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HRM – The Reinvention of Modern Management?

Reinvention of
Modern
Management?

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Introduction

This is not another critique of human resource management (HRM) which would verge on the counterproductive[1].

Do critical and prescriptive evaluations of HRM ask the wrong questions or, at the very least, questions to which the majority of researchers, management teachers and practising managers have relatively clear-cut responses? Theoretical sophistication[2,3], disparate practice within a prescribed context of individualism[4,5] and discussion of overall meaning and morality[6-10] tell us little about the direction in which the rationale and practice of HRM purport to push management.

The treatment of HRM in this article shares many of the assumptions of the above sources; however, its point of departure centres on a distinction between the spirit and the substance of HRM. The spirit of HRM propagates “empowering” employees and line managers to square the circle of increased competition, improved productivity/efficiency and financial stringency. The substance of HRM involves a reconfiguration of prevailing management structures in an effort to re-create an entrepreneurial philosophy in management practice. The article seeks to demonstrate that substance makes spirit a Utopian vision, at least in the UK context.

The prevailing course of HRM ventures to make management more entrepreneurial, with its practices and processes cutting through management by function and organization. We develop this argument under three headings; first, by distinguishing between entrepreneurship and traditionally defined management; second by locating disparate HRM initiatives as entrepreneurial, and last by examining tensions between the two forms of management through reference to the dominant UK model of HRM[5], workplace industrial relations (WIRS 3 data)[11] and current research projects. We evaluate the extent to which structures of management by function and organization are reconfigured and reinvented by HRM.

We use the term “speculative” with some justification. Much discussion on HRM is speculative, for example the focus of survey-based approaches may concentrate on structural innovation in human resources, that is how they are reorganized. This type of concern overshadows the issue of how processes and practices work out, and the ways in which these may or may not flow from

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wider business concerns. This approach exhibits a concern to illustrate how structure (spirit) cannot be equated with process and practice (substance). However, its speculation is negatively based[4]. By looking at HRM through a wider approach to management it might be possible to speculate on HRM critically but more positively[12].

From Entrepreneurship to Modern Management

An entrepreneur can be defined as a person in effective control of a business and as an internal "contractor" who acts as an intermediary. The first element of the definition determines the functions of an entrepreneur – those of capitalist, financier and works manager – whereas the second element determines the role of internal functionaries – those of merchant and salesperson. We can specify each of these functions in the contemporary firm through the concept of internal contracting. As capitalist an internal contractor buys and sells (provides) resources at a profit, that is, within defined performance criteria. The latter determine the internal contractors' financier role, whereby the specification of performance targets and budget constraints make financial performance an identifiable line responsibility. If we turn to merchant and sales functions the process of "providing" and "trading" human resource services are the key focus. An internal entrepreneur must be able to establish the need for their services and sell them to business units, project managers or operating divisions. Hence entrepreneurship emphasizes direct control and facilitation as its mode of operation. In short contemporary entrepreneurship seeks to re-create the spirit of nineteenth century entrepreneurialism in the form of the owner-manager, but the substance of twentieth century entrepreneurialism reconfigures internal control mechanisms. We can contrast this situation with that of management.

Historically management in the UK has been constituted as a role conducted by persons controlling the activities of people[13-15]. Management is internal to an organization and represents a method by which decisions are enforced. The philosophy of management is organization-building through division of function. The power of management comes from its decision function in the overall deployment of capital or human resources[13, pp. 2-6]. The source of power comes from organization and authority assigned to it; this contrasts with the position in entrepreneurial management where internal ownership plays this role. Hence management by function and organization is bureaucratic in power base.

Management by function and organization was a by-product of the industrial revolution whereby employment in centralized workplaces became the norm. Over time, workplaces became very large and required the division of labour to be applied in management. In consequence management organization centred on the development of function and the control of resources[13]. In the twentieth century management by function and organization became the orthodoxy, this was especially the case in stable economic conditions which reached a high point during the postwar period. Since the mid 1970s economic conditions have

become unstable and uncertain creating uncertainty for management at the level of the firm[16].

