job applicant pool. Re-design may also help facilitate an effective functioning workplace where there are several generations of employees, each with varying attributes that may require some accommodation or modification, for example, computer key boards or computer screen sizes.

75. Flexible time allowances (flextime) allows employees to schedule their working hours in a way in which they are better able to perform their jobs while

also being able to take care of their personal needs. When flextime programmes are instituted, flextime and coretime (the time during which an employee must be at the office) are typically identified, and employees are allowed to structure their remaining work hours when they choose to work. Flextime has been credited with increasing employee productivity, and is valuable as a means of accommodating differences in religious obligations and family responsibilities, some of which may be protected under the law.

76. As a means of being flexible as to the place where the duties of the job are to be performed, some organizations allow telecommuting, the practice of working at a location chosen by the employee and using electronic communications to communicate with supervisors and colleagues, as needed. As well as being a benefit to employees, telecommuting also benefits employers who often are able to accommodate needs such as parents who need to be available to sick children, but can still spend the day doing productive work.

F. MANAGING HUMAN RESOURCE IN KNOWLEDGE-INTENSIVE ENVIRONMENTS

77. Modern organizations face constantly changing external environments. Thriving or merely surviving in such environments requires that organizations develop substantial management capabilities, one of which is effective knowledge management. Effective knowledge management requires, in turn, adopting and/or developing a human resource management (HRM) system that enhances the organization’s ability to gain and utilize knowledge resources. Changes in the basic contours of the competitive landscape among businesses mean that some of our existing knowledge about human resource management is becoming obsolete and requires updating. Research that adequately addressed the needs of organizations facing the competitive conditions of the past does not adequately address many issues that organizations currently face. Thus, employers are finding their own way as they strive to manage more effectively in today’s knowledge-intensive competitive environment.

78. To design an HRM system that facilitates successful knowledge-based competition, it is necessary to first specify the behaviours needed in organizations pursuing knowledge-intensive strategies. Although empirical research is needed to verify the assertion that knowledge-based competition requires employees to engage in a set of idiosyncratic behaviours, there is a developing consensus among management scholars concerning two categories of behaviours that are needed for knowledge-based competition: generic knowledge-management behaviours and firm-specific knowledge-management behaviours. It is widely assumed that the generic behaviours needed for effective knowledge-based

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competition are: acquiring knowledge, creating knowledge, sharing knowledge, applying knowledge and updating knowledge. In addition to these generic behaviours, successful knowledge-based competition requires some firm-specific behaviours that reflect particular objectives and conditions of the organization. Industry-specific and market-specific behaviours, which lie between the two extremes of generic and firm-specific behaviours, may also be required.

79. Having specified the behaviours needed for success in a knowledge-intensive environment, organizations next must design HR policies and practices that encourage employees to engage in these behaviours. Here, the entire array of HR practices must be considered, beginning with the design of work and continuing through deciding how best to recruit, select and retain employees, through training and development, measuring performance and providing feedback, designing appropriate compensation and reward systems.

80. The HR practices that will be most effective in knowledge-intensive environments are difficult to specify. For example, the tactics that organizations might use to acquire new knowledge may seem straightforward, yet none are foolproof. For example, rapid changes in the knowledge held by employees present a significant challenge to the design and implementation of training programmes, which often impart specific knowledge to employees. The development of such training programmes requires the developers to identify, encode and transmit the knowledge content deemed most relevant. In knowledge-intensive environments where knowledge changes continuously, such ‘spoon-feeding’ of knowledge to employees is likely to be inefficient and ineffective. Rather than train employees in knowledge content, it may be more appropriate to develop their knowledge acquisition skills. Employees with effective knowledge-acquisition skills can be encouraged to identify the knowledge they need and then develop personal strategies for acquiring that knowledge – strategies which may or may not require support from the organization.

81. In knowledge-intensive environments, continuous learning and change are essential. Because the environment is complex and dynamic, learning may require a lot of exploration and experimentation. Learning and change cannot be viewed as an unusual, one-time-only, event with a clear-cut beginning and end; it is a never-ending process that becomes part of the daily routine. Knowledge-intensive environments require organizations to continuously be learning from their past experiences, learning across parts of the company, learning from customers, and learning from other companies.

G. NO ONE BEST WAY: CONTEXT IS CRITICAL

82. As is perhaps apparent from the discussions of the differing needs and interests of employees above, the one-best-way approach to the management of human resources appears to be a difficult proposition. With organizations operating in diverse cultures and countries and with a diverse set of employees in many of those cultures and countries, there is no perfect prescription such as
technical expertise for success. Nevertheless, there are still those who think that for limited contingencies, there are HRM practices that might fit best, or that there may be bundles of HRM practices that might be more effective than other bundles in certain circumstances. Overall, it appears that organizations must retain flexibility in addressing human resource management issues and adapt to the context of the organization.

