Contents

Preview/postscript for anniversary edition

'Times they are a-changing': *Human Resource Management, Rhetorics and Realities* ten years on*

Introduction

It is ten years since I wrote the first edition of *Human Resource Management, Rhetorics and Realities* (HRMRR-1) and the durability of the story it tells is evident from its continuing flourishing sales. Nevertheless, both empirically and conceptually, time and circumstances have moved on and our perceptions of and the key research questions concerning HRM have changed with them. A decade on, with this Anniversary Edition of the book, it is now appropriate to reflect on these changes and tell the next episode of the story. This chapter constitutes both a 'Preview' and a 'Postscript': a 'Preview' for those who are already familiar with the arguments in HRMRR-1, many of which are still relevant today, and a 'Postscript' for those approaching the text for the first time.[1]

Changing context

In this extended chapter, I intend to do three things. First, I wish to consider how the setting of the story has changed. No longer is Japan lauded as the miracle, iconic economy and the 'German economic miracle' has lost much of its lustre. The rise of China and India are now the focus of interest. Furthermore, in the first edition, although I made some reference to globalisation (pp. 115, 328–9), it was a passing mention in the context of considering whether HRM was a post-modern phenomenon and was discussed in relation to 'disorganised capitalism' (Lash and Urry, 1987). This concept needs to be revisited and more firmly located in debates about the implications of globalisation for sustained competitive advantage and for organisational design. Further, the first edition deliberately focused on the UK experience. Although the emphasis in this chapter has not materially changed, acknowledgement must be made to the growing body of empirical research on 'international' HRM. This includes both studies on European HRM (see, for example, Brewster and Larsen, 1999; Brewster *et al.*, 2000) and on HRM world-wide (see especially the *International Journal of Human Resource Management*; also Sparrow, 2004). The focus in this Preview/Postscript chapter though is on seeing the UK through the institutionalist perspective of 'national business systems' (e.g., Whitley, 1992, 1999) and 'varieties of capitalism' (Hall and Soskice, 2001). This perspective focuses on how the politico-legal, cultural, financial and educational and training systems, within a particular society, define what counts as legitimate ways of doing business, the 'rules of the game' that determine how the stakeholders of the business system in a particular setting relate to each other (see, for example, DiMaggio and Powell, 1991; Greenwood and Hinings, 1996).

Then, although mention was made of the service sector, particularly in relation to public sector services (pp. 266–71), the private sector services, the fastest growing sector of developed economies, received little attention. The vast numbers of studies about McDonaldization and call centres require some critical analysis. Nor can the fashionable 'knowledge worker' be ignored. Indeed, one such manifestation, the consultant, has been active in propagating fads and fashions in HRM practice over the last ten years. Throughout HRMRR-1, much was made of the relationship between 'hard' HRM and labour intensification in manufacturing, but hardly a word was said about 'emotional labour' (the management of emotions and provision of behavioural displays associated with feelings in interactions with customers/clients) and associated 'burn out' in the service sector. This calls for some critical analysis and reflection. Korczynski's (2002) text in this series is an excellent resource on the service sector.

Finally, at the time of writing in 1995 in the UK, the Conservative government was still, if somewhat shakily, in power. At the end of HRMRR-1, I speculated on whether a Labour government would provide an economic, industrial and social climate more conducive to the flourishing of 'soft' (what we would now call 'high commitment management' (HCM)) HRM. My conclusion was pessimistic: that 'the widespread implementation of the "soft" normative model of HRM appears as a mirage, retreating into a receding horizon' (p. 367). Was this pessimism justified? Has the much touted 'Third Way' (Giddens, 1998, 2000b; see also Hutton, 1995), beloved of New Labour, reversed the Conservative governments' employment relations 'reforms' and/or stimulated the adoption of 'high commitment' HRM?

Changing debates

Secondly, I wish to chart the conceptual developments in research on HRM. Clearly debates that were central to UK HRM research even ten years ago – for example, 'Is HRM different from personnel management?', 'Why has HRM emerged?' (HRMRR-1, Chapters 1 and 3) – are now moribund. This is partly due to US dominance in setting research agendas, given the priority which the Higher Education Funding Council of England (HEFCE) Research Assessment Exercises (RAE) place on publications or citations in top-ranking US journals, and partly due to an established consensus on the issues involved. There is little point in discussing the niceties of the differences between personnel management and HRM when, in the US, HRM is just another term for personnel management. In any case it was a bit of a straw man debate. Whether HRM was considered to be different from personnel management – in the UK at least – largely depended on the point of comparison. Sharp distinctions and contrasts emerged if the normative aspirations of HRM were compared with the descriptive practices of personnel management, but otherwise faded into several different emphases, all of which, though, pointed to HRM, in theory at least, being an essentially more central, strategic task than personnel management (Boxall, 1992). There is no longer much point in discussing reasons for the rise of HRM. There is a consensus that globalisation and the 'Japanese Janus', deregulation, electronic technologies, privatisation/enterprise culture/cultures of excellence, decline in trade union power awakened *some* senior managers to the importance of human resources in the achievement of sustained competitive advantage in a world of perceived intensified competition. How dated all this now sounds – along with the presentation of Marks & Spencer and BA as exemplar organisations in the development of cultures of excellence! In both cases, complacency born of the 'Icarus paradox' (Miller, 1990) and misreading of the marketplace have allowed competitors with more 'agile' business models – notably Tesco, Next, easyJet and Ryanair – to outstrip them in profitability and growth in market share.

The world moves on. Even what was recognised as a novel development in HRMRR-1 – the discussion of HRM as a post-modern/postmodern phenomenon (pp. 326–37, 341–53) – has now a slightly *passé* feel. Postmodernism, in a similar manner to managerial consultancy fashions (cf. Abrahamson, 1996; Kieser, 1997), has fallen somewhat out of fashion in the analysis of HRM.[2] It could be argued that although this has been a marked trend from the mid 1990s, it was reinforced, post 9/11, by postmodernism's collision with the pre-modern and the consequent re-embrace of the security blanket of modern epistemologies (Legge, 2002a). (See also Burrell, 1997, for an early recognition of the relevance of the pre-modern to organisation studies.) With some honourable exceptions (for example, Keenoy, 1999; Special Issue, *Organization*, 1999), there has been a retreat from postmodernist approaches to HRM, although some discourse analysis, largely from a critical theory perspective, lingers on (for example, Knights and McCabe, 2000). In part under the influence of US academic imperialism, modernist, positivistic perspectives are now dominant. Indeed, in the very year that HRMRR-1 was published, seminal papers by two leading US researchers, Huselid (1995) and MacDuffie (1995) were rooted in that perspective. The favoured theoretical foundations of today's debates and research are institutionalist and resource-based value theories, reflected in evidence-based approaches that privilege the search for causal relationships in the service of performativity (for two excellent indicative overview publications, see Boxall and Purcell, 2003, and Guest, 1997).

So what are the debates on HRM in the first decade of the 21st century? *The* major concern has been to conceptualise and test the links between HRM and business strategy and performance, a concern which reflects the fashion in auditing societies of evidence-based theorising (Power, 1997). Such research involves three basic questions: how are we to conceptualise HRM, and performance, and how are we to establish the relationship between the two?