Reconstructed Entrepreneurialism and HRM

The preceding section distinguished entrepreneurial management from management by function and organization. It highlighted control and power through facilitation in the former and control through function and internal organization in the latter. This section seeks to build an argument that current business conditions of uncertainty and instability are being accommodated by attempts to prefabricate nineteenth century management practice (the owner manager) within twentieth century contexts; technological control determined through business units, divisions and project management or hierarchical control determined through human resource strategies driven from corporate level. This tentative reinvention raises the research issues of who does management now, and what is the concept of management[17].

A preoccupation with business strategy is one response to technological change, globalization and market segmentation. It has manifested itself on two fronts; first, the spirit of human resource policies and practices has become dynamic and innovative in the use of appraisal, merit pay, briefings and direct communication, all of which are now relatively commonplace. Second, and relatedly, formally constituted management control structures centred on function and organization might be reconfigured in operating divisions/cost centres, strategic business units (SBUs) or project management. In this case, dissolving the primacy of function in individual line areas is designed to stimulate a culture of intermediary internal contractors deployed in divisions, business units and project teams.

We can demonstrate, albeit speculatively, the association between SBUs and the like, HRM and entrepreneurship by reference to WIRS 3[11, Ch. 7, Tables 7.1, 7.2.,5.,.11] data on pay determination. In 1990 across all sectors the basis for the most recent pay increase in 52 per cent of manual and 57 per cent of non-manual workers was determined beyond the function of collective bargaining. Of these figures 31 per cent and 37 per cent of pay increases were determined by management at establishment level. If the figures are disaggregated by sector we find that, in manufacturing, 55 per cent of manual and 76 per cent of non-manual workers had their last pay increase determined beyond the function of collective bargaining, with 44 per cent and 59 per cent respectively determined by management at establishment level. In private services the figures are higher; 69 per cent (44 per cent for manual) and 73 per cent (50 per cent for non-manual).

Establishments are likely to be part of a business unit, operating division or project team where increased competition and financial stringency stimulate more entrepreneurial management of labour costs. This will necessarily cut through functional mechanisms such as collective bargaining, especially if efficiency and performance criteria are part of its substance. WIRS 3 also indicates that the category "limits set by higher authority" is a significant

factor cited by management in the determination of the size of the most recent pay increase. This was especially the case in non-union firms and the public sector[18]. Notwithstanding this association HRM is not synonymous with internal reconfiguration; alternatively a culture of internal contractors can be process driven from corporate level. In this case the main innovation and dynamic is to devise intermediary human resource processes and practices which make business strategies operative, for example, improving and monitoring communication and performance through briefing groups, quality circles, TQM and performance appraisals.

WIRS 3[11, p. 167, Table 5.5] data suggest that in 1990 the management chain was the most commonly used method of communication (used in 60 per cent of sample firms), followed by briefing groups (48 per cent), newsletters, (41 per cent) and quality circles (35 per cent). Additionally WIRS identified that briefing groups and quality circles are used as a mechanism for employee involvement, but in much smaller numbers, being found in 5 per cent and 1 per cent of workplaces respectively. In either case we can speculate that the spirit of HRM does not measure up to its entrepreneurial substance, with the latter exhibiting tighter control criteria in the form of internal reconfiguration or process innovation.

Traditional management structures inhibit internal reconfiguration and process innovation because they are based on functional practice, managerial bureaucracy and demarcation. In consequence innovative behaviour and risk-taking must themselves become the focus of management training and development. Hence, promoting a culture of internal contractors has become one theme in organizational change. It purports to determine a cultural shift which reflects a move to entrepreneurial management through the use of briefing groups, internal TQM, quality circles and customer care.

To firm up the speculative arguments presented herein we specify them by reference to three sources; first, the Storey[5] model of HRM, second WIRS 3[11] data and third current research projects. These reference points enable us to speculate with greater certainty on the effects a movement to entrepreneurialism might have on the work of human resource specialists and draw out tensions between the two forms of management.

