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STRATEGIC **HUMAN RESOURCE MANAGEMENT**

An INTERNATIONAL PERSPECTIVE

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THE FUTURE OF HR

Linda Holbeche

Chapter Overview

This chapter addresses the perennial question: what is the future of HR? In addressing this question, the author considers perspectives from leading HR writers and provides a personal perspective on some of the themes discussed earlier in this book. These include some key elements in the development of HRM theory and the reported gaps between theory and practice (Legge 2005). The author re-evaluates the added value debate in the light of contemporary contextual changes, arguing that these developments, to a large extent, may determine the outcome of the 'future of HR' debate. This, she argues, highlights the need for theorists and practitioners to develop a more coherent and critical approach to the development of theory and practice, together with a shared understanding of the purpose of this applied discipline and an HR agenda that better supports mutual gains for both the organization and its employees.

Learning Objectives

- **Explore key milestones in the development of HRM theory and HR functional practice**
- **Consider the implications of changes in the global business environment for the definition of 'added value', drawing on key findings from eminent HR writers across the globe**
- **Consider where HR goes from here in the light of these developments**

Introduction

In this final chapter, I shall argue that it was a combination of economic and political factors in the 1980s that led to the development of human resource management (HRM) theory and practice. Since then, HRM has also emerged as a pervasive

theme in the literatures of organizational behaviour, strategic management, business policy, international and intercultural management. These context factors also led to calls for greater accountability in all functional areas of business, including what was previously known as 'Personnel'. As an applied discipline, HRM is therefore still relatively 'young' and as yet the nature of HRM is contested, with various traditions and multiple perspectives and no overall theory of HRM. There is, however, some consensus that HRM is a business concept reflecting a mainly managerial view of the employment relationship, with theory, policies and practices geared to enabling organizations to achieve flexibility, competitive advantage and high performance through people. Ulrich (1997), for instance, emphasizes the role of the HR function in creating 'value' for business and its stakeholders (see Chapter 4).

Almost since HRM came to prominence as the preferred international discourse to frame employment management issues and as a field of practice within organizations, 'it is nearly unanimous that HR can and should add more value to corporations' (Lawler 2005: 165). In recent times, pressure on HR functions to create added value has led to the outsourcing of many of HR's basic transactional functions (Cascio 2005) in order to save costs and to free up HR functions for more strategic contributions which are slow to materialize. Moreover, the process of HR transformation often tends to be expensive and poorly executed. This has led many commentators to question whether HR's future is essentially transactional, or whether HR is capable of a more strategic contribution and what value this would bring.

In reviewing the question of HR's 'added value', the author will consider contemporary debates about the nature of added value required from HR in the light of today's context trends, pressures and challenges. The intention is to respond to Janssens and Steyaert's plea for reflexivity in HRM, 'to make the plurality of HRM visible by pointing out various paradigmatic, theoretical and empirical communities of practice that partly are connected, partly overlap and partly avoid each other' (2009: 152).

REFLECTIVE ACTIVITY 13.1

1 What are your perceptions of the HR profession and its strategic capabilities?
2 Think of an organization with which you are familiar. To what extent is the HR function perceived as a strategic asset?

Key milestones in the development of HRM

Since this chapter considers the 'future of HR', it is perhaps fitting to set this in context by reconsidering HRM's origins, journey and current stage of development before making predictions based on contemporary trends.

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Jacques (1999) argues that the origins of HRM can be found in the ideas which emerged between 1900 and 1920 from the historical conjunction of scientific management, the employment managers' movement and industrial psychology. Over the last 30 years, HRM has emerged as a global discourse and has become a recognized semiotic for 'modern people management' (Paauwe 2007: 9). It is now a pervasive theme in the literatures of organizational behaviour, strategic management, business policy, international and intercultural management. Critical scholar Keenoy (2009: 466) argues that HRM, which began as a local US cultural artefact, has emerged as a global naturalized discourse which informs the social practice of international corporations. In recent years, there has been a growing contribution to HRM theory development from various European and international centres of scholarship, especially in Australia and India.

Within the pervasive dominant perspective in HRM theory, termed mainstream HRM, the implicit predominant view, especially in American models of HRM, is unitarist, i.e. it assumes that employees and employers are united in the common endeavour of achieving business success. Influential US thinkers on HRM include Beer et al. (1985) and Fombrun et al. (1984) whose prescriptive and normative 'matching model' emphasized the importance of a tight fit between human resource strategies and the overall (and predominantly short-term) strategies of the business (see Chapter 3). This model proposes that employees are a resource that should be treated as other business resources, to be managed in line with, and for the benefit of, the business. Moreover, this model suggests that the management of human resources is a stand-alone function which reacts to the needs of the business as opposed to taking a shaping role and planning growth. In terms of employee relations, this US-based HRM mostly favours individual rather than pluralist perspectives. While the Harvard model (Beer et al. 1985) recognizes the need to address the concerns of various stakeholders, in practice it has proved complex to operationalize and has perhaps been less influential than the matching model on practice or later theories.

The gradual consolidation of HRM (in organizations) into the general repertoire of managerialism is the outcome of a complex and paradoxical cultural process. On the one hand, HRM appears to have become less coherent, less centred, more dispersed and insubstantial when compared with other technical specialities of management such as strategy or marketing. In spite of this appearance, though, HRM has become a very strong cultural programme capable of extending its range to emerge as one of the most significant grounds of managerialism itself (Costea et al. 2007). Delbridge and Keenoy (2010) point out that since mainstream HRM became the dominant discourse relating to management practice from the mid-1980s on, what Keenoy (1997) terms 'HRMism' has enjoyed 'unparalleled success'.

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Neo-liberalism

It could be argued that a significant spur to the early development of HRM was the broader economic backdrop of the 1980s and the promotion by the Reagan government in the USA and the UK government led by Margaret Thatcher of neo-liberal economic theory – which advocated the development of free markets and flexible labour (Friedman 1977). This followed a prolonged period of industrial unrest, economic stagnation and crisis, out of which grew a new and invigorated global capitalism underpinned by a political commitment to new forms of market, in particular to knowledge and service-based industries such as the financial services industry (Marquand 2008; Gamble 2009). The Thatcher government was determined to advance economic growth by deregulation and reducing union power which was seen as a barrier to economic success, as outlined in Chapter 8 on the employment relationship.

A period of economic expansion began, based mainly on knowledge-based work. The 1990s were a period of significant industrial and organizational restructuring. Much traditional manufacturing capability migrated away from mature economies to parts of the developing world. Technology enabled a general evolution of office work in the 1990s as a result of the far-reaching organizational changes taking place in the banking industry, linked to the introduction of new generations of information and communication technologies (ICT) (Bain et al. 2002). Back office operations were being centralized and a new form of 'front-line' facility was being developed in the form of 24-hour, customer-servicing call centres.

Mainstream management theory since the 1980s has sought to advance business practice. In order to advance the new economic order, business schools offering executive education and MBA programmes were established on both sides of the Atlantic to develop more professional forms of management. Free market principles and managerialism were also increasingly applied to public sector institutions under 'New Public Management'. Since the Thatcher era, various UK governments have continued to promote regulatory and employment legislation reform to support free trade and stimulate economic growth.

The development and expansion of HRM since the late 1980s as an offshoot of managerialism, at the expense of personnel management and industrial relations (see Chapter 8), reflects the perceived political need to expose all parts of the UK economy to the values of business, and for HRM to achieve a closer functional relationship between the needs of business and 'human resource' practices. This overtly unitarist and managerialist framing of HRM represents a legitimizing management point of view which has progressively edged out pluralist perspectives on the employment relationship, including what are described as 'traditional' personnel management

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or old-style industrial relations (Francis and Sinclair 2003; Wright and Snell 2005). Mueller and Carter (2005) argue that the discourse of HRM is closely intertwined with the shift in power relations between employers, managers, employees and trade unions from the early 1980s onwards. They propose the notion of an 'HRM project' which includes not only language but also HR practices, boundary-spanning linkages and external agents such as regulators and financial institutions.

Much of what became mainstream HRM theory development was influenced by the resource perspective of the firm (Barney 1991), outlined in Chapter 3. HRM's main purpose was conceived as alignment with business strategy – in order to make cost-effective and efficient use of 'human resources'. HR functions were to secure compliant and productive workforces, aligned to the needs of business. In particular, HR functions were to assist business in achieving labour flexibility and reducing workforce costs. Boxall (1996) argued that human resource advantage consists of two elements. The first is the potential to create commitment among an exceptionally talented supply of 'human resources' through the management of mutuality (or alignment of interests), while the second is to develop employees and teams so as to create an organization sustainably capable of learning across industry cycles (see Chapter 10).

The individualism implicit in HRM has assisted the development of labour flexibility from the employer perspective (see Chapter 6). Widespread restructurings during the 1990s had destabilized the traditional white-collar employment relationship and undermined the psychological contract based on reciprocal employer–employee expectations of loyalty and hard work in exchange for job security and gradual promotion based on seniority. This came to be seen by employers as an obstacle to flexibility. The 'new deal' on offer from employers was no longer about job security but instead proposed 'employability' in exchange for performance (Herriot and Pemberton 1995). New means of assessing performance – in the form of performance management (see Chapter 7) – were introduced. In the UK, collective employee relations practices, such as collective bargaining involving unions, have largely been replaced by individualized HR practices (Beardwell and Holden 2001), as outlined in Chapter 8. Without collective protection, an individual could only show dissatisfaction with the organization by leaving their employment. This does not wield any power; only if there was a mass exit of employees would the organization investigate the cause (Farnham 2002).

Psychological contract

In examining the changing power dynamics within the white-collar employment relationship over the past two decades in particular, a number of

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researchers – both mainstream and critical – have used the term 'psychological contract' to describe what is implicit within the employment relationship in terms of reciprocity and exchange. Because psychological contracts involve employee beliefs about the reciprocal obligations between themselves and their employers, they can be viewed as the foundation of employment relationships (Shore and Tetrick 1994; Rousseau 1995). Various scholars suggest that it is the psychological contract that mediates the relationship between organizational factors and work outcomes such as commitment and job satisfaction (e.g. Guest and Conway 1997; Marks and Scholarios 2004).