83. One means of addressing these needs is through the use of systematic analysis. Systematic analysis provides a blueprint for a means through which organizations can approach this problem. In systematic analysis, the organization first identifies how the practices within the firm affect the employees and the behaviours of those employees. Second, the organization takes its unique characteristics into account. Third, the organization uses the results of the environmental scanning done by the HR department to assess the changes in the environment. Finally, the organization goes through a trial and error process, where decisions as to which actions to take are made, implemented and assessed in terms of their ability to generate the intended results without undue unintended consequences.106

84. Effective human resource professionals appear to play a strong role in the systematic analysis process for several reasons. They continuously monitor the internal situation of the organization and constantly scan the external environment in which the organization operates. They are technically up-to-date and ensure that all other employees also maintain the skills, abilities and competencies needed for organizational success. They help the organization achieve its goals by ensuring that the needs of employees are satisfied so employees will feel motivated to help the organization succeed. And, when the goals of employers and employees seem to be in conflict, HR professionals serve as mediators who help all parties find solutions that address their multiple concerns. In other words, the best HR professionals are valuable partners in identifying the best way for an organization to proceed in a specific environment.

H. A DIFFERENTIATED TREATMENT OF THE WORKFORCE?

85. A major topic of discussion that is now being discussed is whether or not organizations should treat their workers all the same, or should they provide treatment that varies according to the importance of the worker and the work he/she is performing. While many say that this is what companies already do: non-managers and managers have substantially different compensation and benefits, for example. This current discussion of differentiated treatment, however, appears to different because it differentiates treatment by employees even at similar levels with the organization, for example, some managers in certain

positions are more valuable to the organization (‘A’ players in ‘A’ positions) than other managers in other positions (‘B’ players in ‘B’ positions). And once this distinction is made, differentiated treatment is given out, with those more valuable (the ‘A’s’), getting much better treatment (than the ‘B’s’). 107 This discussion of differential treatment is an important one in the discussion of global talent management.

I. GLOBAL TALENT MANAGEMENT

86. Global Talent Management (GTM) has become an important topic of discussion for IHRM researchers, HR professionals and senior managers worldwide for the past decade. Research on GTM has been growing exponentially, with a wide-range of exciting findings on how organizations attract, develop, and retain talent. Evidence has shown that GTM is prevalent in times of economic prosperity as well as in times of economic uncertainty. The recent Manpower Talent Shortage Survey (2011, p 2) notes

Despite the continuing caution exercised by many companies amid ongoing economic uncertainty, a substantial portion of employers in the U.S. and worldwide identify a lack of available skilled talent as a continuing drag on business performance . . .

Most of the findings suggest that GTM can be defined in a variety of ways but the focus of GTM is on two important dimensions: Individuals with high and/or critical levels of talent; and complementary IHRM policies and practices that are used to manage employees with high and/or critical levels of talent. These complementary IHRM policies and practices refer to a GTM system that includes four components or subsystems: planning-based systems (e.g., to estimate the type of competencies needed in various locations), attraction based system (e.g., to recruit, select, and socialize top talent), retention based system (e.g., to address the challenges associated with talented employees changing jobs frequently), and development based systems (e.g., to provide top talent with the competencies needed in their current and future positions). These four subsystems work together and need to be aligned to support each other and the organization’s HR and business strategies. 108

V. CONCLUSION

87. The nature of human resource management is changing rapidly as the second decade of the twenty-first century unfolds. Organizations that previously held themselves apart from the global market are now active participants. Competition is viewed as a global phenomenon in many industries. The geographic scope of the talent pool has also increased to a great degree. As a result, the role of the HR department and professionals has also changed. Increasingly, the HR department is being recognized as an asset to the strategic planning process, and managing human resources effectively is viewed as essential to the successful implementation of business plans as organizations attempt to adapt to the changing global environment. This chapter has attempted to: (a) describe the overall changes taking place; (b) explain the current context in which human resource professionals operate and the consequences of that context; (c) identify some of the theoretical frameworks that can be used to understand how context shapes HR activities; and (d) identify some of the issues in the forefront of strategic human resource management. As globalization continues, human resource management must continue to address the issues noted and adapt to the speed and level of changes in order best to serve the interests of all its stakeholders: the employees, society, strategic partners, customers, investors and the organization itself in all countries of the world.

88. Each of these interests is likely to be served most effectively by a partnership among the members of the HR TRIAD: the line managers, HR professionals, employees and unions who, together, determine the strategic direction and ultimate success of the organization.

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