



Why in practice employers often appear to fail to achieve the objectives expected of their HR policies and initiatives

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1. Introduction

This article will start with the definition of human resource management (HRM) and then explore the impact of HRM on performance of a firm and an opportunity to create and maintain its competitive advantage.

This will be followed by a brief outline of HRM strategic objectives which influence the development of specific HR policies and practices in various firms, and a discussion of the strategic tensions, paradoxes, problems and issues experienced by the employers while trying to achieve objectives of their HR policies and initiatives.

This approach will enable to draw conclusions as to why in practice employers often appear to fail to achieve the objectives expected of their HR policies and initiatives.

2. Definition of HRM, its impact on performance and pursuit of strategic advantage

For the purpose of this article, terms HRM (human resource management) and HR (human resources) will be used interchangeably in their generic sense, encompassing all forms of people management activity in firms and other formal organisations. They will cover the strategies, policies and practices used to organise work and to employ and manage people to do the work.

Boxall and Purcell (2008) argued that human resource strategy is central within any credible understanding of business strategy which is necessary (although not a sufficient) condition of business viability. With the labour costs accounting for a significant proportion of the variable costs of the firm, its ability to achieve better productivity of the work force can mean a competitive advantage or, sometimes, even a difference between the life or death of the firm.

Building on the work of Blumberg and Pringle (1982) and Campbell, McCoy, Oppler and Sager (1993), Boxall and Purcell suggested the following mathematical notation illustrating the impact of HR of individual performance:

$$P=f(A,M,O)$$

Where “P” stands for performance, “A” for ability, “M” for motivation and “O” for opportunity.

In other words, they see individual performance as a function (f) of the person’s ability, their motivation and an opportunity to do a good job. This formula also highlights the fact that while there is a definite dependency between “A”, “M”, “O” and performance (P), the precise relationships among ability, motivation and opportunity are unknown which in itself presents a management challenge.

In addition, HRM is not solely concerned with managing separate individuals. At a collective level, it does include efforts to organise and manage groups of employees and whole workforces; to build workforce capabilities and the general climate of employee attitudes. Boxall and Purcell (2008) referred to it as building a functioning workplace society where individuals know and can do what is valuable for a firm and where relationships and networks among individuals and groups can create value for this firm. An effective set of HR policies, procedures and initiatives help to develop effective operational management and ensure overall good performance of the a, giving it a source of competitive advantage. (Barney, 1991, 1995; Berman, Down and Hill, 2002).

It is argued that advantages developed through HRM such as a positive organisational culture and a strong firm knowledge base can help create sustainable competitive advantages, because such intangible assets are valuable, rare, and difficult to imitate (Arthur, 1994; Hayton, 2003; Huselid, 1995).

3. Strategic objectives of HRM

It is important to note that HR policies and practices are not entirely developed within a firm and controlled by that firm’s management. Many academics argued that HR strategies are heavily influenced by the wider context of the markets, networks and societies in which firms operate (for example, see Rubery and Grimshaw 2003, Blyton and Turnbull 2004, Rubery, Earnshaw and Marchington 2005).

Boxall and Purcell (2008) defined two broad categories of objectives, or goals, of HRM: the economic objectives (cost-effectiveness and organisational flexibility) and socio-political objectives (social legitimacy and managerial autonomy or power to act) because they also see a firm as an economic entity located in a wider social and political context.

3.1. Cost-effectiveness

According to Suarez and Utterback (2005) and Boxall and Purcell (2008), the most critical challenge for a firm is its own survival - becoming and remaining viable in its chosen industry.

In order to ensure economic viability, employers in both private and public sectors are seeking to establish a cost effective system of labour management by making the kind of labour they need productive at an affordable cost in their chosen industry.

However, the ideas of what is 'cost effective' HRM will vary in different industries, thus creating a great variation in HR policies and practices between firms (Warwick Business School, 2010).

3.2. Organisational flexibility

Firms operate in a constantly changing and often volatile environment. In order to survive and gain competitive advantage they need to be able to cope with change both in the short and long run. The employers will need to adopt certain HR policies, practices and initiatives designed to enhance firm's capacity to change or build 'organisational flexibility' which extends beyond, but includes, their labour management (Osterman 1987, Streeck 1987, Boxall and Purcell 2008).

In terms of organisational flexibility, Boxall and Purcell distinguished between short-run responsiveness and long-run agility of a firm.

According to Atkinson (1984), short-run responsiveness combines greater 'headcount' flexibility (measures which make it easier to hire and shed labour) with 'functional flexibility' (attempts to hire cross-trained or 'multi-skilled' workers in order to combine roles) and financial flexibility (endeavours to bring greater flexibility into the price of labour). All these measures aim to adjust labour costs to fit with changes in firm's revenue. However, the context in which firms operate (for example, the state of the labour market or legislation regulating employment practices) can significantly limit the employers' ability to use those measures to their full extent.