There are two main definitions of the psychological contract. The first, which is described by Herriot and Pemberton (1995) as the 'classic' definition, derives from the work of Argyris (1960) and Schein (1978). This refers to the perceptions of mutual obligation, held by the two parties in the employment relationship – the employer and the employee (Herriot et al. 1997). According to the second definition, which is based on the work of Rousseau (1989: 122), the psychological contract is:

> **An individual's belief regarding the terms and conditions of a reciprocal exchange agreement between the focal person and another party. A psychological contract emerges when one party believes that a promise of future returns has been made, a contribution has been given and thus, an obligation has been created to provide future benefits.**

In this definition, the psychological contract is formulated only in the mind of the employee and is therefore about 'individual beliefs, shaped by the organization, regarding terms of an exchange between individuals and their organization' (Rousseau 2001: 2).

In terms of underlying constructs, there remains no overall accepted definition of the psychological contract and this exchange relationship is very complex and dynamic, with a wide range of factors shaping employee perceptions of how they experience the deal. However, there is consensus that psychological contracts extend beyond legal contracts to the beliefs or expectations an individual and an employer might hold of the other. In other words, psychological contracts relate to individuals' beliefs regarding reciprocal obligations: what obligations the employee owes the employer and vice versa. When one or other party is perceived to have reneged on their obligations to the other, the psychological contract is thought to be 'breached', or in the case of severe breaches, 'violated'.

By the end of the twentieth century, changes to work organization were putting the white-collar employment relationship under strain. Thus, according to the 'conventional' white-collar psychological contract, in exchange for loyalty and performance from employees, employers were expected to provide secure employment and, for some at least, the possibility of promotion

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up the hierarchical career ladder. According to the new deal (Herriot and Pemberton 1995), job security is replaced by employability; instead of loyalty, employees are expected to demonstrate commitment and performance. The extent to which HRM practices perpetuated the old deal expectations, which were usually doomed to disappointment, is open to question. What might be concluded however is that in the new work culture from the mid-1990s on, the balance of interests and obligations implicit in the old psychological contract was becoming lopsided, often with deleterious effects for employees (Sennett 2006).

Today it could be argued that the risks in the employment relationship now lie largely with those employees whose ability and willingness to be flexible, and to continuously develop themselves in order to increase their employability, may be the crucial determinant of their career success. As a consequence rather than by design, flexible competence instead substitutes for short life-cycle jobs (Sennett 2006). People who can adapt, and who have the behavioural and cognitive competences associated with flexibility, find themselves, rather than their roles, taking on the characteristics of permanent or core employees. Those without such competence face the prospect of downgraded or outsourced roles.

Given this context, the ability of individual employees to manage their own career and other employment interests seems to depend largely on the relative degree of bargaining power individuals can exercise in the employment market, with low-skill workers having low bargaining power. The decline in trade unionism in the UK and the USA has left many employees with little collective employment protection (see Chapter 8). The increasing reliance on individuals to manage their own employment, careers and skill development makes for severe vulnerability among those with least financial and educational capital (Virgona et al. 2003). Since 2004 many organizations requiring flexible labour have preferred to employ highly skilled migrant workers from EU accession states on short-term contracts. As Britain has progressively moved towards becoming a high skills knowledge- or service-based economy, there have been growing gaps in life opportunities between 'knowledge workers' and people with few or low work skills.

Moreover, as developing economies such as those of China and India also pursue high-skill/high-pay economic policies, the UK's ability to compete on the basis of highly skilled knowledge and service work may come under increasing strain (Brown et al. 2010b), potentially driving down the value of high-skill work. With the rise of an increasingly mobile global talent pool, employment gaps may increase between those workers who can command their price in the labour market and others who struggle to find any work at all.

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REFLECTIVE ACTIVITY 13.2

1 Given the changing nature of the employment relationship as outlined in this chapter, what are the key HR issues that are likely to arise in the future?
2 What does this mean for the nature of HR's future role and contribution?

Critical HRM

Alongside mainstream theory, critical management studies (CMS), critical HRM (CHRM) and critical human resource development (CHRD) studies include a variety of perspectives. CMS is a disparate field encompassing critical versions of postmodernism (Alvesson and Deetz 2005) and radical humanist approaches (Burrell and Morgan 1979). Much critical management and HRM scholarship derives from a Marxist perspective (see Chapter 8). For instance, critics point out the different interests of employers/executives (representing 'owners' and shareholders) and those of employees, especially with respect to the way employers use technology to gain complete control of the labour process, increase flexibility and drive down costs, often at the expense of employees. Other critical scholarship derives from the industrial relations tradition within which HRM was seen as 'part of a system of employment regulation in which internal and external influences shape the management of the employment relationship' (Bach and Sisson 2000: 8), as argued in Chapter 8 on managing the employment relationship.

Critical theorists argue that human resource activity automatically raises ethical considerations since it concerns the treatment of human beings. Yet the ethical dimensions of HRM remain under-developed in the literature (Greenwood 2013). According to Watson (2010), CMS's motivating concern is the social injustice and environmental destructiveness of the broader social and economic systems that these managers and organizations serve and reproduce, rather than focusing simply on the practices of managers themselves. For Watson, the common core of what CMS offers to mainstream management theory is deep scepticism regarding the moral defensibility and the social and ecological sustainability of prevailing forms of management and organization.

Managerialism and performativity

A key tenet of much critical management scholarship is that managerialism involves an abuse of power, either by government or by the professional manager class (Grey 1996). The wholesale shift in power towards 'managers' since the 1980s reflects the dominance of organizational interests within the employment

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relationship (Parker 2002). Moreover, according to Deetz (1992: ix) the increased influence of management may be interpreted in terms of a 'corporate colonisation of the lifeworld' in that all cultural and institutional forms become progressively subsumed within the logic of capitalism.

With its development of pervasive management controls, aided and abetted by technology, managerialism is often represented as an updated version of an older tradition embodied in the work of Frederick Winslow Taylor (Terry 1998; Pollitt 2003) which has been pushed as a form of social domination (Clarke and Newman 1997). Moreover, because Anglo-American forms of global capitalism have been dominant since the 1980s, 'rational' managerialism has, to some extent, become an international phenomenon. While the full extent of the application of Taylorism (or scientific management) in Britain is debatable, nevertheless the spread of managerialism across many sectors appears incontestable.

Thus, critics see HRM, an offshoot of managerialism, as a significant contributor to the deliberate shaping of a neo-liberal new work culture characterized by flexibility, work intensification and performativity. Mainstream HRM approaches are thus a managerial tool for controlling and managing the workforce in ways which are designed solely to meet business needs but which appear less directive than the command and control structures of previous decades. Many critics highlight the contrast between HRM rhetoric and the reality as experienced by employees (Legge 1995, 2005). For example, Sennett (1998: 28) describes 'high performance work practices', such as teamworking, as 'the work ethic of a flexible political economy', since it relies on 'the fiction of harmony' and stresses mutual responsiveness at the expense of original thinking.

More specifically, practices that are grouped in the mainstream HRM literature under 'performance management' (Armstrong and Baron 1998; Beardwell and Holden 2001), as outlined in Chapter 7, have a strong shaping function on employee subjectivities and, from a critical management perspective, form part of an array of means of securing management domination over work. This term roughly denominates a varying set of HRM practices – appraisal interviews, 360-degree feedback, competence assessments, performance-related pay, peer appraisal, and others – that are aimed at managing the job performance of individual employees, tied together by 'a strategic and integrated approach' (Armstrong and Baron 1998).

In contrast to the views put forward by prescriptive mainstream accounts of performance management that emphasize the development of innate qualities of individuals, critical scholars argue that the prevailing paradigm is in fact one of performativity and the degrading instrumentality that this assumption engenders. Thus, employees are encouraged to self-regulate their attitudes and behaviours to be consistent with business needs. Indeed, through

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the use of such practices the subject is in fact reconstituted by means of a set of linguistic concepts which graft performativity in the self, discursively re-constituting people's behaviour in line with local organizational objectives, yet simultaneously reinforcing the notion of a free, autonomous individual (Du Gay and Salaman 1992; Keenoy and Anthony 1992; Iles and Salaman 1995; Legge 1995; Keenoy 1997, 1999; Fournier and Grey 2000; Deetz 2003).

This discursive shaping of the individual project emphasizes the relational and constructed nature of the self, embedded in social (power) relations. So, in performance appraisal discussions, for example, as employees recount and evaluate their work experiences and ambitions, they do so in a situation where they are observed and judged by others (Townley 1994, 1998). They create a narrative of their experience using the discursive resources of the local organizational context (Alvesson 2003), with all the intricacies and implicit values embedded within these resources. Potentially, this has important effects on the way in which people look upon their working life. In this way, it is argued, the subject's conception of the employment relationship shifts away from former collectivist ideas toward a more individualist version, where the primary responsibility for performance lies with the employee, continually free to 'opt out' if they so please.

The commoditization and commodification of white-collar work

Many critical scholars also argue that technological advances have been used to accelerate the commoditization of routine white-collar work. Commoditization is the process by which goods that have economic value and are distinguishable in terms of attributes (uniqueness or brand) end up becoming simple commodities in the eyes of the market or consumers (Rushkoff 2005). Thus, Bain et al. (2002) consider that the technology-enabled call centre labour process represents new developments in the Taylorization of white-collar work because it enables a combination of target-setting and monitoring in real time which makes management control of the labour process more complete.

Moreover, changes in industrial organization and the pursuit of labour flexibility since the late 1980s have resulted in specific jobs and tasks having a shorter life span than in the past. Technology has enabled the growth of outsourcing, flexible work arrangements such as working from home and 'non-standard' work (e.g. casualization or the 'contingent workforce'). Reported employer motivations for using casual labour include the pursuit of flexibility (see Chapter 6), dealing with high-peak production periods and providing specialist skills (Vanden Heuval and Wooden 1999), but there is also

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considerable employer interest in offloading employee responsibility, risk, management and training burdens (Watson 2003). Hall et al. (2000) also found that decisions to employ casual workers were considerably influenced by economic rationalist thinking which focuses on product rather than people, and engages with managing suppliers in preference to participating in 'non-core' activity.