The Storey Model

Storey produces 25 characteristics of HRM, divided into four subcategories. These are reproduced in Figure 1. The figure contains the 15 named organizations which Storey visited together with the total score presence of each heading in each subgroup. An "E" has been added if the heading indicates the potential for entrepreneurial management. The potential is defined (H=high or L=low) in accordance with our distinction between the two styles of management developed in the first section.

In terms of beliefs and assumptions the presence of an entrepreneurial style is clearly evident in the model and the majority of the firms examined. The dominant beliefs in the majority of the firms are determined by business needs

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making are all key elements of HRM which can be characterized as entrepreneurial. All three score low in this model, but the centrality of customer needs does score high. The operational significance of line managers to the management of human resources is in evidence, but even though facilitation is seen as a key management skill, the role of managers as transformational leaders is not in high evidence.

Lastly, in terms of key levers within the organization all four headings with the potential for spirited HRM score high. Direct communication is the focus of intervention within wide-ranging cultural, structural and personnel initiatives.

Our adaptation of Storey's model indicates the potential for tension between the two styles of management and within one ideal type of management. In the four subcategories entrepreneurial characteristics are present but in the area of strategic aspects they are weakly developed.

A speculative conclusion might suggest that at present management by function and organization is still entrenched. Slower (bureaucratic) decision making characterizes management style as transactional where refocusing job design to divisions, SBUs or project groups is still managed as a sphere of influence or control. Hence, in terms of generating a function-free culture, the message of corporate planning as yet is not getting through. Thus organizational inertia is one source of tension between the two styles of management. Notwithstanding this, cultural consensus might represent an improved control mechanism for better performance (spirit veiling substance).

The role of human resource specialists can only be the subject of general speculation on the basis of this study. However, in the wider parameters of Storey's model human resource practitioners are likely to be "facilitators" who service rather than execute moves to an entrepreneurial style of management[5, p. 167]. We can now turn to WIRS data to further our speculation.

WIRS 3 Data

There are two findings in WIRS data specifically relevant to our discussion of tension between management styles and the role of human resource specialists. First, although the overall proportion of establishments with specialist personnel managers has remained unchanged since 1980, the influence of the personnel function has increased[11]. This appears consistent with Storey's conclusion that line managers are coming to the fore as executive facilitators of business need. WIRS data indicate human resource activities such as training, staffing/human resource planning and job evaluation preoccupy managers and non-designated personnel managers more than personnel specialists. In contrast, recruitment and settling terms and conditions of employment dominate the time of personnel specialists. Training, human resource planning and job evaluation are human resource processes determined by business need. They are also key levers practised by line managers. In contrast recruitment and settlement of terms and conditions of employment are routine processes practised by human resource specialists.

The increased influence of the personnel function might be evidence of a more entrepreneurial style in management, hence it is important to distinguish between personnel function and personnel management. WIRS 3 uses the terms interchangeably when even a speculative argument can suggest they are crucially different. If our argument is followed through, some human resource functions are increasingly important but they are not necessarily controlled, processed or practised by the personnel department. They may be decentralized through line management with the entrepreneurial functions of efficiency and performance criteria placing their base in accountancy[19]. The entrenched position of the accountancy function[13, Ch. 6, pp. 245-50] within British management has inhibited the development of functional areas such as personnel; its dominance is equally likely to inhibit the development of spirited HRM if its substance is financially driven through entrepreneurial innovation centred on decentralized performance targets and efficiency criteria.

Key areas of personnel activity are increasingly "owned" by line managers who then assume greater responsibility for more dynamic human resource issues[20]. This suggests that the work of human resource specialists is likely to be service-based in the form of internal consultancy or facilitation.

A second finding in WIRS data indicates that the use of external sources of advice on human resource issues has declined. Within this decline, however, the use of lawyers has increased significantly[11, p. 47, Table 2.11]. This suggests that management is becoming more entrepreneurial/executive and perhaps uses outside legal advice to consolidate or check this confidence.