Leaving aside the first two questions until later in the chapter, it is the third question that is central to recent debates. Underpinned by resource-based value theory (Barney, 1991) there has been recognition that strategic HRM *potentially* should be a source of sustained competitive advantage. But *is* strategic HRM (however defined) linked to performance (however defined)? If it is, is this on a universalistic (additive), configurational (patterned) or contingency (idiosyncratic) basis (Delery and Doty, 1996; Purcell, 1999)? Should organisations seek 'best fit' or 'best practice'? What are the methodological problems in establishing the validity and generalisability of such relationships? Conceptually speaking, is the 'psychological contract' the key to opening the 'black box' of employee behaviour as the lynch-pin between HRM policy and practice and performance outcomes (Flood *et al.*, 2001; Guest, 1998; Guest and Conway, 1997, 1998, 2000, 2001)?

Finally, in discussing the goals of HRM, alongside the more business-oriented, orthodox goals of labour productivity and organisational flexibility, Boxall and Purcell (2003, pp. 11–13) identify that of 'social legitimacy'. This is not only a major aspect of the institutionalist perspective in its broader sense, but contains ethical overtones. It points to a growing interest in debates about the ethics of HRM, in the context of globalisation, organisational flexibility and the pursuit of cost effectiveness/profit (Legge, 1998, 2000a; Winstanley and Woodhall, 2000). It also reflects the socio-political climate of New Labour and its fondness for rhetoric about a stakeholder, 'fairer' society. Of course, ethical concerns have never been far from HRM. The notion of 'a fair day's work for a fair day's pay' is central to the work of personnel management/HRM, signalling the need to achieve both the control and consent of employees via 'efficiency and justice' as the old Institute of Personnel Management (1963) used to put it (see HRMRR-1, pp. 56–60). Now that stock markets and NGOs alike speak in the language of the 'triple bottom line', ethical considerations in the treatment of a broad range of stakeholders has become centre-stage.

In the rest of this 'Preview/Postscript' chapter, I wish to explore these issues and debates from a critical perspective and to speculate on future directions of HRM research and practice.

Changing context

Globalisation, organisational design and employment

Definitional issues

In HRMRR-1 globalisation was simply defined in Giddens' (1990, p. 64) terms as 'the intensification of world wide social relations which link distant localities in such a way that local happenings are shaped by events occurring many miles away and vice versa' (HRMRR-1, p. 328). This definition embodies some interrelated ideas, of 'accelerating interdependence' (Ohmae, 1989), of 'action at a distance' (Giddens, 1990) and of 'time–space compression' (Harvey, 1989). 'Accelerating interdependence' is understood to be the growing intensity of international enmeshment among national economies and societies, such that developments in one country impact directly on other countries. 'Action at a distance' refers to the way in which actions of social agents in one locale can come to have significant and unintended consequences for the behaviour of 'distant others'. 'Time–space compression' refers to the manner in which globalisation appears to shrink geographical distance and time. In a world of near instantaneous communication, distance and time no longer seem to be major constraints on patterns of human organisation and interaction (Held *et al.*, 1999, p. 5 fn 2).

Scholte (2000, pp. 15–16) adds to this. In his view, globalisation contains ideas of internationalisation (cross-border flows of resources); liberalisation (removing government imposed restrictions on such flows); universalisation (a sense of the world-wide); westernisation/modernisation (the spread world-wide of the institutions of modernity) and the deterritorialisation/spread of superterritoriality. As a result 'social space is no longer wholly mapped in terms of territorial places, territorial distances and territorial borders'. Held *et al.* (1999, p. 16) bring all these ideas together in their comprehensive definition, that globalisation can be thought of as:

> A process (or set of processes) which embodies a transformation in the spatial organisation of social relations and transactions – assessed in terms of their extensity, intensity, velocity and impact – generating transcontinental or interregional flows and networks of activity, interaction, and the exercise of power.

In these terms, events as diverse as 9/11 and its aftermath, the use and abuse of immigrant labour, the rapid growth of China's and India's economies, the collapse of the market for 'legal' CD singles and the recognition of 'ethnic' cuisine as the favoured takeaway food in the UK all reflect common processes and outcomes of globalisation.

The debates

At the societal level, wide-ranging debates have raged about the cultural and institutional effects of globalisation. Cohen and Kennedy (2000: chapter 20) identify four:

- economic globalisation is nothing new;
- a materialist culture will give rise to uniformity and disempowerment;
- a clash of civilisations will lead to cultural conflict and violence; and
- globalisation will lead to a dystopian future.

Against this an optimistic scenario may be painted of a technology-enabled near utopia.

At the level of organisations and markets the debates which predominate are those between the 'hyperglobalists' and the 'globalisation sceptics'. The 'hyperglobalists', whether optimists such as Ohmae (1989), or pessimists, such as Streeck (1997), argue that world economic integration is occurring on an unprecedented scale, with transnational companies integrating national and local economies into global and regional networks. Depending on your viewpoint, the result is either an exciting 'borderless economy', enhancing the world's long-term prosperity (Ohmae, 1989) or a 'runaway world' (Giddens, 2000a) of a global economy that has escaped both the regulation of the nation state and weak compensatory global institutions. From this perspective the process of globalisation is leading to homogenisation and convergence in organisations' strategies, structures and processes and in consumer choice, along with a new global division of labour that widens the income gap between the 'haves' and the 'have-nots' both within and between societies.

In contrast, there are the 'globalisation sceptics' – often institutionalists – who argue that the novelty, extent and intensity of globalisation is exaggerated and that organisations continue predominantly to reflect their embeddedness in national and local institutions and cultural values (Granovetter, 1985; Hirst and Thompson, 1999; Rugman, 2000; Whitley, 1999). First, much is made of the different patterns of organisational strategising and behaviour as compared to the west that emerge not only from the erstwhile Asian Tigers – so fashionable in the 1980s and early 1990s, the Japanese *keiretsu* and the Korean *chaebols* – but *within* western developed countries too. The contrast is frequently made between the 'liberal market economies' (LMEs) of Anglo-America and the coordinated economies (CMEs) of Germany, North Europe and, to a lesser extent, of France. The LMEs are characterised by market coordination of economic actors, lightly regulated labour markets, capital allocated via stock markets and short-termism, which tends to result in high levels of labour and capital mobility, rapid industry adaptation and a relatively low wage, low skill economy. In contrast, in the CMEs, markets are subject to state regulation, collective bargaining and legislation control the labour market, and banks provide long-term capital to firms. While this inhibits labour flexibility and capital mobility, it encourages the development of a high skill, high value added economy and a high trust system of industrial relations (Hall and Soskice, 2001). From this position any notion of convergence seems exaggerated.

Secondly, the argument goes that the process of internationalisation is nothing new, that few multinationals are truly 'global' companies, being heavily dependent on their home markets, that most foreign direct investment, financial flows and trade are still between and within the 'Triad' of the USA, EU and Japan, that multinationals are not beyond regulation and control and that the 'death of the nation state' has been much exaggerated. The upshot is that there is no trend towards convergence and homogenisation. Rather, firms fit different niches within the world economy, those that match their capacities and capabilities (Morgan, 2001, p. 113).