In addition, the coming digitization of the workforce and the automation of tasks will take a toll on organizational health by destabilizing the ways and means through which work is performed. Automation can enable the disaggregation of jobs into their component tasks and subtasks and the hiving off of those that can be automated, reconceptualizing the very idea of what a job is. Critics point out that managerialism also favours the commodification of professional work as artificial intelligence brings workplace automation not just to physically intensive roles and repetitive routines but also to a wide range of other tasks. Commodification (which first appeared in the *Oxford English Dictionary* in 1975 but has its origins in Marxist political theory) describes the process by which something which would not normally be seen as 'goods', such as ideas, becomes a commodity and is assigned a value. Hence, it describes how market values can replace other social values, including a modification of relationships, formerly untainted by commerce, into commercial relationships in everyday use.

In the current era of knowledge capitalism, companies are attempting to increase surplus by reducing the cost of knowledge work through a technology-assisted process of knowledge capture that Brown et al. (2010a: 16) call 'digital Taylorism':

> **In order to reduce costs and assert proprietary rights, companies are experimenting with new ways to move from knowledge work to working knowledge; that is, from the idiosyncratic knowledge that a worker has and applies, to working knowledge, where that knowledge is codified and routinised, thereby making it generally available to the company rather than being the 'property' of an individual worker.**

In short new technologies have increased the potential to translate knowledge work into working knowledge, leading to the standardization of an increasing proportion of technical, managerial and professional jobs that raise fundamental questions about the future of knowledge work and occupational mobility.

While digital workforce platforms can in theory free up highly specialized knowledge workers from mundane tasks and create a dynamic internal market, in which the most talented and sought-after workers receive the highest rewards, in practice digitization threatens to destabilize crucial aspects of how employees work. As a result, even highly skilled and professional forms of work are potentially exploitable by management as commodities, leaving workers de-skilled and with less control over their 'knowledge capital'. It is

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possible that economic recovery will lead to fewer jobs, as advances in technology allow companies to replace manual and intellectual labour with automation and artificial intelligence. Increasing numbers of knowledge-based jobs may become 'hollowed out' and, in the global auction for scarce talent (Brown et al. 2010b), individuals who might previously have been deemed well-paid 'knowledge owners' may find themselves rendered dispensable as their knowledge is codified and systematized. Furthermore, digital workforce platforms offer the potential for greater control of the workforce, for instance via analytics. In some workplaces, employees wear sociometric devices enabling a closer look at the interactions and social behaviour of employees. While the data they generate can help reveal, measure and analyse organizational dynamics, the use of such analytics raises new questions about confidentiality, ethics and the use and sharing of information. Not surprisingly, for many white-collar knowledge workers, the employment relationship has become more transactional in recent years.

Since many critical management theories are based on democratic principles of equity and social justice, and because their purpose is not to advance managerialism and HRM but rather to draw attention to their limitations and consequences for employees, these critical schools of thought are often considered impractical and tend to be treated with scepticism within organizations and business schools.

REFLECTIVE ACTIVITY 13.3

1 To what extent do you consider that critical perspectives are incompatible with improving practice?
2 What could be the challenges – or benefits – for HR practitioners who choose to adopt a critical HRM perspective?

The added value debate

The definition of what constitutes added value and how this is achieved by HR thus depends on the observer's perspective. Within mainstream HRM discourse, the dominant emphasis is generally placed on how to make HRM more effective in achieving managerial interests. Yet despite this, the value of the HR function has been questioned within the business community from the outset, often for its lack of relevance and value with respect to implementing strategy. The massive restructuring of organizations in the 1990s and changing organizational critical success factors led to new expectations for human resources and the call for changing roles and capabilities of HR professionals. The search for academic and business credibility is therefore a common characteristic of

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both the discipline and the field of practice within organizations. In particular, HR functions within organizations have been under pressure to transform and become 'strategic' in order to create added value. Kochan, for instance, argues that the human resource management profession faces a crisis of trust and a loss of legitimacy in the eyes of its major stakeholders since 'strategic' human resource management 'has failed to realize its promised potential of greater status, influence and achievement' (2007: 599).

Moreover, there is no overarching definition of 'strategic' HRM (SHRM) (see Chapter 3). It has been variously defined as:

- 'a human resource system that is tailored to the demands of the business strategy' (Miles and Snow 1984: 36)
- all those activities affecting the behaviour of individuals in their efforts to formulate and implement the strategic needs of business (Schuler 1992)
- the pattern of planned human resource deployments and activities intended to enable the forms to achieve its goals (Wright and McMahan 1992)
- the implementation of a set of policies and practices that will build an employee pool of skills, knowledge and abilities (Jackson and Schuler 1995) that are relevant to organizational goals.

SHRM is concerned with top management's attention and approach to HRM as a critical strategic dimension affecting firm performance. According to Guest's (2002) typology, SHRM is distinguished by its emphases on:

- people as a source of competitive advantage
- the integration of people management plans, policies and practices with business strategy
- proactive line management
- action on organizational and people issues at the most senior levels.

This can be regarded as a general approach to the strategic management of human resources in accordance with the intentions of the organization and the future direction it wants to take (Boxall 1996). It is concerned with longer-term people issues and macro-concerns about structure, quality, culture, values, commitment and matching resources to future need.

How does HR add value?

The attempt to understand and prove added value is a characteristic of this applied discipline. From the 1990s on, HR functions have used measurement to ensure, or prove, that HR strategies are aligned to business strategy, often

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using frameworks such as the Balanced Scorecard and Investors in People to focus HR efforts on key aspects of people practice and establish 'value added' in the form of 'human capital', as discussed in Chapter 4. It might be argued that this focus on measurables may have made the HR function somewhat insular, focused on its own processes, and that the emphasis on numbers may have reduced the status of people as employees to that of resources.

HRM and performance

As discussed in Chapter 3, a plethora of academic studies have looked for links between particular HR and employment management practices and business performance (Huselid 1995; Becker and Gerhart 1996; Delery and Doty 1996; Patterson et al. 1997). However, there is as yet no overall theory of performance, nor of how specifically HRM impacts on performance. Early US-based strategic HRM literature (e.g. Delery and Doty 1996; Huselid and Becker 1996; Wright and Snell 1998; Welbourne and Cyr 1999) examined the relationship between HR and firm performance outcomes in large samples of firms, but they did not specifically study how HR practices directly affect intangibles. Thus, within the mainstream there is a strong focus which continues to this day on how to forge ever-tighter links between HR work and firm financial performance (Huselid 1995; Guest et al. 2003; Wright et al. 2005; Fleetwood and Hesketh 2006).

Theorists take different positions with respect to how HR practices actually impact on organizational performance, and there is a dearth of longitudinal studies to establish whether and how HR practices do lead to high-performance outcomes. For instance, a contemporary debate exists about the links between 'employee engagement' and performance outcomes. It is assumed that it is engaged employees – who are aligned with organizational goals, willing to 'go the extra mile' and act as advocates of their organization – who are most critical to business success. That's because high-performance theory places employee engagement or 'the intellectual and emotional attachment that an employee has for his or her work' (Heger 2007: 121) at the heart of performance, especially among knowledge workers. Yet many scholars argue that engagement is a poorly defined concept.

Nevetheless, there is wide consensus that it is in the context of the employment relationship (see Chapter 8) between the individual and the organization that employee engagement is created. The state of employee engagement is characterized as a feeling of commitment, passion and energy, which translates into high levels of persistence, with even the most difficult tasks exceeding expectations and taking the initiative. At its best, it is what Csikszentmihalyi (1998) describes as 'flow' – that focused and happy psychological state when

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people are so pleasurably immersed in their work that they don't notice time passing. In a state of 'flow', people freely release their 'discretionary effort'. In such a state, it is argued, people are more productive and more service-oriented, less wasteful and more inclined to come up with good ideas, take the initiative and generally help organizations achieve their goals than people who are disengaged.

The many available studies of engagement and its impact on organizational performance tend to be carried out by consultancies, some of whom provide employee engagement services to the business community. Employee engagement has been linked in various studies with higher earnings per share, improved sickness absence, higher productivity and innovation – the potential business benefits go on and on. For instance, Gallup Consulting report (2010) that companies with world-class engagement have 3.9 times the earnings per share growth rate compared with organizations with lower engagement in their same industry, while a Corporate Leadership Council (CLC) study found that companies with highly engaged employees grow twice as fast as peer companies. A three-year study of 41 multinational organizations by Towers Watson found that those with high engagement levels had a 2–4 per cent improvement in operating margin and net profit margin, whereas those with low engagement showed a decline of about 1.5–2 per cent. On face value then, improving employee engagement should therefore be a key aspect of HR strategy. This brings us to one of the key discussions within contemporary HRM theory and practice (see Chapter 3): what is the best way to achieve this – through best practice or best fit approaches?

Best practice or best fit?

Much of the added value debate over the last 20 years has centred on how HR strategy aligns with business – is there a universal set of HR practices which can be applied in any circumstance (best practice) (Pfeffer 1998) or should the approach taken be contingent on organizational circumstances (best fit)?

Marchington and Wilkinson (2008) point out that the mainstream's predominantly prescriptive tradition used to be the dominant approach in the literature, stemming from the domain of personnel management. Best practice approaches are essentially vocational in character, and they examine and prescribe the 'best' tools and techniques for use by practitioners. For instance, Pfeffer (1998) identified seven best practices:

- employment security
- selective training
- self-managed team or teamworking

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- high pay contingent on company performance
- extensive training
- reduction in status differences
- sharing of information.

To these might be added other best practices such as employee participation or on-the-job development – the list is potentially long and best practice approaches continue to be promoted today, particularly in the consultant-led literature. However, as Wright et al. (2005) point out, most of these best practice developments in the academic literature have come from communities of scholars focusing on their own particular countries or regions. In the UK, Guest and others identified clusters of HR practice which appear to impact on business performance through HR outcomes such as employee commitment, but the precise composition of practices within these clusters which lead to effective outcomes appears to depend on situation and context, rather than being a universal prescription.

Others argue that the effect of HR practices depends very much on the specific (internal and external) context. The search for keys to the 'black box' (i.e. knowledge of exactly how HR impacts on people to drive market value) has been pursued by Purcell et al. (2003), among others, though in these analyses there is a strong recognition that the right 'fit' of HR practice to firm situation is more effective than universal best practice. Increasingly, UK theorists advocate the use of evidence for the claims HR might make for its value-added contribution with analytical HR (Boxall 2007) and evidence-based HR (Briner 2007; Hirsh and Briner 2010).