Movement to entrepreneurial styles of management may not be complete. Line managers, even though they are key to the beliefs and assumptions of HRM, may still act in a transactional manner. In this case the transaction costs, that is the costs of "doing" [21,22] business, which entrepreneurial style seeks to overcome, may still predominate. In consequence we can speculate that the determination of human resource issues might reflect an increase in control over their deployment, not an integrated initiative within transformational leadership. In this case the entrenchment of function may stimulate a movement to entrepreneurialism and marginalize any executive role for human resource specialists. We can now turn to ongoing research projects as a final source of speculation on tensions between styles of management and the work of human resources specialists.

Current Research Projects

In this section we draw on two complete research projects which throw clearer light on our speculative findings. Beardwell[23] examines non-unionism in British industrial relations and produces several findings pertinent to our speculation. First, in non-union firms human resource issues are likely to be dealt with through the line, indicating a more integral, that is, entrepreneurial, style of human resource management. However, at the same time Beardwell suggests that a movement to fully spirited HRM might be held back in firms which lack clearly defined procedures and structures. In the absence of a

framework of function and organization, management may feel insecure and lack the necessary acumen and confidence to take advantage of the entrepreneurial setting. That is, entrepreneurial spirit cannot operate autonomously however attractive it may appear[24,25].

O'Doherty[26] has examined management reform initiatives in the UK's retail bank sector. His research focuses on the implications for human resource practice which result from structural initiatives such as decentralization, branch satelliting and the use of key-time counter and service staff. All three processes are designed to make management more integral and customer-oriented in order to accommodate the wider business profile of commercial banks in the 1990s.

At operational level, however, the contraction of employment and promotion opportunities within retail banks has placed considerable burdens on the personnel capabilities of line managers. This appears to be the case because the ultimate business need met by initiatives such as decentralization is control and survival. Hence, decentralization initiated through line managers is not a transformation process which highlights the role of internal contractors. Instead it represents an attempt to tighten mechanisms of centralized control over function and organization through the veil of cultural change. This leads to the speculative conclusion that within any movement to entrepreneurial styles of management control is repackaged through co-ordination devices such as divisions, business units or projects. Such devices "assume" control for business, denying the need for functionally controlled human agency. This denial is played up by the rhetoric of HRM which emphasizes the spirit of entrepreneurship.

The challenge for entrepreneurial management and HRM within that is to create a feeling of spontaneous activity constituted at corporate level or through business unit, division or project. Decentralization, whether it is process driven through line managers or constituted through internal reconfiguration, may be a mirage. Greater managerial discretion, what we have termed the spirit of entrepreneurialism, is the foundation of human resource rhetoric; it is decontextualized from the constitution of British management and its entrepreneurial forerunner. The substance of both entrepreneurial activity and human resource initiatives are, in the UK context, more likely to be financially constituted in internal rationalization and merger; hence spirit is trapped in substance and is more apparent than real[27,28].

Conclusions: Entrepreneurialism, Inertia and Management Continuity

Entrepreneurial management invokes a unitary image of an organization where internal contractors pull together via division, business unit or project. The rhetoric of freedom from function and spontaneous action is illusory because the movement merely reconfigures management structures which are always financially driven.

Structural change within firms may accommodate and “signal” a movement to HRM but processes and practices are likely to evidence a concern with financial control rather than co-ordination between internal contractors. Hence management by function and organization may continue via internal reconfiguration whereby financial control is the primary concern of management; human resource practices and processes are part of this control.

Two questions result from this positive, if speculative, approach to HRM. First, is it time to concentrate on the entrepreneurial substance of HRM in order to illustrate the fallacy of its spirit rather than deny the legitimacy of the latter? Second, are human resource specialists substantively entrepreneurial or subject to the spirit of HRM? In the former, human resource specialists might execute and service the movement, whereas in the latter they might be subject to the movement: thus becoming a small service component of a substantive human resource function, that is, providing the same services in a more controlled setting.

Wider business concerns of instability and uncertainty have focused the importance of the structural features in human resources. Practice and process, however, exhibit the need for greater corporate, divisional, business unit or project control, not integration of functions within them. We can speculate that entrepreneurial styles in management indicate efforts to stimulate substantive central control and direction rather than to decentralize co-ordination. This distinction illustrates the cultural veil of the internal “owner manager” within the contemporary prefabrication of entrepreneurial management.

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