The compromise view is one that has been termed 'transformationalism' (Held *et al.*, 1999, p. 7). This suggests that the complexities of the interactions between global economic, technological, political, military, migratory and cultural interactions are such that we cannot predict the outcomes other than that 'systems of transnational production, exchange and finance weave together ever more tightly the fortunes of communities and households on different continents' (Held *et al.*, 1999, p. 8 cited in Morgan, 2001). This has echoes of chaos and complexity theory (Stacey *et al.*, 2000)! The best guess at the level of the organisation is that as firms internationalise they evolve and adapt their strategies, structures and processes to new contexts to produce 'hybridised' forms and practices 'out of selective adaptation, innovation and change' (Morgan, 2001, p. 114). At the risk of sounding flippant, this is precisely the process termed 'creolisation' that appears to be on-going with consumer products, such as the adaptation of 'ethnic' foods to western tastes.

Organisational and HRM implications

Where does this leave us in relation to organisational design and HRM, particularly with reference to the UK? The directly connecting links lie in a globalised division of labour, not just at the level of job tasks, but in regional specialisations in terms of industries, skills and the production of raw materials, that are a response to the mantra that globalisation leads to and reflects enhanced competition. Consequently there is a need for ever more 'responsive' and 'flexible' organisations and employees. I will explore this in a bit more detail.

First, the global division of labour has resulted in the developing Third World and EU accession states specialising as providers of cheap labour and commodities, while the developed First World countries of the so-called Triad (Rugman, 2000) concentrate on skills that enable the production of high value added goods and services of all kinds. In the west, this has been reflected in a shift of employment away from labour intensive commodity goods manufacturing as such production is outsourced to cheap labour economies, to the service sector, such as financial and business services, retailing and 'in-person' services (Reich, 1991). The service sector comprises three different sorts of work: highly skilled, 'professional'/'knowledge work' (for example, R&D experts, investment analysts, advertising and IT consultancy, traditional professions); semi-skilled, routine back-office work, heavily reliant on operating IT packages (for example, call centre work, data inputting in financial services) and front-line customer/client facing work (for example, holiday reps, care workers, hairdressers) which, not withstanding the often high levels of personal skills and emotional labour involved, is *generally* labelled as semi- or low skilled.[3] Such work and its HRM implications are discussed in detail in the next section.

Secondly, while *theoretical* rationales about how to achieve sustained competitive advantage might differ, the end result reinforces the message about the desirability of a flexible, 'lean' organisation. Thus institutional theorists argue for the tendency towards institutional isomorphism, whether by 'coercive' means (state or other powerful actors propel firms to take on a particular institutional form), 'normative' direction (transfer of techniques, such as JIT, BPR, Sigma 6, by so-called 'experts' from one setting to another) or sheer imitation ('mimetic' isomorphism) when organisations imitate what seem to be recipes for success and, hence, come to resemble each other (DiMaggio and Powell, 1983). The present 'best practice' seems to be the development of the hollowed-out, 'lean' organisation, as 'rationalisation' has the potential to boost share prices in an Anglo-American culture of 'impatient capital'. Resource-based value theorists argue that keeping up with the leaders does not deliver sustained competitive advantage; rather this depends upon the organisation developing its own unique, scarce and inimitable competencies (Barney, 1991; Wernerfelt, 1984). However, in practice, this may lead in not dissimilar directions. One distinctive capability identified by Kay (1993) is the 'architecture' of supplier and employee relations, that is developing appropriate relational forms, be it trust in interpersonal relations (Hosmer, 1995) or involving subcontracting or networking organisational forms (which may depend on trust or contract). Similarly, if an organisation's core competencies relate to employee know-how that cannot just be brought in, but represents job and organisational knowledge that is unique to the organisation, can only be learned inside and is only valuable to the firm itself (e.g., Ohmae's (1989) 'transnational organizational man' or woman), or if it depends on know-how that might be transferable, but is difficult to secure and retain (e.g., Reich's (1991) 'symbolic analyst'), then an appropriate competitive *and* cost effective organisational form might be a minimalist 'core' supported by a 'periphery' of workers on non-standard contracts and a network of subcontractors ('outsourcing') and contract labour agencies ('insourcing'), scattered throughout the world. Where this occurs, we see the enactment of Atkinson's (1984) model of the flexible firm writ large.

Thirdly, the achievement of competitive advantage in the global economy is often *pragmatically* associated with responsiveness to the sovereign customer, equated to the speedy delivery of the right product/service, of the right quality, at the right time and at the right price. 'Rightness' of product/service suggests an understanding of the consumer's needs: hence the need to get closer to the customer via blitzing the slow, unresponsive, long lines of communication of bureaucracy, through business process engineering. In theory, this means a move from function-centred to process-oriented organisational forms and practices; from linear-sequential work organisation towards parallel processing and multidisciplinary teamworking; towards integrating previously fragmented tasks so that fewer people take less time to perform the process in question. In practice this is often associated with delayering and downsizing. The achievement of 'right' quality is often associated with the introduction of Total Quality Management and (again) functionally flexible teamworking. 'Right' time suggests the introduction of 'just-in-time' production of goods and services and the elimination of waste, which may include 'unnecessary' workers. 'Right' price, particularly in relation to relatively standardised, labour intensive products or services, means the reduction of labour costs, by optimising numerical as well as functional flexibility. Again, the model of 'lean', or some would say 'anorexic', organisation is reinforced.

The empirical data on the long-term success of such initiatives is very mixed (see Legge, 2000b). Certainly, the evidence with respect to business process engineering, in particular, is that very few initiatives achieve the desired breakthrough in performance, partly because of their internal contradictions and, partly, because of their generally narrow technicist view of organisational change and neglect of the human dimension in implementation (Grey and Mitev, 1995; Grint and Willcocks, 1995; Mumford and Hendricks, 1996; Oram and Wellins, 1995; Willmott, 1994).

It is against this background that the conceptual debates about the nature of HRM and its relationship to performance must be set. Of central importance is the issue raised here: is the link with performance on a universalistic, configurational or a contingency basis? This will be considered when I turn to the debates. Meanwhile, this discussion of globalisation draws attention to the rise of the service sector in the west and it is to this that I now turn.

The service sector

Since writing HRMRR-1, the private service sector in developing economies has experienced accelerating growth, particularly with the outsourcing of much commodity manufacture to developing countries. By 2003 the service sector accounted for 80 per cent of employment in the UK (*Labour Market Trends*, 2004). The stereotypical worker in UK industry is no longer the blue-collar, male, manual factory worker, still the focus of much empirical research on HRM pre-1995, in the guise of empowered/oppressed workers in 'lean' 'Japanese' car manufacturing plants. Symptomatic of this change is the sorry tale of the Rover UK car company. In HRMRR-1, Rover was celebrated as moving towards lean manufacturing and HRM under the benign influence of collaboration with Honda. Following the breakdown of that relationship and a short-lived marriage with and divorce from BMW (who were glad to divest the business, minus its crown jewels of Land Rover and the new Mini for £1), Rover, in 2004, with its miniscule market share, aging models and no money to invest in a new range, teeters on the edge of bankruptcy. Instead it is the female or unisex worker in retail or financial services, working in a shop, back office or call centre. Korczynski (2002) provides an excellent summary of many of the HRM issues involved in managing service sector employees and below I highlight some of his major arguments.