The development of HRM and SHRM theory to date has largely been a UK and American/Australasian phenomenon. Even within UK markets, there is debate about whether the principles of individualism endemic to US culture apply to the wider British culture (Armstrong 2008: 16). Brewster (1995) proposed a European model of HRM based on the assumption that European organizations operate with limited autonomy because the internal constraints on HRM include union influence and employee involvement in decision-making through various bodies such as workers' councils, as discussed in Chapter 8. With respect to international HRM theory (see Chapter 12) – defined as 'HRM issues, functions and policies and practices that result from the strategic activities of multinational enterprises and that impact the international concerns and goals of those enterprises' (Scullion and Linehan 2005: 356) – other theoretical models have been developed (Scullion 2001; Brewster et al. 2005) which recognize the importance of linking international HRM strategy to the strategic evolution of the firm. Wood (1999) makes a distinction between four different 'fits': internal, organizational, strategic and environmental.

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More recently, intense competition among organizations at the national and international level, and the emergence of new markets such as the BRIC countries (Brazil, Russia, India and China), have raised interest in comparative human resource management studies (Budhwar and Sparrow 2002), addressing the configuration of HRM in different national contexts (see Chapters 11 and 12). Comparisons are typically made of the four different approaches: economic, environmental, behavioural and open systems (Nath 1988). An important strand of comparative HRM is the cultural perspective. Hall (1976) argues that a useful way of understanding cultural differences derives from the notion of high- and low-context societies. In high-context societies such as those in Japan and the Arab countries, the meaning of communication largely derives from facial expressions, setting and timings, while in low-context Northern European cultures, more explicit and clear forms of communication are preferred. In contrast, Hofstede (1980) argues that cultures can be categorized according to four distinct cultural value distinctions – power distance, uncertainty avoidance, individualism/collectivism and masculinity/femininity – which have become embedded in society over long periods. Although Hofstede's distinctions were criticized for their limited statistical derivation and for the assumption of the slow evolution of cultures, nevertheless these values are popularly used in understanding cultural differences in managerial intentions and behaviour.

Aycan (2005) has studied the effect of culture on the design and implementation of HRM policies and practices, and while in general scholars agree that some HRM policies may contain universal elements, specific HRM practices will vary since they are culture-bound (see Chapter 11). For instance, Budhwar and Khatri (2001) found that, with respect to recruitment strategies, collectivist cultures seem to prefer the use of internal labour markets in order to promote loyalty to the firm. Scholars who embrace the culturalist approach argue that it would be very difficult for a multinational company to successfully apply common HRM practices in different national cultures, for example implementing an individualistic HRM system (e.g. merit-based pay and promotion) in a collectivist culture (Ramamoorthy and Carroll 1998).

Some national cultures could be said to be undergoing a more rapid transformation than Hofstede assumed, given the effects of globalization and technological advances. For instance, Sarawagi (2010), discussing HRM issues at a number of Indian firms, found that managers are forced to think globally, which can be difficult for those who are used to operating in vast, sheltered markets with minimal competition from domestic or foreign firms. Sarawagi argues that, in the Indian context, to cope with the challenges of maintaining workforce diversity, motivating employees, communication, performance

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management, competence development, and so on, firms will need to undergo a transformation from rigid hierarchies to flat, more flexible structures; from family-centric and secretive to dispersed ownership, open-mindedness and sharing; from caste-ridden and superstitious to rational thinking and a vibrant style for handling issues.

'Hard' vs 'soft' HRM

There is ongoing debate about how best to align people with business needs, with mainstream HRM practices variously described as hard and soft (Storey 2001) in the way they seek to align HR strategy and people's behaviour with the specific nature of an organization's competitive strategy (see Chapter 2). The rhetorically dominant soft 'high performance', 'high commitment' or 'high involvement' HRM approaches are assumed to generate employee commitment and performance. They tend to be associated with knowledge work, where 'core' employees know more than managers about the work and managers can thus only monitor and evaluate the outcomes of work.

Typical soft HR practices include rewarding commitment with promotion and a degree of job security, and a participative leadership style that forges a commonality of interest and mobilizes consent to the organization's goals (Hutchinson et al. 2000).

'Soft' HRM discourse

As discussed earlier, critical scholars from the 1990s on have focused increasingly on the use of language and the ways in which HRM practice is used to influence culture, to argue that the discourse of HRM is an alignment tool in its own right and that soft HRM is essentially about the shaping of employee subjectivity. Soft, mainstream HRM practices – variously described as 'high performance', 'high commitment' or 'high involvement' HRM – are based on the assumption that if employees identify and engage with the organization, they will produce high performance in most cases. The underlying premise of such approaches is that employees are passive objects to be moulded into appropriate attitudes and behaviours. The language of mutuality ('people are our greatest asset') implicitly encourages employees to commit to the organization and to furthering its aims. In organizational contexts, such approaches are externalized through employer branding efforts to attract and retain the future workforce, and the management of corporate reputation to create an organizational identity that employees value and are willing to promote to others (Martin et al. 2011: 3618).

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'Hard' HRM as control mechanism

In contrast, the hard or control-based model of HRM links with strategy and the role of HRM in furthering competitive advantage (see Chapter 3). Hard theorists tend to argue that HR practices should be contingent on context. Hard HRM focuses on cost reduction and containment and relates to the ways in which management attempts to monitor and control employee performance.

HR functions are responsible for ensuring that organizations are legally compliant with respect to employment and also that performance is appropriately managed, measured and rewarded. In this respect, managerial controls are at their most obvious in practices grouped in the mainstream HRM literature under 'performance management' (Armstrong and Baron 1998; Beardwell and Holden 2001), the formal use of which has grown steadily over the last two decades (Bach and Sisson 2000), especially in medium-sized and large organizations. The processes of target-setting, performance appraisal and performance-related pay are usually designed by HR practitioners (see Chapter 7) and implemented by line managers.

While prescriptive mainstream accounts of performance management often stress the development of the innate qualities of individuals, critical scholars, in contrast, have long argued that the prevailing paradigm is one of performativity and a mechanistic view of people as assets or liabilities. From a critical management perspective, these form part of an array of means of securing management domination over work, since they reduce worker autonomy while exposing individuals to subtle forms of control as people are encouraged to 'work on self' (Townley 2004) to comply with organizational requirements. The use of 'competences' and other behavioural indicators to distinguish between people's behaviour and capability usually leads to a highly prescribed definition of 'performance' and 'contribution':

> **Management implies and reproduces compartmentalization and fragmentation as a means of mastery and control. For, in order to be managed, the totality of physical and social processes, whether within limited instrumental contexts or in society as a whole, needs to be broken down into narrow domains that can be inspected, measured and handled. (Kallinikos, 1996: 37)**

Thus, from a critical perspective, mainstream HRM approaches are a managerial tool for controlling and managing the workforce in ways which are designed solely to meet business needs but which appear less directive than the command and control structures of previous decades.

Critics contrast the rhetoric of mutuality implicit in soft high commitment HRM (Legge 2005) with the organizational practices of hard or control-based HRM, including managing by fear and cost-cutting (Keenoy 1990;

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Caldwell 2003). Thus, whether 'hard' or 'soft' HRM approaches are used, employees are still very much seen as a means to an end. In their analysis of HRM's contribution to the flexibilization of further education (FE) in the 1990s, Esland et al. (1999) describe the agenda pursued by HRM as follows:

> **Our central contention is that, in spite of its emphasis on employee development and the importance of skill enhancement through training, HRM is often perceived by both managers and those 'managed' as a means of reducing an organisation's human resource costs and of increasing 'flexibility' in staffing. (Blyton and Morris 1992, in Esland et al. 1999)**

Esland et al. point out that, in FE, HRM achieves these aims in two ways: first, by enabling teaching inputs to the learning process to be redefined as a variable cost, so that greater output can be achieved for less. Second, HRM is capable of being deployed as a disciplinary instrument for the identification of 'underperformance' or inadequate commitment among employees, if necessary as a basis for downsizing, redundancy or casualization (Cunningham 1997). Alvesson and Willmott (2002: 623) argue that HRM's 'cultural mechanisms' and management of identity become more obvious in times of diminishing job security. These conflicting HRM priorities – of organizational identification and control/cost-reduction – as opposed to being an 'honest and fair regulator of the employment relationship' (Thompson 2011: 358), may create cognitive dissonance for some practitioners and may gradually become obvious to employees.

Thus, echoing Keenoy (1990, 2009), HRM has something of a 'wolf in sheep's clothing' about it. These approaches include 'leadership', performance-related pay and other 'high performance work practices', such as teamworking, which Sennett (1998: 28) describes as 'the work ethic of a flexible political economy' since it relies on 'the fiction of harmony' and stresses mutual responsiveness at the expense of original thinking.

The ongoing quest for a theory of HRM

Throughout the 1990s and 2000s, the quest for the elusive overall theory of HRM (Huselid, Purcell, Guest) has continued, as discussed in Chapter 3, as has the debate about how exactly HR impacts on performance, whether through best practice or best fit approaches. Watson (2010) argues that the earlier best practice emphasis has been revived in much of the writing on what is now called 'HRM', most notably in influential works by Pfeffer (1998) and Ulrich (1997).

Most SHRM research focusing on fit (alignment) has failed to find a positive effect for the fit between HR and firm strategy (e.g. Arthur 1994;

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Huselid 1995; Delery and Doty 1996). On the other hand, some SHRM researchers (e.g. Cascio 2005; Cascio and Boudreau 2008) continue to talk about the importance of alignment/fit between HR practices and firm strategy, as discussed in Chapters 2 and 3. However, rather than looking at fit between generic firm strategies (e.g. brand leadership) and generic HR practices (e.g. soft commitment-based HR versus hard control-based HR), newer models are becoming more specific. For example, alignment comes from HR practices that are aimed at fostering/supporting the same organizationally relevant outcome (e.g. all aimed at customer service). This research contrasts with the earlier SHRM fit studies that focused on generic HR practices and generic strategies.