The concept of long-run agility addresses firm's ability to survive in an environment that can change radically and fast (for example, due to a competition, technological developments or regulatory changes). Off-shoring production facilities to Asia (Dyson case); creating an elaborate, knowledge based information system for careers to aid career movements between functions, divisions and countries (Unilever case); and developing network forms of organisation (General Electric (GE) case) to improve knowledge transfer within a large, complex organisation have been highlighted by Boxall and Purcell (2008) as examples of attempts to develop long-run agility of respective firms.

3.3. Social legitimacy

Every firm operates in a social context therefore an adherence to societal norms is an important consideration of HRM, although, as Boxall and Purcell (2008) noted, there is a significant variation in the extent to which employers take legitimacy goals into account in their management practice. Legge (1998) argued that in their actions towards all organisational stakeholders, employers should accept the moral obligation to fully consider the consequences of their actions, particularly towards those that appear to bear the cost

rather than the benefits, and to resist the exclusionary and sometimes exploitative dictates of an instrumental, technical rationality.

The price of non-compliance with societal norms could be very high (for example, consumer boycotts, industrial actions, absenteeism, high staff turnover), hence the majority of firms are trying to ensure their moral legitimacy in the society or various societies in which they operate (Suchman 1995, Paauwe 2004).

A significant variation between different societies and resulting variance of HRM practices in different countries is well established (for example, Hrebiniak and Joyce 1985, Gooderman, Nordhaug and Rindal 1999). As Boxall and Purcell (2008) pointed out, firms need to fit into their socio-political context and this inevitably means that packages of 'best practice' developed in one country are unlikely to be used in another country without change or adaptation.

3.4. Managerial autonomy or power to act

According to Donaldson and Preston (1995), all firms can be seen as political systems with power struggle between management and other stakeholders. Various authors (for example, Bendix 1956, Gospel 1973, Cooke 2001, 2007, Boxall and Purcell 2008) acknowledged management's drive for autonomy or power to act which conflict with and can undermine other HRM goals, including cost-effectiveness and social legitimacy. As the result, many firms try to minimise or eliminate the pressures from external shareholders and watchdogs in order to create greater freedom to manage.

4. Strategic tensions between HRM objectives and related problems experienced by the employers.

Four strategic objectives discussed earlier in this article are fundamental for HRM. They underpin HR strategies, policies and initiatives of firms competing to survive in ever-changing environment. Employers are trying to ensure their social legitimacy while simultaneously pursuing cost effective HRM (Boxall 2007). Over time, the firms that survive secure some degree of flexibility in HRM enabling them to cope better with change and their managers acquire enough autonomy to be effective.

However, as Boxall and Purcell (2008) pointed out, many complications come from the attempt to achieve these strategic objectives at the same time, while wrestling with 'strategic tensions' and problems, including trade-offs between employer and employee interests. A case study 'Clothing firm meets nemesis?' (Warwick Business School 2010) illustrates some of the challenges that employers face in their pursuit of competitive advantage and survival of a firm.

Boxall and Purcell (2008) argued that gaining social and ethical legitimacy could be hindered by the need to achieve cost effectiveness and managerial autonomy. Too much management power can compromise a firm's ability to empower and motivate other staff and thus reduce the trust level in the firm. Boxall and Purcell identified key strategic tensions between: employer control and employee motivation; short-run productivity and long run adaptability;

corporate survival and employee security; and between the drive for managerial autonomy and the need for social legitimacy. These contradictions and strategic tensions in HRM objectives lead to tensions and problems in managing the workforces by the employers (Warwick Business School 2010).

Not surprising, that employers are often looking for good HR practice to help them deal with those problems and tensions. However, this in itself can present a number of issues and problems to the management.

The proponents of the 'best practice' theories of HR (for example, Huselid 1995 and Pfeffer 1998) argued that a set of universally superior HR policies and practices, if implemented properly, always lead to superior business performance. However, the Warwick position is that such theories fail to convince and that the evidence shows that best practice HR does exist, but its precise nature varies according to industry conditions and national context (Warwick Business School 2010). The contingency theories advocating a firm's need for multiple fits with its environment (for example, Pinfield and Berner 1994, Kalleberg et al. 2006) better explain the diversity of HR policies and practice within and across organisations, industries and nations.

Boxall and Purcell (2008) warned about the dangers of best HR practice lists and pointed out that although there is a link between forms of best practice HRM and excellent business performance in specific industries, the precise nature of 'best practice' is industry specific. They also argued that socio-political context of firms operating in different countries will mean that packages of 'best practice' developed in one country are unlikely to be successfully used in another country without change or adaptation. While studying transfer of HRM practices across cultures, Tayeb (1998) found that multinational companies' management practices are more prone to local cultural influences than are their overall policies and strategies. Moreover, some of the practices which the company had imported from abroad had to be modified to make them workable, given its local cultural and non-cultural contexts.