The nature of service work

In this chapter I will focus on the private service sector. Suffice to say, since HRMRR-1, in the public services in the UK, the trends identified there of ever-intensified target-setting, surveillance and auditing and governmentally-inspired 'new initiatives' have continued apace. 'Value for money' and 'customer charters' have now been augmented by public–private partnerships in the pursuit of cost-effective 'service delivery'. The issues identified in HRMRR-1 concerning public sector managerialism remain relevant.

Turning to private sector services, as noted in HRMRR-1 (pp. 245–6), services differ from products in that they are intangible, perishable, variable (in customer expectations of and behaviour in the service interaction), simultaneously produced and consumed, and inseparable (customers are involved in the production of many services) (Reeves and Bednar, 1994). Further, different types of service work may be differentiated according to such factors as the degree of customer contact time, extent of customisation, degree of discretion in meeting customer needs, degree of focus on people or equipment, source of value added – front or back office and the extent to which the focus is on a separate product or on the service process (Fitzgerald *et al.*, 1991, cited in Korczynski, 2002, pp. 9–10).

On this basis and building on the ideas of Leidner (1993), Mills (1986) and Lashley (1997), Korczynski (2002, p. 11) identifies three broad categories of service work. At the bottom of the hierarchy is the 'service factory', typified by fast food workers, where the product acts as a buffer between the producer and consumer and where the organisational focus is on the efficiency of product delivery rather than on the customer interface service process. In the middle of the hierarchy, in the 'service shop', the service process is an important part of the product being delivered, the focus is on both front and back offices, and there is an important degree of intangibility. The top of the hierarchy, professional services, comprises the so-called 'knowledge work' where service interaction *is* the product and the focus is on interaction rather than on a back office producing a separate product. While there has been a burgeoning literature on knowledge workers – largely associated with related debates on knowledge management and the development of 'learning organisations' (see 'Changing debates' below), Korczynski argues that the growth of service work lies in the middle category, in interactive service work, 'where it is not thinking or even technical skills which are of increasing importance to most employers … but "person to person" skills' and even the 'aesthetic' skills deemed essential by the 'style' labour market (Thompson *et al.*, 2001, pp. 926, 930–4).[4] This is borne out by the UK and US statistics. In the UK, only 10 per cent of new jobs can be classified as knowledge work and in the USA current trends predictions suggest that knowledge working will account for only 13 per cent of employment growth (DfEE, 2000; Hatch and Clinton, 2000; Henwood, 1996; *Labour Market Trends*, 2000 – all cited in Thompson *et al.*, 2001, p. 925). Most service sector employment growth is occurring in retail serving, security guarding, personal care in private health and residential care services and in the hospitality services (Crouch *et al.*, 1999).

Contradictions in the 'customer-oriented bureaucracy' and HRM

Building on these classifications, Korczynski (2002: Chapter 4) introduces the important notion of the 'customer-oriented bureaucracy', of particular relevance to the 'service shop'. Here the tensions are recognised between the demands for cost minimisation *and* delivering customer-oriented service-process quality. These tensions are reflected in such dual imperatives as achieving a 'quantity *and* quality focus', 'efficient task completion *and* customer relationship', 'maintaining internal stability *and* adapting to customer variability'. Authority derives from formal rationality *and* from the customer as king, while control reflects both 'imperfect bureaucratic measurement *and* customer-related norms' (see Korcynski, 2002: Table 4.2).

Clearly the nature of HRM practice is likely to vary depending on the type of service work in question. HRM in a 'service factory', where the focus is on cost minimisation and efficient product delivery, as in fast food and in *some* retail chains and call centres, is likely to replicate the 'hard' HRM observed in manufacturing plants with similar imperatives – what commentators now refer to as the 'low' road to work design and employment conditions (see, for example, Ackroyd and Proctor, 1998; Bacon and Blyton, 2000; Batt, 2000; Delbridge, 2003; Holman, 2003; Taylor and Bain, 1999). HRM for professional knowledge workers, assuming they are recognised as possessing the job or organisational knowledge deemed essential to the organisation's effectiveness, is likely to have the characteristics of 'soft', 'high commitment management' (HCM), as part of the 'golden handcuffs' operative in the 'war for talent' (Flood *et al.*, 2001; Melian-Gonzalez and Verano-Tacorante, 2004). But for HRM in the 'customer-oriented bureaucracy' of the 'service shop', such as call centres that aim to optimise sales through 'relationship management', such clear-cut dichotomies are insufficiently nuanced to cope with the requirements and tensions arising out of the dual imperatives of providing a service that achieves instrumental rationality or efficiency and 'the (formally irrational) enchanting myth of [customer] sovereignty' (Korczynski, 2002, pp. 79–80). HRM then becomes an exercise in combining both 'hard' and 'soft' approaches to walk the tight-rope between the Scylla of bureaucratic controls and the Charybdis of necessarily allowing employees some discretion in managing the customer interface. Korczynski (2002, pp. 65–9, 195) outlines the strategies that may be employed to mediate such contradictory imperatives in order to maintain this 'fragile social order' – an order made fragile through 'labour-stretching' and the 'customer moving from enchantment to disillusion'. These include the use of rhetorics of teamworking and shared values and the provision of coping mechanisms, such as 'stress management and emotional self-defence strategies' (Zemke and Schaaf, 1989, p. 65) counselling and creating a 'fun' environment in order to mediate the contradictory imperatives (Kinnie *et al.*, 2000a, b).

The complexities of HRM in the service sector arise from contradictions embedded in, but over and above, those associated with customer-oriented bureaucracy. There is a classic literature on the emotional labour associated with service work and employees' strategies of resistance to both customers' and employers' demands for such labour (for example, Hochschild, 1983, Van Maanen, 1991; see also Fineman, 1993; Fineman and Sturdy, 2001; Korczynski, 2002: Chapter 8). Hochschild (1983), for example, develops the well known argument that emotional labour leads to alienation on the part of the service worker as a result of the commodification of emotion, structured inequality in relation to customers and managerial imposition of feeling rules. However, Korczynski (2002) argues that Hochschild's identification of conditions of *objective* alienation ignores the possibility that emotional labour and the customer's response to it may be major sources of job satisfaction for those successfully enacting such labour. When employees have some autonomy in their expression of emotional labour, and have socially embedded relationships with customers/clients, as in many of the traditional 'caring' jobs in public sector service, real satisfactions for both parties may result and 'spaces' and 'fine lines' may be drawn that facilitate the management of the inherent tensions. Indeed, the tensions that HRM may be called upon to manage in the 'customer-oriented bureaucracy' may arise when employees perceive themselves to be constrained by its instrumental rationality from delivering the degree of individual care and attention that they consider appropriate.