REFLECTIVE ACTIVITY 13.4

1 Which approaches to HRM (hard or soft; best practice, best fit) are you most comfortable with, and why?
2 From a 'best fit' perspective, which approaches would be more appropriate in different circumstances, e.g. redundancy situations?

Common criticisms of mainstream HRM

Thus, perceptions of added value vary according to the eye of the beholder. As Lawler (2005) points out, HR generally is assumed not to add sufficient value. The following are some of the common criticisms both of mainstream HRM theory and of HR practice within organizations.

Theory–practice gap

Though an applied discipline, one of the common criticisms relating to mainstream HRM is the gap between theory and practice. Storey et al. (2009) point not only to the value of linking theory and practice, but also to the relative lack of such connectivity in reality and thus the need for this application. As Guest (1987: 505) notes, 'there is a danger of confusing "management thinkers" with management practitioners and assuming that because human resource management is being discussed, it is also being practised'.

Conversely, HR practitioners are sometimes inclined to enthusiastically embrace fads of consultancy-led theory, such as becoming deeply committed to the methodologies and underpinning theory, for example of particular survey providers. Moreover, many practitioners are generally still too busy 'doing personnel' to make a more strategic contribution to their organizations.

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The perceived gap between rhetoric and reality when it comes to HRM highlighted by Legge (2005) and Keenoy (1990) is reported to be getting wider in the fast-changing global context (Storey et al. 2009). This refers not only to the 'knowing–doing gap' highlighted by Pfeffer and Sutton (1999), but also to the significant inconsistencies between theory and the so-called 'reality' of life in organizations.

HR transformation

Another common criticism relates to the nature, process, and effects on stakeholders, of HR functional transformation. Yet, since the late 1990s HR leaders have responded to critics by trying to become business partners who add value and help implement business plans. The HR functional roles framework developed by Ulrich (1997) has been regularly adopted within large organizations as a functional design model (i.e. business partners, shared services, centres of expertise and corporate centres). Transactional work is increasingly commoditized, shared services are often outsourced and Human Resource Information Systems (HRIS) are used to enable manager and employee 'self-service'.

Using information and communication technologies to deliver human resource services (also known as e-HRM) has become an important strategy for firms seeking to achieve a competitive advantage: e-HRM has been defined as 'an umbrella term covering all possible integration mechanisms and contents between HRM and Information Technologies aiming at creating value within and across organizations for targeted employees and management' (Bondarouk and Ruël 2009: 507). It has been argued that e-HRM can help improve efficiency, service delivery, standardization and organizational image, to empower managers and transform HR into a more strategic function (Snell et al. 2002).

Scientific support for these arguments, however, is scarce and there is a lack of clarity regarding the contribution of e-HRM to HRM effectiveness. One study (Ruël et al. 2007) examined the goals stated by organizations for the introduction of e-HRM, whether these goals were actually achieved and the factors affecting this through ten case studies in a range of UK organizations. Some evidence of a transformational impact of e-HRM was found, as the HR staff had more time and information to support the organization in achieving its business strategy. However, no evidence was found of an actual increased involvement of HR in business decision-making.

As a research field e-HRM is maturing, though in the current state of the field there is a lack of comparative international studies. Various authors (Thatcher et al. 2006; Olivas-Luján et al. 2007; Rao 2009) provide qualitative evidence that both a country's way of life and a firm's culture have an

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influence on the adoption of technological innovation like e-HRM. For instance, the Latin American business culture, which relies heavily on face-to-face relationships, makes it difficult to implement the rather clinical electronic recruitment practices. Moreover, executives in countries with strong hierarchical cultures are often not willing to change the authoritative selection procedure for management staff, because of the fear that their span of authority might decrease.

With regard to HR's more strategic roles, the concept of business partnering is widely accepted within the HR profession, yet the political issues arising from HR transformation can reduce the effectiveness of the resulting service. For instance, while SHRM theory suggests that HRM should really be delivered by line managers, in practice line managers are often ill-prepared for dealing with what they see as the extra responsibilities for people management now devolved to them by HR. Moreover, HR practitioners are generally assumed by line management to lack sufficient business acumen to be true strategic 'partners' with respect to aligning HR practices to business strategy, and many studies suggest that HR 'business partners' soon revert to their previous generalist roles.

The professional development of HR practitioners has to date perhaps focused too exclusively on 'core' HR activities, processes and issues, and it is only in recent times that moves been made to strengthen the business aspects of the curriculum for HR professional qualifications. Indeed, CIPD and other developers of HR professionals propose that practitioners should develop 'business savvy' (McGurk 2012). The roles of strategic business partners (SBP) in large organizations have typically been through several iterations, often resulting in HR leaders playing the strategic (SBP) role, while more junior business partners generally work alongside line management as internal consultants on change and other projects typically linked to short-term organizational problem-solving.

Moreover, though often considered a '90s issue', the general lack of a seat for HR at the boardroom table may reflect how the function's value is perceived by management. As early as the 1990s, some pundits were predicting that HR would in future have mainly an operational role. Throughout the last two decades, the popular press has continued to characterize the HR function as ineffective, an obstacle to change, overly bureaucratic and failing to add strategic value. Cascio (2005) argues that unless HR is able to improve its own calibre, capacity and credibility, HR risks being excluded from participation in the 'big stuff' and will become a discounted function. Ulrich argues that HR should focus on the 'deliverables', i.e. the outcomes which will add value to the business, rather than on the 'do-ables' which risk diluting strategic impact.

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So where does HR go from here?

It could be argued that context factors locally, nationally and internationally are leading to a widespread transformation in the nature of business, work and workforces, such that the 'new normal' is likely to be very different from in the past. These factors will continue to play a significant part in determining how organizations operate and engage with each other and also in defining the nature and role of HR in the future. As global business competition shifts from efficiency to innovation and from enlargement of scale to creation of value, the strategic use of human resources becomes increasingly relevant. For instance, advances in technology, political collaboration on structural reform to address climate change, an increasingly youthful and diverse global workforce, changing societal expectations regarding the ethical behaviour of firms, and the integration of social media into every aspect of communication are just some of the forces creating a new paradigm for HRM.

How HR teams prepare their organizations to thrive in the new environment will, to a large extent, determine how value is defined by a variety of stakeholders and also the exact nature, purpose and role of HR in the future. Human resources professionals are likely to find themselves on the front line, dealing with a host of unprecedented issues which will have a huge impact on work and the global workforce in years to come. At least some of these issues might be anticipated and reflected on. For instance, if robotics, artificial intelligence and automation will make workers obsolete, who will be impacted and will new jobs replace the ones that are eliminated? Can today's workers be retrained for this new world of work?

New working practices and a 'new' workforce

Technology has also enabled changing organizational forms, outsourcing and new working practices such as remote working and virtual teams of people from different cultural and economic backgrounds working together. Managers may increasingly find themselves responsible for the output of people who may not be directly employed by their firm, who work in different time zones and whom they may rarely meet face to face.

Changes brought about by the digital revolution in particular will have a deep impact on the way businesses are organized and the ways people look at work. Scholars have argued that, thanks to globalization and the development of advanced technologies, the economic system as a whole has transformed from an industrial economy into one that is based on the creation of knowledge (Ruël et al. 2011). Workers will move fluidly between companies and

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assignments, bringing their own devices and applications, and will expect to use them in the enterprise (see Chapter 6).

While many of these changes may benefit individuals, some may be detrimental to employees' health and personal lives. For instance, new technologies, especially ICT, enable flexibility. Work can be, and is, carried out from anywhere, leading to a blurring of boundaries between work and other aspects of life for many people. Moreover, the use of Internet technology and email has also led to work intensification, increased workloads and shorter lead times. And while the ability to innovate has become a cornerstone in business strategy (Freeman and Soete 1997), innovation cannot be 'forced' out of people. Academic studies show that information overload at the individual level leads to distraction, confusion and poor decision-making (Carr 2010; Kahneman 2011). Thus, unitarist thinking in the digital era may prove unsound because what is good for the organization may not prove good for the health and well-being of employees.

Organizations need to be able to attract and attain qualified, talented and committed employees and, according to Macky and Johnson, the aim of human resource management is to 'ensure that a firm has the right number of people with the required knowledge, skills, abilities and competencies, in the right place, at the right time, at an affordable cost and who are motivated and committed to achieving the current and strategic need of a firm' (2003: 3). However, fulfilling that role, especially in the context of global talent shortages in some occupations, requires both an adaptation of HR practices and organizational contexts to adapt to the contingencies of the knowledge economy as well as the turbulent economic environment we live in today.

With demographic changes and as workforces become more diverse, many of the assumptions about what will attract, retain and bring the best out of people need to be revisited. In particular, stereotypical assumptions about generational differences may lead to the need for different forms of 'employee value proposition'. Lettink (2012), for instance, argues that a future workforce encompassing five generations will want a career lattice that caters to individual needs. Moreover, employees will expect to be consulted and involved in decisions that affect them and expect that their voices will be heard and responded to by management. As Thompson (2011: 364) points out:

> **Employees do not expect a 'champion', but within the constraints of the capitalist employment relationship and organizational power structure, they would prefer to not be fed crap in the name of communication and to be treated with a degree of fairness (distributive justice) and transparency (procedural justice).**

Given that Hamel and Breen (2007), among others, argue that styles of management are out of date, HR should have a key role to play with respect to ensuring that leadership and management practice is fit for the future.

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Recession and growth

It could be argued that the recession brought into sharp focus some underlying trends with respect to work and employment. It could also be argued that the HR function may be at its most useful in terms of value added during times of industrial crisis and recession – when downsizing and industrial relations issues need managing – while, in 'normal' times, HR is often depicted by line managers as a constraint on doing business ('the function that says no'). Throughout the economic downturn, organizations have downsized and restructured, with an ever-greater focus on flexibility, cost and efficiency. Lawler et al. (2011) point out that when HR has been actively involved in downsizing, the function may be seen as less credible if, as a result, companies subject to significant cost reductions are not able to perform as well as they did before the recession. Similarly, if HR leaders have been preoccupied with reorganizing their own function or have failed to provide good answers to the tough talent management questions the recession raised, they are likely to be seen as poor business partners.