After looking at the research and at organisational experience in the widest possible term, Boxall and Purcell (2008) concluded that there is a 'law of context' in HRM. They argued that firms are embedded in industries, networks and societies and that managers in particular firms never have full control over the shape of their HRM.

5. Other success/failure factors in HRM

Hayton (2003) and Huselid, Jackson, and Schuler (1997) noted that HRM plays both a traditional (or technical) and a strategic role in organisations of all sizes. However, as Tocher and Rutherford (2009) pointed out, while firms may tend to place more emphasis on either the traditional or the strategic aspect of HRM, few if any firms are likely to take a purely traditional or a purely strategic approach to HRM. Research provides support for this idea as two separate empirical studies of nearly 400 American firms indicated that while strategic HRM practices tend to have more of a positive influence on firm performance, firms do tend to rely on a balance of traditional and strategic HRM practices (Hayton 2003 and Huselid et al. 1997).

However, this balance will change through the life of a firm. Tocher and Rutherford (2009)

noted that firms in different life cycle stages seem to have different types and amounts of HRM problems. High-growth firms also consistently face a higher level of HRM problems in comparison with no-growth or slowly growing firms (McCann, Leon-Guerrero, & Harley, 2001; Rutherford et al., 2003; Terpstra and Olson, 1993). Unless HR policies and initiatives are adapted to particular needs of a firm in a particular time of its life span, they are unlikely to achieve their objectives at that particular time.

Boxall and Purcell (2008) argued that knowledge of individual HR policies and techniques is neither rare nor particularly valuable. However, knowledge to build and customise appropriate HR systems and create a positively reinforcing blend of HR systems within a particular context is likely to be very rare. Those employers who have such knowledge are likely to be satisfied with the outcomes of their HR policies and initiatives.

Boxall and Purcell (2008) noted that if employers want to achieve higher value and strategic advantage through HRM, they need to pay particular attention to the chain of critical links between HR policy and initiatives and performance outcomes. The chain of the critical links include: management intentions; management actions; workforce perceptions; workforce responses and outcomes; and organisational outcomes.

The question is: do employers/managers have enough knowledge and skills to develop and implement the required 'blends' of HR policies and initiatives which will 'fit' to the firm's context and deliver desired outcomes? The answer will be: not always.

It has been stated that management is as much an art as a science, and as such cannot be learned without a hands-on approach (Mintzberg 1987). Personal traits and experience of employers can manifest themselves in different ways through this learning process. For example, the female owners and managers tend to follow more-participative, team-based management styles, while the male are more autocratic (Rosa, Carter and Hamilton 1996; Verheul, Risseuw and Bartelse 2002). This can result in different workforce perceptions and responses which may or may not deliver desired organisational outcomes in particular firms.

Lack of previous experience in chosen industry also appears to hinder managers' ability to develop and implement successful HR policies and initiatives. However, as owners and managers become more experienced within their firms and industries, they will be more likely to accumulate higher levels of social competence required for successful HRM (Baron and Markman 2000, 2003).

As Boxall and Purcell (2008) pointed out, human resource management is a complex, collective process, built up historically in firms and inevitably subject to a degree of interpretation, politicking and inconsistent practice which can have detrimental effect on the outcomes of HR policies and initiatives.

6. Conclusions

A brief analysis of the impact of HRM on performance of a firm and its ability to create and maintain competitive advantage in chosen industry highlighted the importance of HRM in securing business viability. However, a formula introduced by Boxall and Purcell (2008) in

order to explain the dependency between “A”, “M”, “O” and performance, also uncovered the fact that the precise relationships among ability, motivation and opportunity are unknown. This uncertainty creates a real ‘minefield’ for employers.

To add to this complication, the economic objectives (cost-effectiveness and organisational flexibility) and socio-political objectives (social legitimacy and managerial autonomy or power to act) of HRM are ridden with strategic tensions, paradoxes, problems which hinder the employers’ ability to deliver objectives of their HR policies and initiatives to full extent. One of the implications of conflicting objectives is that HR policies and practices are not entirely developed within a firm and controlled by that firm’s management. Employers constantly have to make difficult decisions including trade-offs between their own interests and interests of employees and other stakeholders of the firm.

There is no ‘golden book’ of HRM best practice or universal solutions to HR problems. As economic entities located in a wider social and political context, firms develop HR policies and practices which vary from firm to firm, from industry to industry and from country to country. Even within one multinational firm there could be several different HR practices and initiatives implemented simultaneously.

While operating in this complex environment, employers/managers themselves could be lacking qualities required for effective development and implementation of HR policies and initiatives aiming to improve firm’s performance and secure strategic advantage.

The size limitation of this article does not allow analyse all reasons as to why employers could fail to achieve objectives expected of their HR policies and initiatives. However, it allows demonstrate that management is as much an art as a science with many hidden tensions and problems and many questions yet unanswered. The best way to master this art and science is to learn by doing and this includes making mistakes as well as meeting expectations.

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