Korczynski's subtle and insightful analysis of work in the customer-facing 'service shop' areas of the service sector calls into question the simple-minded analysis of the so-called 'new service management school' writers (see, for example, DuPuy, 1999; Heskett *et al.*, 1997; Schneider *et al.*, 1993; Zeithaml and Bitner, 1996). The latter take a simplistic approach to HRM in the service sector, arguing for a virtuous circle of 'soft' HCM policies aimed at creating a service culture, whereby employees' and customers' satisfaction 'mirrors and reinforces each others'. Korczynski (2002, Chapter 2) demonstrates that not only is there no empirical support for such a model and that so-called exemplar case studies reveal a 'darker side' (2002, p. 194), but that the model itself rests on dubious unitaristic assumptions. Equally, he accepts that the 'customer-oriented bureaucracy' model of HRM is not appropriate to all customer-facing service sector jobs, even allowing for the exclusion of professional knowledge workers. Sales workers, often in financial services, who are actively involved in stimulating customer demand, may be said to have a sales rather than a customer orientation. When this involves the employees' and the firms' interests being prioritised and the customer being manipulated (as in the recent financial products mis-selling scandals), an instrumental relationship between the employee and customer is likely to exist. In these circumstances, Korczynski (2002, Chapter 6) points out, there is a largely contracted out relationship between the sales force and employer and HRM systems are noticeable by their absence other than in the systems of financial incentive. If service becomes an important element in the sales package, then HRM has a major role in encouraging a more service-oriented culture, although Korczynski suggests that such a development may be contested by carpet-bagging, front-line employees.

The fashionable-but-elusive knowledge worker

Finally, we have the 'knowledge worker', a highly fashionable subject for academic research and debate,[5] although constituting a small minority of service sector workers (Special Issues, *Journal of Management Studies*, 2001; *Organization*, 2000a; *British Journal of Management*, 2004a; Newell *et al.*, 2002). This fashion owes much to the conceptualisation of the knowledge worker as *the* wealth generator of the networked 'information society' and as the lynch-pin of the 'learning organisation' (Castells, 1996; Easterby-Smith *et al.*, 1999; Nonaka and Takeuchi, 1995; Senge, 1990). Knowledge workers are distinctive because, unlike other service sector workers such as those serving call centres or data processors in the back offices of financial services organisations who are receivers and users of knowledge and, hence, *knowledgeable* workers (Thompson *et al.*, 2001), they *generate* knowledge. Hence the definition of knowledge workers as those for whom 'knowledge is simultaneously an input, medium and output of their work' (Newell *et al.*, 2002, p. xii). That said, commentators have got into a tangle in trying to sharpen the concept further, mainly through problems of deciding what sort of knowledge they are talking about (e.g., Blackler, 1995; Gibbons *et al.*, 1994; Polanyi, 1966); what different categories of knowledge worker might be identified (e.g., Reed, 1996); and in what sorts of organisations – often loosely referred to as 'knowledge intensive firms' (KIF) or 'professional service firms' – they might be found (e.g., Alvesson, 1993, 1995; Lowendahl, 1997; Maister, 1994; Scott, 2001; Starbuck, 1992). A problem with these attempts at categorisation is that, given the pervasiveness of 'knowledge', the categories are rarely discrete and the boundaries are fluid (Legge, 2002b). The distinction between a 'knowledgeable' and 'knowledge' worker is often debatable. For example, how do you categorise the young graduate accountant, working in a consultancy organisation, but effectively applying standardised, ready 'solutions'? In a very general sense, who *isn't* a knowledge worker?

What is agreed, however, is that 'true' knowledge workers – in Reed's (1996, p. 586) terms, those whose knowledge base is 'esoteric, non-substitutable, global and analytical' – are a productive asset rather than a cost to a firm; that they generally expect and require high levels of task autonomy; and that often being co-located or enjoying very close relationships with their clients, they are vulnerable to poaching activities of client and competitor firms. This has direct implications for the design of appropriate HRM systems for their management (Newell *et al.*, 2002). A 'best practice' approach would argue for a 'high commitment management' strategy addressed to what Newell *et al.* identify as the four key motivators for knowledge workers: personal growth, operational autonomy, task achievement and high financial rewards (Flood *et al.*, 2001; Melian-Gonzalez and Verano-Tacorante, 2004). An HCM strategy might be reinforced by efforts to develop a strong culture as a means of normative control over employees' necessarily high levels of operational autonomy. Prior to its demise, Arthur Andersen was a good example of such an approach (Grey, 2003). Such a strategy recognises a KIF's dependency on the retention of both human and social capital. Social capital is about the networks of either strong or weak ties (Granovetter, 1973) between employees that promote shared understandings or 'communities of practice' which facilitate effective knowledge sharing, development and exploitation (Brown and Duguid, 1991; Edelman *et al*, 2004; Lave and Wenger, 1991; Nahapiet and Ghoshal, 1998). Given the path-dependent nature of such social capital, it may be seen as a resource from the perspective of resource-based value (RBV) theory and, hence, a source of sustained competitive advantage.

A 'best fit' approach might differentiate HRM strategy according to the business strategy pursued by the KIF. For example, Hanson *et al.* (1999) (cited in Newell *et al.*, 2002, pp. 73–5), distinguish between KIFs that follow a 'codification' strategy ('knowledge is carefully codified and stored in data bases where it can be accessed and used readily by any one in the company' (p. 107)) and those that follow a 'personalisation' strategy ('knowledge is closely tied to the person who has developed it and is shared mainly through direct person-to-person contacts' (p. 107)). They suggest that these contrasting strategies, which may also differentiate hierarchical levels within the same firm, call for different approaches to recruitment and selection, training and development and for reward systems.

The 'Third Way'?

The death of private sector collectivism

A few years after the publication of HRMRR-1, the Workplace Employee Relations Survey (WERS 1998) provided a snapshot of the state of employee relations systems in the UK at the end of the decade (Cully *et al.*, 1999). What stands out is the extent of the retreat from traditional forms of collectivism over the last two decades of the twentieth century. Guest (2001a) provides a good summary of the findings (see also Special Issue, *British Journal of Industrial Relations*, 2000b; Millward *et al.*, 2000). In a nutshell, collective representation in Britain is now largely a public sector phenomenon, with 56 per cent of employees in the public sector belonging to a union, compared with only 26 per cent in the private sector. Further, where union members exist in a workplace, but where there is no recognition, the non-recognition rate is much higher in the private sector at 30 per cent than in the public sector at 3 per cent. Again, 60 per cent of workplaces have no worker representatives, including 25 per cent where unions are actually recognised. Where consultative committees exist, in only 34 per cent of public sector and 20 per cent of private sector workplaces, they are more likely to be recognised as influential if they are composed of non-union representatives and particularly where they are appointed by management rather than elected by workers. Finally, the agenda for collective bargaining appears impoverished. Of the WERS list of nine conventional items for bargaining, there was no negotiation with union representatives over *any* of these issues in half the workplaces where unions were recognised. Where negotiation did take place, on average union representatives negotiated on only 1.1 of the 9 issues, while non-union representatives negotiated on even less, 0.9 issues. Nor were issues covered much more comprehensively by consultation: the average number covered by consultative committees was 2.9 where union representatives were involved and 3.7 where non-union representatives were involved.

These statistics reflect two depressing factors from the unions' point of view: their failure to organise new private manufacturing and service sector workplaces, set up since 1980, and their failure to recruit 18–29-year-old workers over the same period (Machin, 2000).

What we have here is a picture of collective representation surviving in organisations that epitomised the Fordist/Keynesian/corporatist settlement – the public sector and large manufacturing plants. For the rest of the private sector and particularly the flourishing service sector the norm is now non-unionisation and without worker representation. The reasons for this decline are not hard to find. There are the structural reasons – a shift to sectors (private service) and workforces (women) that traditionally have not been unionised – and the cultural changes that underpin the structural changes. These cultural changes are epitomised by Conservative governments' advocacy in the 1980s and 1990s of neo-liberal economics, individualism and an enterprise culture in Britain (Keat and Abercrombie, 1991).