On the other hand, the recession also created a situation where executives in a large number of organizations developed new competencies and capabilities and changed their strategies. Then they needed to make corresponding changes to the composition and size of their workforces. Lawler et al. (2011) argue that HR professionals who were able to lead and contribute to realigning the strategy, talent and competencies of an organization and stepped up to the plate in the way they responded to these changes, would be seen as operational drivers who helped reduce costs and strategic drivers who helped reshape their organizations' business strategies. If so, HR executives may have taken advantage of opportunities to demonstrate their value and to significantly improve their reputation and credibility as well as that of the HR function.

Corporate social responsibility

In the wake of the global economic crisis, there has been increased debate (Rose 2007) about the ethics of business, especially in financial services, since the crisis has resulted in a loss of public trust and highlighted many of the deficits of the short-termist ways of doing business endemic to contemporary forms of capitalism.

While leading neo-liberal economic theorists such as Milton Friedman have argued that the social responsibility of business is to make profit (nothing else), and before the financial crisis corporate reputations were largely determined by financial success, nevertheless a critique of business practice has asserted itself in the wake of various scandals. Standards, values, morals and ethics have become increasingly complex in a postmodern society and concern has surfaced from a variety of sources that the standards of behaviour within

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business need to be evaluated and improved. Moreover, the rapid rise of social media is pressuring organizations to be more transparent – or risk the exposure of unethical practices.

Much of the recent focus on business ethics has been directed against financial corruption such as the scandals concerning bribery and corruption at football's governing body, FIFA. It has been shown that not only can consumers' perception of the ethics of a company affect corporate reputation, brand value and sales – such as how workers in the supply chain are treated – but also the views of a company's investors will affect its share price. Similarly, poor standards of conduct among top management are thought to affect employee motivation and commitment to organizational goals (Schramm 2004; Rose 2007), yet only 15 per cent of Americans are reported to trust business leaders to tell the truth, according to the 2013 Edelman Trust Barometer. Moreover, 'whistleblowers' rarely appear to thrive after reporting malpractice, suggesting that few companies provide a safety net for those attempting to do the right thing (Sumanth et al. 2011).

The debate about the ethics of business is reflected in the growing interest in the notion of corporate social responsibility (CSR), a concept generally used in management literature to refer to the responsibilities and relations between an organization and the community within which it operates (see Chapter 4). CSR emphasizes stakeholder perspectives, rather than focusing solely on the needs of shareholders. Nowadays, corporate reputations are likely to be damaged precisely if corporations set financial benefits for shareholders as their sole end and ignore the needs of other stakeholders. Indeed, Michael Porter (2004), a leading exponent of shareholder value-focused management theory, has increasingly promoted the notion that the role of business is to create shared value, rather than shareholder value.

Today, businesses build stakeholder trust by treating employees well, demonstrating ethical practices and placing customers ahead of profits, according to the 2013 Edelman Trust Barometer. The UK's HR professional body CIPD (Sears 2011) and Winstanley and Woodall (2000) have argued that human resource professionals should act as moral 'stewards' of organizations. Similarly, the US HR professional body SHRM (Olson 2014) argues that HR has a duty to protect its organizations' employees, customers and clients from unethical conduct. Yet the unethical practice of HRM itself has also hit the headlines, especially with regard to excessive executive reward, reneging on company pension agreements and the use of dubious practices in the hiring and firing of staff. In cross-cultural contexts, HR often struggles to deal with issues of bribery, differentiated hiring policies and management styles which may not conform to any head office ideal. Latent ethical issues such as the invasion of employee privacy once digital workforce platforms are established are rarely discussed in the HR management press, swept away in the fad towards HR analytics, Big Data and the like.

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If they are so minded, as champions HR professionals can help their organizations flourish by promoting ethical values in daily operations and by building trust. After all, they are in a unique position to help build an ethical workplace culture and to spur the generation of an ethical and moral climate in organizations in general because of their involvement in hiring, training and evaluating employees which allows them to influence their organizations at many levels. Olson describes an ethical workplace culture as one that gives priority to employee rights, fair procedures and equity in pay and promotion, and that promotes tolerance, compassion, loyalty and honesty in the treatment of customers and employees. Arguably therefore, HR should be at the forefront of addressing concerns relating to employee well-being, such as longer working hours and increasing work stress. HR can help lay out the expectations for employees by developing written standards of ethical workplace conduct, providing training to make sure everyone is aware of the expectations and equipping managers to reinforce the company's values through their actions.

Above all, HR can ensure that employees are involved in decisions that affect them. Tools such as the Edelman Trust Barometer or the Corporate Reputation Quotient of Harris-Fombrun (2003) can be used to capture the perceptions of any corporate stakeholder group such as consumers, investors, employees or key influencers. The latter enable research and comparison on the drivers of a company's reputation – emotional appeal, products and services, vision and leadership, workplace environment, financial performance and social responsibility. The insights derived should allow for targeted improvement activity.

However, as Rose (2008: 38) points out, context is everything in determining how effective HR can be:

> **No matter how far HRM may work to improve the behaviour of professionals and aid in the implementation of codes of conduct that affect all employees, if businesses show little respect for any ethical or even legal considerations over and above the generation of profit, then the pursuit of an ethical HRM is essentially futile.**

CASE STUDY 13.1

Changing service delivery and workforce models in English local authorities

Local government in England is operating within ever-shrinking budgets, yet demand for its services – which range from refuse collection to social care and teaching – continues to grow. The cost-constrained environment is forcing local councils to rethink what services are provided

(Continued)

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(beyond the statutory) and how these are delivered. Many councils are euphemistically in a 'strategic holding position' on this as they struggle to maintain services without a fundamental rethink of the 'how'. A spectrum of possible service and service delivery options exists, ranging from conventional service delivery by a council's own directly employed workforce through to a commissioner-led model by which services are delivered on behalf of the council through third parties in various forms of outsourcing or partnering arrangement. Thus, the nature of the way local authorities deliver their obligations to council tax payers and service users will be somewhere along the following dimension:

Conventional service delivery _____ Commissioner-led

While commissioning and its associated activities – such as contract design, procurement and contract management – are not new in the local government context, two things make today's situation different from the past:

- the range of services that the government hopes will be commissioned
- the sophistication of the contracting models used (Blatchford and Gash 2012).

If alignment is to be tight, the HR strategy needs to mirror the strategic intent reflected in service delivery models. The workforce planning implications of each service delivery model will differ and will affect the size and nature of workforce required. In a purely commissioner-led model, it is conceivable that workforces could shrink significantly and the skills required by retained staff would change dramatically. For example, employees working in commissioner hubs will need to work effectively across organizational boundaries, demonstrate sophisticated partnering skills and be able to manage the risks inherent in delivering outcomes through third-party providers, such as if a provider's business fails. Similarly, some local authority functions and centres of expertise could themselves embark on traded futures, becoming suppliers of services to other client organizations. People working in these 'consultancy' operations will need commercial skills of a high order and are likely to be on different terms and conditions from conventional local authority employment contracts.

Moreover, given the context, the cultures of local authority organizations will need to become 'change-able', i.e. agile, flexible, innovative and sustainably effective in scenarios of ongoing change. The traditional bureaucracies and hierarchies of many public-sector institutions are generally not set up for corporate agility, a concept more readily applied in commercial contexts. This is the ability of a business or institution to adapt rapidly to changes in the business environment in efficient, productive and cost-effective ways. An agile organization is able to gain competitive advantage, or provide relevant and cost-effective services by intelligently, rapidly and proactively seizing opportunities and reacting to threats.

The organization's need for flexibility may also be in tension with that of employees for job security, and for many employees whose traditional 'psychological contract' – of permanent, full-time employment with some degree of job security – may be under threat, these may be worrying times. Many council employment models have relatively low flexibility except among the low-grade female workforce. If the only alternatives on offer are some form of flexible

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work contract, 'permanent' full-time employees may perceive these as risky because flexible contracts are often the first to be cut when savings need to be made. Employees may perhaps more readily adjust to more flexible ways of working if they believe that the changes are in line with the public service ethos and in harmony with employees' own values, rather than driven by the need to cut costs alone.

This transitional period is potentially an exciting and unparalleled opportunity for HR to really make a strategic contribution to delivering benefit to service users. Yet in the current cost-cutting context, there is a distinct risk that HR will be required to provide only a procedurally driven transactional service. If this were to happen, the far greater strategic contribution of the 'HR with attitude' service will be wasted, and, as one strategic director of a major local authority commented, when interviewed by the author, 'A lot of corporate services get chopped as overheads and yet we need them'.

It is therefore vital to get across the message about the value HR can bring before it is too late to do so. And if HR wishes to move beyond administration to deliver strategic value and enhance its reputation, it must act as an effective credible activist, pushing well beyond the basics to develop impactful HR policies and initiatives which deliver institution-wide benefits that are also locally relevant.

Source: author

REFLECTIVE ACTIVITY 13.5

1. What do you consider are the greatest challenges now facing English local authority organizations in delivering their services to users?
2. What are the CSR issues and risks relating to this case study?
3. In what ways could HR bring the greatest value in these circumstances?
4. What skills will HR require to deliver this value?
5. What is the best way to get the message across about the value HR can bring?
6. You may wish to discuss this with other colleagues and compare your answers with the HR 'deliverables' outlined in the section below.

What kind of 'deliverables' are fit for the future?

The potential for major transformation within organizations offers a huge opportunity for HR to reinvent itself as a major source of innovation in leadership and management. For Cascio (2005), HR must drive the business forward, rising to the challenge of adding and creating value. Ulrich and Smallwood (2005) argue that a new human resource measure of return on investment (ROI) is return on intangibles. This perspective is consistent with an 'investor-literate' approach to HR because intangibles such as innovation represent the

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hidden value of a firm and are becoming an increasingly important portion of a firm's total market capitalization (Ulrich and Smallwood 2005: 137). These authors propose that HR needs to ensure that HR activities positively impact intangible value, as reflected in the premium the market is willing to pay above a firm's earnings and book value. My own view is that aligning HR only to short-term business plans risks reducing rather than adding value because this thinking may encourage a cost/efficiency orientation at the expense of building the capabilities required for future success.