If collectivism is on the decline, nevertheless with the advent of New Labour, is the socio-economic climate more conducive to 'soft' HCM than the neo-liberalism of the Conservative governments of the 1980s and 1990s? If it is, this is not (could not be) reflected in WERS 1998 statistics, given Labour had been in power for only one year at the time of collection (Cully *et al.*, 1999). In 1998, the statistics revealed the stony ground that confronted New Labour in the workplace. Only 14 per cent of responding workplaces had high commitment HRM in place (defined as eight plus out of fifteen 'high commitment' practices), as opposed to 29 per cent which had three or less; 22 per cent of which, with three or less HCM practices and no unions, may be defined in Guest's (1995, 1999) memorable phrase, as 'black holes'. More HCM practices existed where there was a recognised trade union reflecting the fact that more practices existed in larger workplaces and in the public sector. Only 1 per cent of private sector workplaces both recognised a trade union and had HCM in place – even in terms of WERS' restricted definition.

Stakeholding and partnership?

When New Labour came to power in 1997, the union movement and many left-of-centre voters hoped for at least a partial reversal of the Conservative governments' 'reforms'. In this they were disappointed. New Labour came to power on a platform which, it claimed, represented a form of social democracy more in tune with contemporary globalised capitalism than the corporatist Keynesian policies of 'Old Labour', but avoiding the uncaring excesses of neo-liberalism (Giddens, 1998; Hutton, 1995). While there is some debate as to whether or not New Labour policies are sufficiently thought-through, innovative and coherent to be presented as a truly 'Third Way' in socio-economic management (Crouch, 2001), this is a convenient label under which to explore New Labour's approach to employee relations, since it came to power.

As Hay and Watson (1998, p. 15, cited in Howell, 2004, p. 6) point out, the approach of New Labour has been to act 'as if the globalization hypothesis were an accurate description of reality'. As a result, the focus has been to adopt policy that encroaches as little as possible on labour flexibility, while at the same time seeking to promote a workplace context in which 'the productivity and creativity of workers is properly harnessed for the good of the firm' (Howell, 2004, p. 14). This has resulted in a three-legged policy: the maintenance of much Conservative industrial relations legislation; a stress on individual rights enforced through legislation; an emphasis on 'stakeholding' and 'partnership'.

As already stated, much of the Conservative governments' legislation, involving the regulation of and limits to industrial action and associated picketing, was left intact. It is significant that New Labour's mantra with regard to trade unions is the call for 'modernisation', which seems to embrace the idea that the way forward is 'to extend individual rights, rather than rights acquired through union membership' (Waddington, 2003, p. 338). Through policies such as the reversal of the opt-out from the Social Protocol of the EU and the introduction of a National Minimum wage, the role of the state was identified as supporting the provision of fairly minimalist individual rights rather than strengthening the institutions of collective bargaining. This flies in the face of the conventional 'Old Labour' pluralist view that 'collective procedures are the custodians of individual rights' (Brown *et al.*, 2000, p. 627) and that the proper concern of industrial relations institutions is 'to correct the imbalance of power in the workplace' (Howell, 2004, p. 14). Instead, New Labour has adopted an essentially unitarist view, that the interests of business and workers are not opposed and that 'win-win' agreements can be reached through 'partnership'. While the idea of partnership focuses on employer–employee/union relationships, this concept was broadened through the notion of stakeholding (in the early days of New Labour government), to include consumers, lenders, debtors and the community. As Howell (2004, p. 13) puts it:

> All but the most minimal definition of stakeholding was disavowed by New Labour in advance of the election, but it remains an alternative discourse, suggesting inclusiveness, social solidarity and fairness, in contrast to the atomism, individualism and exclusive concern with profitability allegedly characterizing Thatcherism.

Yet this is also a discourse which presents the pluralism of 'Old Labour' as encouraging a conflictual, 'them and us', approach to industrial relations, too focused on distributional issues, with worrying echoes of ‘beer and sandwiches at No. 10’ and of the ‘Winter of Discontent’, rather than on productivity. The tensions between ‘New’ and ‘Old’ Labour are exemplified by New Labour’s Prime Minister, Tony Blair, in 2002, labelling public sector unionists as ‘wreckers’ and firefighters as ‘Scargillite’, for voting to take industrial action (Waddington, 2003, p. 335). In 1995, in HRMRR-1, such language would have been associated with the Thatcherite Right rather than with a Labour government.

As I write, relationships between trade unions and the Labour government are fraught, not least because the proposed reforms of the public sector services, irrespective of the associated welcome investment, are seen by the unions as likely to undermine the last bastion of collective organisation. A way forward, advocated by both government and the TUC, is to promote ‘partnership’ between employers and trade unions. This is reflected in the Labour government’s *Fairness at Work* document (DTI, 1998), translated a year later into the Employment Relations Act (1999) and the provision of a Partnership Fund to finance new partnership arrangements, and in the TUC’s *Partners for Progress: New Unionism in the Workplace* (TUC, 1999). As with the concept of stakeholding (Stoney and Winstanley, 2001), there is confusion as to its precise meaning (see Martinez Lucio and Stuart, 2004, for a general discussion). Guest and Peccei (2001), for example, identify three different models – pluralist, involving use of representative systems; unitarist, emphasising direct participation, financial and psychic states; and hybrid, combining elements of both in a mutual gains model. Further, partnership, as with stakeholding, can be viewed from normative (principles), descriptive (practices) and instrumental (outcomes) perspectives (Donaldson and Preston, 1995).

Guest and Peccei’s (1998, 2001) studies of partnership in the UK, focusing on those predisposed in its favour (that is, the membership of the Involvement and Participation Association (IPA)) contain both good news and bad news with respect to the Labour government’s and the TUC’s aspirations. The good news is that where mutuality principles are matched by consistent and complementary practices, then the outcomes, in terms of employee attitudes and behaviours and associated organisational outcomes, such as positive employee relations and productivity, are likely to be positive. This is particularly marked when partnership constitutes a bundle of direct and representative participation, job design and quality initiatives and employee share ownership and where a high trust dynamic exist (Guest and Peccei, 2001, p. 232). The bad news is that even among this IPA sample, the level of direct participation in work decisions and of representative participation in wider policy decisions is low, implying relatively low levels of management trust in employees and their representatives. Further, it appears that not only is the scope of partnership activities largely determined by management, but that greater emphasis is placed on ensuring the employees’ contribution than promoting employee welfare (Guest and Peccei, 2001, p. 231). Further, where partnership deals exist in the UK, they are often born out of crisis and depend on the enthusiasm of a small group of people, thus raising questions about their sustainability. More generally, on the basis of WERS 1998 data, 'new' industrial relations, defined as an amalgam of industrial relations and HRM practices, is almost non-existent in the private sector and is not associated with positive attitudes in the public sector (Guest, 2001a, pp. 102–3; Guest and Conway, 2004). Employee involvement, too, while increasingly extensive, is often introduced in a faddish, piecemeal fashion, lacking line management support, with what little time spent on it involving employees only passively (e.g., downward communication) (Marchington, 2001).