Increasingly, HR and business leaders define organizational effectiveness beyond traditional financial outcomes to include sustainability – achieving success today without compromising the needs of the future. Sustainable growth will require organizations to have the capabilities to succeed over time, i.e. to be well governed, agile, flexible, innovative and customer-focused; and also able to attract and retain the key people on whom business success depends. Both the CIPD and SHRM have also embraced the notion that HR's purpose should be defined as producing sustainable performance. In their 'Next Generation HR' report (Sears 2011), the CIPD proposes that HR should be 'future-proofing' cultures, moving them from 'healthy' cultures to 'agile' cultures. The CIPD also argues that HR should exercise stewardship, acting as organizational 'guardians and commentators' on ethical matters. I would go further.

While agreeing with these propositions, to some extent I would argue that organizational agility – synonymous with strategic capability, short decision cycles, effective processes and implementation, teamwork and impermanent structures – is only practicable when built on the foundations of 'healthy' cultures. Given that future business success, particularly but not exclusively in the knowledge and service economies, depends heavily on the talent, goodwill and discretionary effort of people, I argue that the purpose of HR should be redefined to be about building *sustainably healthy and effective* organizations conducive to high performance through people, i.e. focusing on attracting, developing and retaining the 'right' people and building organizational cultures in which those people want to work and are able to give of their best. This agenda thus inevitably requires a strategic response from HR functions: HR must be operationally effective in the here and now but with future capability-building in mind. The relevant HR deliverables derive from this purpose and the design of HR policies needs to match the characteristics of the networked organization and the requirements of the knowledge economy.

Designing the target workforce model to fit the target operating model

HR must ensure that organizations have the right numbers of the right types of people in the right places at the right times (Dyer and Ericksen 2006).

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Working out the talent implications of the shifting definition of strategic success requires HR to look ahead at business, work and labour market trends, using strategic workforce planning to anticipate future shortages and plan for tomorrow's workforce today by redeploying and deliberately building vital competencies as well as sourcing future talent. HR should initiate conversations with stakeholders to develop scenarios relating to future workforce models. This would typically involve looking at the external drivers for change and asking:

- Are we sufficiently prepared for the future?
- What would be the impact if we don't address the external drivers for change?
- In particular, how would they affect our ability to attract and retain our key employees?
- What skills would our employees need to succeed in this environment?

US theorists Boudreau and Ramstad (2007) argue that HR should be considered a 'decision science', and propose that a key intangible deliverable for HR is 'talentship', which includes talent segmentation, or identifying pivotal talent pools where the quality and/or availability of human capital makes the biggest difference to strategic success. This requires analytical and modelling capability, or the ability to access this and use data insightfully, in order to produce relevant scenarios from which choices about the size, shape and nature of the future workforce can be made. HR can help clarify the key roles in the value chain, seek to understand how the transition will impact on the types of workforce required for the future and put in place the support and policies required. It can build vital competencies through development and redeployment as well as sourcing future talent externally.

The value of this ability to translate HR into strategic planning should not be under-estimated and is becoming increasingly mainstream. As Bolton and Isaacson (2012: 3) point out:

> **We know the primary driver of value creation from the HR function is a combination of accurate and predictive information, business-driven and business driving strategy, solid service delivery and valuable business partnering – all engineered to be an integral and holistic part of the execution of business strategy.**

Of course, in pursuit of a tight fit with strategy, as proposed here, HR risks embracing a mechanistic approach to workforce planning which does not lend itself to a dynamic context. Nor should workforce planning be undertaken as an offline activity delivered by experts.

Instead, HR should work closely with the line to identify pivotal roles and people risks, to estimate, for example, the cost per day when operating without

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a key player, and put plans in place to minimize people risks. This should help HR to support managers to be more intentional in how they manage people. Roles should of course be aligned to strategy and the definition of 'mission critical' roles is likely to change in the new context. In that respect, role segmentation is helpful. Do all roles contribute equally to strategic execution? Which contribute more, or less? For strategic roles, the aim should be to build skills and experience; core (operational) roles should be protected and talent management should be applied as much to roles that shape the customer/service user experience as to future senior management roles. Supporting roles should be streamlined while misaligned roles should be redirected. Role segmentation can enable better decisions and lead to meaningful development programmes and the targeting of communication mechanisms and employee engagement initiatives. It should also allow better reporting and data analysis across multiple variables, for instance of the state of the talent pipeline.

For many HR teams, this kind of contribution is relatively new ground. Again, HR practitioners do not themselves need to be expert analysts, but they must find ways of accessing such capability and of developing meaningful insights from evidence that can enrich decision-making.

Attracting, managing and retaining key talent

HR's core responsibility is to define, plan for, acquire, engage, develop, deploy, lead and retain the talent needed for success. Given the changing context, it is important to review all related processes to ensure they are fit for purpose. For instance, even though many organizations will continue to downsize for the foreseeable future, most may also wish to continue to recruit new external talent. 'Employer brands' will need to be refreshed to take account of the changing context and the specific aspirations of today's more diverse, multi-generational workforces. More flexible approaches to resourcing will be needed to enable organizations to quickly deploy and then redeploy resources, talent and skills/knowledge. Options are likely to include increased use of partnering, through which HR seeks to secure knowledge assets and talents from outside the organization that can be drawn upon to mobilize a response. Such partnerships enable knowledge and skills to be migrated into the organization but require careful third-party management.

More generally, the retention of key talent is likely to become the more significant future talent challenge (see Chapter 5). Recruitment firms are aware of wide-scale pent-up career frustration across most UK sectors in today's tight labour markets and predict that, as soon as these improve, there is likely to be significant employee turnover in particular sectors. Risk management and retention plans should be applied to people and jobs where key knowledge and

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skills are in short supply. Career routes should be redefined and people should be helped to develop the skills and competencies they really need, especially in new roles. An agile workforce is multi-skilled and focused on the customer. Performance management processes should be simple to use, provide line of sight to how people's roles fit with company strategy and be effective as a means of ensuring ongoing feedback and development. Taking a fresh look at what is rewarded may indicate some oddities in reward systems which should be ironed out – such as rewarding only individual 'siloed' performance while company values explicitly encourage collaboration and customer-centricity. It will be important to provide forms of recognition and non-financial benefits that matter most to people, stabilizing and sharing the benefits.

Building a sustainably agile and resilient workforce

HR's aim should be to build employee agility, resilience *and* engagement and performance. An agile workforce is engaged both in its work and with the organization. For reasons discussed here and elsewhere, such as the lessening of job security, in many contexts there is low employee morale and employee engagement has become the holy grail.

Improving employee engagement involves more than carrying out engagement surveys. It requires a holistic organization development (OD) perspective. HR professionals should create a dialogue on how to make their organization a better place to work, get to grips with the key issues for specific groups of employees and target meaningful action at areas which are likely to unblock key barriers to engagement. Since a deep, shared belief in the organization's core values is thought to be key to both resiliency and employee engagement, HR can help ensure, for instance, that people have a clear line of sight to the organization's core purpose through the work they do. HR should work closely with line managers, placing a special focus on improving employee engagement, diagnosing and improving the root causes of employee disengagement and also re-skilling employees more generally for employability. The aim should be to make employee engagement a daily focus for managers rather than simply an annual survey process. Developing effective employee well-being strategies can help people to cope with the demands made of them and will show staff that they are valued.

Strengthening organizational productivity and performance

Since many studies suggest that line managers have a major impact on employee performance and engagement, HR should aim to build line management capability to bring out the best in (knowledge) workers. HR can help line

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managers to build high-performance climates, though there is no cut and dried formula for this. In general, this is about helping managers understand when and how to involve employees *and* when to direct them; how to achieve the right blend of effective leadership *and* management together with employee authority, accountability and empowerment. HR can help identify and remove barriers to performance and engagement by training managers as coaches and building a coaching culture. HR can ensure that managers design roles in which employees have scope for some autonomy and opportunities to grow, and value employees as individuals.

As organizations increasingly operate beyond their own boundaries, HR can help enable cross-boundary partnership working, for instance by clarifying accountabilities, skill and manager capability requirements, developing teams and communication strategies. Learning and development interventions (see Chapter 10) can be targeted at helping people improve their ability to collaborate across organizational boundaries as they work/manage in partnerships or matrix structures. Performance management, reward and recognition systems (see Chapter 7) can provide a line of sight to business strategy and reinforce a culture of collaboration, service and innovation. The aim should be to develop a sense of shared leadership in which employees are proactive, committed and delivering what is needed.

Managing and supporting change

HR is generally expected to support change projects and many of the key change activities required are well within HR's core remit. These include retaining key talent, handling redundancies and other exits, supporting line managers, ensuring effective communications, re-engaging the 'survivors', combining action and learning and defining the new employment relationship. More generally, HR can help create a climate for change by equipping people for change, with new skills and a sense of purpose and progress, preparing people for new roles, coaching line managers and helping people feel valued.

Increasingly, senior HR practitioners are also expected to lead change projects, including redesigning and integrating organizations, yet HR functions generally are reported to be poor at change management (Ulrich et al. 2008). This is clearly an area where HR needs to up its game to be perceived to add value in future. Being able to manage change projects will require HR to have an understanding of at least some of the core principles of the fields of organization development and design, internal communications, marketing, and so on. While HR practitioners do not themselves need to be change experts, they must be able to work in partnership with specialist practitioners in these disciplines. For HR practitioners, who have become expert advisers

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in conventional HR processes, some elements of the personal transformation required may be uncomfortable.

Carrying out some basic research into the kinds of working practices used by other organizations (from any sector) can be informative in clarifying change goals and designing effective change processes. For example, how are other organizations implementing more agile working practices? What support will be needed for employees and managers if people are required to work more flexibly and/or remotely? How does this agility permeate mindsets? What are the implications for the kinds of workspace required, for technology support, training and development, and so on? How can strong drivers to reduce costs also be used to transform the organization into a more collaborative and exciting place to work? How can the physical, psychological and environmental aspects of the change journey be eased for all concerned?

HR should focus on building constructive employee relations (see Chapter 8) as the bedrock of change, working directly and with trade unions, with communications characterized by genuine employee involvement and voice. Organization development activity should be targeted at behavioural change, with leaders and HR role-modelling organizational values. HR can also ensure greater coherence between change projects through stimulating knowledge-sharing across the organization.