It is not surprising then that some leftward leaning commentators, notably Kelly (1999), are very sceptical of this 'way forward', regarding it rather as a path to trade union incorporation, where employee flexibility is demanded by the employer, but where unions can never endorse collective action. However, a pluralist union strategy of direct confrontation, in the present economic and political climate arguably seems to hold little hope of greater success (Charlwood, 2004; cf. Heery *et al.*, 2003).[6] For senior TUC officials, as Guest (2001a, p. 104) argues, partnership is 'much the most attractive game to play'. Indeed, Ackers and Payne (1998, p. 529) have argued that unions, responding to the 'ethical turn' of business 'should play back the rhetoric of employee involvement and become active agents in the workplace and wider society'. One argument is that this should go hand-in-hand with campaigning for legislation and 'advocating closer ties with Europe and the European [pluralist] ethos of social partnership' (Guest, 2001, p. 104). In this union leaders may be unduly optimistic. Not only does Undy (1999) argue that the 1999 Employment Relations Act is likely to be the conclusive piece of New Labour legislation in settlement with the unions, but that the UK business system is not conducive to high trust pluralist forms of partnership. As Britain lacks most of the coordinating institutions associated with coordinated market economies and tends increasingly towards the institutions of a liberal market economy, the institutional supports for any partnership that does not imply 'enterprise-confined, co-operative unions as subordinate "partners"' do not exist (Smith and Morton, 2001, p. 121). As Howell (2004, p. 19) succinctly puts it:

> The Third Way in industrial relations is institutionally incoherent, in that it is seeking changes in one sphere without challenging the fundamentally liberal market orientation of the rest of the political economy. In this sense, the Third Way can be thought of as a policy of adaptation specific to centre-left governments in weakly coordinated liberal market economies.

Having sketched out some themes relating to the changing context of HRM, in order to situate the changing nature of the debates about HRM, I now turn to the debates themselves.

Changing debates

Strategic HRM and performance

Strategy, resource-based value theory and the 'learning organisation'

In HRMRR-1, two chapters were devoted to defining HRM and reflecting on its relationship with strategy. Much of the material in those chapters, in defining strategy and looking at the 'fit' between different forms of HRM and strategy, is echoed in today's debates. Nevertheless, the language, orientation and focus of today's debates have seen some shift in emphases.

Gone is the language of 'hard' and 'soft' HRM (Storey, 1987) and of 'utilitarian instrumentalism' and 'developmental humanism' (Hendry and Pettigrew, 1990), to be replaced by the US alternatives of 'high commitment management' (HCM) and 'high performance work systems' (HPWS) (Becker and Gerhart, 1996; Huselid, 1995). Although these terms are sometimes used synonymously, there is an important distinction that to some extent mirrors the earlier UK ones. HCM focuses on job security, job design and employee development as the route to high productivity/profits *and* to high employee satisfaction/commitment. HPWS focuses on practices correlating with high financial performance, such as incentivised pay, de-emphasising job security and the use of internal labour markets and is concerned *only* with high productivity/profits. Further, in HRMRR-1, there was a tendency to imply that matching HRM with strategy would entail choosing either a 'hard' or 'soft' HRM strategy, depending on whether the organisation was pursuing a cost leadership or high value added strategy. Now it is generally recognised that it is not a question of 'either'/'or', but of 'both'/'and' (Keenoy, 1999; Watson, 2004).

Boxall and Purcell's (2003) definition of strategic HRM fits well this 'both'/'and' position. Having identified first, viability and, secondly, sustained competitive advantage as *the* central, 'first-order', strategic goals for all organisations, they suggest that HRM's contribution to such goal achievement is through meeting three, second-order, goals, namely desired types and levels of labour productivity (cost effectiveness), organisational flexibility (short-term responsiveness and long-term agility) and social legitimacy (employment citizenship).

This definition of strategic HRM is consistent with a shift in orientation, away from outward-looking, market-focused, external 'fit' models to inward-looking, firm-focused, resource-based value (RBV) models of strategy (for a good summary paper, see Wright *et al.*, 2001a). As already touched upon, resources are considered to be any feature of the firm that is value creating (and preferably rare, inimitable, non-substitutable and appropriable) (Barney, 1991), including the talents and interactions of employees, even if, unlike proprietary technologies and systems, the firm does not own them. While resources are not immune to 'Schumpeterian shocks', or radical innovations that redefine technologies and the nature of businesses, barriers to imitation have been identified. These comprise such factors as unique timing, teamwork and learning (first mover advantage, path dependency), social complexity (complex patterns of coordination inside and outside the firm, strong clusters of 'human and social capital') (Lovas and Ghoshal, 2000, p. 883 cited in Boxall and Purcell, 2003, p. 77) and causal ambiguity (ambiguity about the cause/effect relations that explain a firm's performance). (The latter characteristic is somewhat controversial and debated – see Boxall and Purcell, 2003; McWilliams and Smart, 1995; Priem and Butler, 2001.)

The RBV perspective argues that a firm's ability to achieve success in the long run rests on its ability to understand its core competencies or those that its needs to develop for future viability as well as competitive advantage. Hamel and Prahalad (1994, pp. 217–28, cited in Boxall and Purcell, 2003, p. 79) identify a 'core competency' as:

'• A bundle of skills and technologies that enables a company to provide particular benefits to customers
- Not product specific
- Represents ... the sum of learning across individual skill sets and individual organisational units
- Must ... be competitively unique
- Is not an "asset" in the accounting sense of the word
- Represents a "broad opportunity arena" or "gateway to the future".'

Leonard's (1998) approach is similar, presenting what she terms 'core capabilities' as 'knowledge sets' composed of four dimensions: 'content' dimensions which include relevant employee skills, knowledge and technical systems and the process dimensions which include managerial systems, values and norms. Because these dimensions are interlocking and systemic, they can become 'core rigidities' over time, *unless* firms can renew themselves by 'double-loop' organisational learning (Argyris and Schön, 1978). Capabilities are dynamic: over time one firm's core capability (such as outstanding quality or customer service) is likely to be copied by competitors and firms that seek sustained competitive advantage must discover new ways in which to differentiate themselves. What starts as a firm's distinctive capability within a particular business sector over the years tends to become a 'table stake' or 'ticket to play', the norm within that sector (Hamel and Prahalad, 1994, p. 226). (Think of quality and reliability in cars, once the distinctive capability of Japanese manufacturers and now the global norm.) The crucial factor then in the RBV approach to organisational analysis is the recognition that 'it is the firm's ability to learn faster than its rivals, and adapt its behaviour more productively, that gives it competitive advantage' (Boxall and Purcell, 2003, p. 83; see also Kamoche and Mueller, 1998). From this perspective firms should place a high priority on becoming 'learning organisations', developing 'organisational agility' and skills of 'knowledge management' (see, for example, Brown and Duguid, 1991; Dyer and Shafer, 1999; Easterby-Smith and Lyles, 2003; Easterby-Smith *et al.*, 1999 ; Nahapiet and Ghoshal, 1998; Newell *et al.*, 2002; Nonaka and Takeuchi, 1995; Senge, 1990).