Building very strong, innovative and adaptive organizational cultures

Management literature is replete with definitions of high-performance, agile and sustainable organization models. For instance, the characteristics of high-performance organizations as described by Clemmer (1992) and others include:

- *intense customer and market focus*: the organization is designed in such a way that it allows daily contact with customers by both front-line staff and line managers, with internal systems, structures and processes facilitating this; support systems are designed to enable employees to meet the needs and demands of the customer, rather than being designed for management and bureaucratic purposes
- *teamwork*: operational and improvement teams are highly autonomous and decentralized, with teams able to adapt the way they work to better serve their customers; high-performing organizations tend to have flatter organizational structures, with fewer people whose role is purely about 'leading, directing and developing'
- *partnering and working across boundaries*, with people learning and collaborating with other teams; focused professionals with specific skills can be drawn on throughout the organization.

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While structural and process characteristics such as these are important, in post-recessionary times increasing emphasis is being placed on how organizations can achieve *sustainable* high performance in a context where the role and purpose of business may be increasingly questioned. Thus, cultural factors (see Chapter 11), such as organizational agility, ethics, the nature of organizational purpose and the alignment of individuals to organizational values, are increasingly considered high-performance characteristics.

From the resource perspective of the firm (Barney 1991), four characteristics of resources and capabilities – value, rarity, inimitability and non-substitutability – are important in sustaining competitive advantage (see Chapter 3). Birkinshaw (2010: 16) argues that the shift towards a knowledge economy, enhanced by the 'Information and Communication Technology Revolution', means that firms 'succeed not just on the basis of efficiency, but also creativity and innovation'.

From the resource perspective, collective learning in the workplace on the part of managers and non-managers, especially on how to coordinate workers' diverse knowledge and skills and integrate diverse information technology, is a strategic asset that rivals find it difficult to replicate. Adaptive, agile cultures are thus characterized by flexible mindsets and practices, the ability to efficiently and quickly acquire, build, share and apply knowledge to critical priorities, and also to rapidly deploy resources across boundaries (Meredith and Francis 2000). In such cultures, knowledge-sharing and innovation are the norm. The need to manage risk is balanced by the ability to stimulate innovation, with bureaucracy kept to the minimum *and* appropriate checks and balances.

However, agility without resiliency is unlikely to be sustainable. Resiliency at an organizational level is about the robustness of systems: the capacity for resisting, absorbing and responding, even reinventing if required, in response to fast and/or disruptive change that cannot be avoided (McCann et al. 2009). At the individual level, resiliency is reflected in personal resilience, or the ability to thrive and perform despite ongoing change, uncertainty and confusion. Both agility and resiliency are needed if the organization is to have adaptive capacity or 'change-ability' (Holbeche 2005).

HR has many means at its disposal to reinforce the desired direction of travel. Thus, it can provide thought leadership on how to innovate through people, fostering innovative products, services and ways of working. HR should focus on developing constructive employee relations and employee communications characterized by genuine involvement and 'employee voice' (see Chapter 8). These are key to stimulating a change-able, innovative culture. HR can help unblock key structural and process barriers to agility and resilience, support managers to manage the effects of change on people, help people adapt to new ways of working and embed new, more agile working practices.

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HR can also align career incentives and reward to new behaviours such as innovation. The aim should be to build employee agility, resilience *and* engagement and performance.

Building leadership agility

Leadership capabilities and behaviours are critical to harnessing the firm's human assets and have a disproportionate impact on organizational effectiveness (Francis et al. 2011). Bringing about culture change requires business leaders and HR to understand the current culture, to break established patterns and to challenge sacred cows. Leaders must be able to manage ambiguity, reconcile seeming paradoxes and also provide clarity and coherence to others.

Succession planning and talent management processes should be underpinned by a clear understanding of what future senior leaders need to be capable of in future, and how they will need to exercise leadership in specific contexts. Pfeffer (2005) argues that today's leaders need new mental models. For instance, building a more sustainable, change-able organization will require managers and leaders at all levels who can manage the short term with the long term in mind, switching out of the cycle of short-term reactivity and taking a more proactive, anticipatory and shaping approach in order to create real opportunities for organizations. HR can help managers to improve their 'sense-making' skills – to better manage uncertainty and ambiguity, develop innovative business models and create and sustain an openness to change. Companies such as Standard Chartered Bank are experimenting with new approaches to developing leaders which can help managers cope with paradox and ambiguity.

HR can also help develop engaging (MacLeod and Clarke 2009) and ethical leaders and managers who are able to create a sense of shared purpose and provide a strong strategic narrative about the organization – where it's come from and where it's going; who can focus people and structure the organization and its tasks so that people can get on with what matters; who actively lead culture change and who demonstrate values-based leadership even, or especially, during today's difficult times.

The focus however should not be exclusively on developing future top leaders but also on developing shared or distributed leadership at all levels, so that the organization becomes better able to rapidly mobilize and harness the initiative, insights and energies of all its employees.

Conclusion

So with respect to the future of HR, several trends seem significant. Since study after study confirms that people issues are at the forefront of CEOs'

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minds, it seems likely that the responsibility for employing, leading and managing people will become more obviously 'owned' by the business as a whole rather than HR. The general trend towards fragmentation of HR structures according to the Ulrich framework is likely to continue, i.e. as an insourced or outsourced service centre working alongside business partners and centres of excellence using a project-based approach to respond to changing circumstances that affect the workforce. Some pundits predict the 'consumerization' of HR in which managers and employees will expect direct access to HR on their smart devices, thereby cutting out HR as the middleman. I consider this scenario quite plausible, though I would argue that the new normal makes a more strategic form of contribution from HR even more important than ever. To enable focus, this may require separating out the operational and strategic HR functions, with the former addressing short-term requirements with the longer term in mind, and the latter's focus more on the long-term organizational requirements and opportunities, on bringing about change and building organizational capabilities, including leadership. However, in order to have the licence to deliver such a strategic contribution, senior HR practitioners (who may increasingly be drawn from many business and functional backgrounds) must be credible with senior management, usually as a result of business acumen, deep insight into people and organizations, shrewd advice and operational excellence.

With respect to how HR practitioners will gain credibility in the future, the general consensus among UK-based 'HR leaders' (Holbeche 2009) is that HR must be a business partner and put business needs ahead of those of employees. I argue that such one-sided priorities are ultimately unsustainable. In future, a better balance will need to be struck between the needs and outcomes of business and those of employees and other workers, if organizations are to consist of people united in a common endeavour. The HR function should lead on creating a more equitable, adult–adult employment relationship between employers and employees – in which benefits and risks are more mutual for employers and employees – as the foundation for more genuinely sustainable performance in fast-changing times. In such a scenario, the 'deal' for employees will be based on *mutual* obligations and needs, trust *and* flexibility, empowerment *and* accountability, support *and* challenge, performance *and* development, shared risk, shared gain and win–win outcomes. Creating a more level playing field and a sense that 'we are all in this together' may require more challenging approaches to reward strategies, in particular executive pay. Indeed, the 'new normal' times may require HR to shift from both the unitarist thinking and the adversarial industrial relations of the past and to proactively develop new forms of pluralist employee relations (see Chapter 8).

As HR practitioners engage in such forms of strategic contribution, they will inevitably transcend the conventional disciplinary boundaries. Indeed, a greater

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confluence of HRM/HRD with organizational development and design, statistics and analytics, internal communications and marketing is increasingly evident in contemporary attempts to identify the impact of HR practices and to develop more agile organizational cultures and attractive employer brands. Perhaps the key capability required by HR leaders aiming for a more strategic contribution is influence, earned through customer insight, confidence and effective delivery and based on personal integrity and political acumen. Such contributions are about thought and practice leadership about how to produce contexts where people can give of their best and be fairly treated.

For HRM as a field, there are some slight signs of rapprochement between some mainstream and critical HRM theorists (Paauwe 2007; Spicer et al. 2010). Practitioners themselves could make closer links between theory and practice by adopting the 'thinking practitioner' approach of actively experimenting with their own practice and seeking evidence for what works in their own context, rather than relying largely on consultancies and academics. For this they need 'a capacity for reflection on their intuitive knowing in the midst of action' (Schön 1983: 8–9), which they can use to cope with the unique, uncertain and conflicted situations of practice. This is about taking stock of one's own values and being willing to challenge practice which appears unethical, inappropriate or unfair.

Moreover, as Watson (2010: 918) points out, the critical study of HRM should be developed and strengthened:

> to help counter the tendency for HRM academics to act, in effect, as 'best practice' advisors and legitimacy-givers to corporate interests (suggesting to employers which employment management practices to adopt in order to increase corporate 'competitive advantage', for example).

It could indeed be argued that this chapter demonstrates this particular tendency highlighted by Watson: on the one hand, to be critical of mainstream theory; on the other, to accept the dominant business paradigm of competitive advantage as the justification for advocating HR practices, which reflect the supremacy of business interests in the employment relationship. I would counter this argument by suggesting that critical practitioners have a choice in how they approach their roles, and that the job of the author, as I see it, is to raise readers' awareness of some of the choices they may have. These may include opportunities to advocate more progressive practices to help redress seeming imbalances in the employment relationship.

In particular, practitioners can help close the theory–practice gap by developing a more critical edge to theory in practice – by, for instance, not just seeking great learning methodologies but also challenging the 'givens' of what Ramdhony (2012) considers the constructionist epistemology that permeates mainstream human resource development theory. This involves looking at the

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broader system and at what may be influencing current business and organizational practice, with a view to finding better ways forward that are also practical. Practitioners should also question their own language and assumptions, develop a clear perspective on what they are trying to achieve and pursue this with confidence, while accepting that ambiguity and unpredictability are inherent characteristics of human systems. If HR practitioners can achieve this, it is more likely that HR will be acting in a leadership capacity and be better able to build healthy and effective organizations that people want to be part of and are willing to do their best work for.

REFLECTIVE ACTIVITY 13.6

1. As you reflect on the key messages in this book, which have most resonance for you? Which most closely match your own beliefs about what effective HRM is about? With which do you disagree, and why?
2. To what extent have your own initial ideas about HRM theory and practice changed in the light of reading this book?
3. How will you translate your insights into practice?

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