This is all very fine in theory. A problem is that, like many fashionable concepts, the more one probes the concept of a learning organisation, the more problematic it becomes. For example, conceptually it appears to confuse levels of analysis. After all, it is people that learn and to suggest that 'organisations' learn is to reify an abstract concept. In theory, 'organisational learning' may be said to have taken place when individual or small group knowledge is codified into routines that then become the 'new technologies' embedded within the organisation such that the knowledge persists even in the event of its original creators leaving. (An example of this might be the embedding and development of a new IT system within an organisation, after the consultants that have sold the system have left.) But this is to take a structural rather than a processual perspective on knowledge creation, to privilege codified above tacit knowledge and 'knowledge' before 'knowing'. The orthodoxy today is to see knowledge creation as rooted in social action and practice, as emergent in 'communities of practice' (Brown and Duguid, 1991; Blackler, 1995; Newell *et al.*, 2002).

There are many definitions of what constitutes a learning organisation, but Marquardt and Reynolds' (1994) list of characteristics captures most of the salient points. A learning organisation:

- embraces uncertainty and change;
- has a holistic, systemic view of the organisation;
- has a shared organisation-wide vision;
- creates new knowledge as part of its competitive strategy;
- has a culture of high trust, feedback and disclosure; encourages empowerment at all levels;
- links employees' self-development to the development of the organisation as a whole;
- encourages managers to act as mentors, coaches and facilitators;
- has leaders who encourage risk-taking and experimentation and so on.

Salaman (2001, pp. 346–7) puts it rather differently. He sees the 'learning organisation' as a sanitised version of the discourse of enterprise ('organization and employee as actively and autonomously committed to the achievement of flexible, responsive relationships with clients and employers') that subsequently 'replace[s] an overtly commercial, market focus with the gentler psychological developmental language of learning'.

Although organisations may publicly aspire to become learning organisations (e.g., Ford), the path is fraught with practical difficulties (let alone the conceptual ones) that render its wholesale achievement highly questionable. To begin with, as Weick and Westley (1996, p. 440) perceptively remark, 'Organizing and learning are essentially antithetical processes which means the phrase "organizational learning" qualifies as an oxymoron. To learn is to disorganize and increase variety. To organize is to forget and reduce variety'. Thus, while organisations can live with single-loop learning, the double-loop learning of the learning organisation is inimical to it. Further, the collectivist, democratic, unitarist assumptions of the learning organisation run counter to the individualist, hierarchical and pluralist nature of conventional organisations in capitalist economies. Issues of power and culture are involved here.

The very fact of organisations' persistence and stability over time gives rise to horizontal boundaries that establish areas of expertise and vertical levels that differentiate power and rewards. Such structures generate sectional interests, which, in the context of scarce resources, give rise to power struggles and, as Salaman (2001, p. 348) puts it, 'the possibility of deference and careerism [are] strong motivation[s] to distort, divert, censor data'. When knowledge is power and the source of rewards, those looking for promotion have no incentive to share their 'scarce' knowledge with potential competitors, unless directly rewarded for doing so (see Husted and Michailova, 2002; Swart and Kinnie, 2003). Nor are workers likely to share their tacit knowledge with management (what Marxists refer to as 'mining the gold in the workers heads') without tangible rewards. Managers may be unwilling to become coaches and facilitators if this undermines their ability to justify their differential status and reward.

Further, shared values about conformity, deference, not treading on people's toes, group loyalty, risk avoidance are inimical to the learning organisation's advocacy of freedom of speech, challenging taken-for-granted assumptions, welcoming criticism. Moreover, shared cognitive structures or 'recipes', while advantageously reducing data processing time when conditions are stable, may become counterproductive under changed circumstances, as those erstwhile 'strong culture' heroes of HRMRR-1, Marks & Spencer and BA, found out to their cost. 'Recipes', a form of codified organisational learning, restrict an organisation's ability to learn by restricting environmental analysis or by influencing how data are analysed (Daft and Weick, 1984; Weick, 1995). Rather than flexibly responding to new signals from the environment, managers create their own environments through shared sense-making and then respond to these enactments in ways that make them real. This is inconsistent with the learning organisation's advocacy of managers reflexively questioning their own basic assumptions.

Finally, there is the issue of whether a national business system is likely to facilitate or inhibit the development of a learning organisation. While Japan is often seen as facilitative, the UK's tendency towards a liberal market economy is inhibitive. Keep and Rainbird (2000), for example, characterise the UK economy as chronically short-termist, with a preference for a growth strategy of merger and acquisition (facilitated by deregulated financial markets) rather than organic growth via R & D investment, for a long working hours culture (leaving people with little time or energy for training), and with an obsession with shareholder value and the bottom line. These factors are not facilitative to the development of a learning organisation. Indeed, despite all the talk of developing learning organisations as the route to sustained competitive advantage, Keep and Rainbird point to the prevalence of lean and mean organisational forms in the UK (see also Ackroyd and Proctor, 1998):

> The notion that a set of universalistic trends and competitive pressures is compelling organizations towards competition based on organizational learning is seriously flawed. Alternative avenues to competitive advantage remain viable, at least in the UK, and price-based competition continues to thrive above all in the service sector ... many organizations, far from opting for the high skills route to competitive success remain wedded to standardized, low specification goods and services where the main factor of competitive advantage is consistent delivery of relatively simple goods and services at a low price. This Fordist or Neo-Fordist strategy is in turn reflected in Tayloristic forms of work organization that minimize the opportunities for creativity and discretion. (Keep and Rainbird, 2000, p. 185)

Such organisations, in a deregulated labour market, are likely to be at the forefront of cost-reducing delayering, downsizing and outsourcing exercises, with their attendant effects on employee trust and skill development (Grugulis *et al.*, 2003). Low trust is hardly conducive to collaborative learning.

Nevertheless, the learning organisation matches well the RBV view of organisations that promote employees as *the* source of competitive advantage, even if for most UK organisations advocating the learning organisation, this remains a utopian aspiration rather than a realistic achievement (see, also, Knights and McCabe, 2000). There is a political dimension too in its very advocacy, despite the fact that it is political factors that are likely to undermine its achievement.

It is hardly surprising then that the RBV view of organisations, by treating employees and HR systems as *potentially* a source of sustained competitive advantage, is popular with reflective HR practitioners and academics alike and, even among the less reflective, may become the next consultant/practitioner fad. Fitting HR policy to business strategy always leaves HR policy and practice as reactive, if no longer as powerless as traditional personnel management. The RBV perspective accords a more proactive role to HRM as it can be valued not just for reinforcing predetermined business strategies, but for developing strategic capability, improving the long-term resilience of the firm.

Universalistic 'best practice' or contingent 'best fit'?

If strategic HRM centrally involves the integration of HRM with business strategy, we need to reflect on just what is meant by 'integration'. This issue was dealt with extensively in Chapter 4 of HRMRR-1, which critically evaluated various models of internal and external 'fit' and the arguments remain relevant. Apart from those mentioned in the chapter, there is now the model of Baron and Kreps (1999). They identify desirable internal 'fit' as involving three types: 'single employee consistency' or mutually consistent and supportive policies in relation to employees – no 'deadly combinations' to use Delery's (1998) colourful phrase; 'among employee consistency' or consistency of employment conditions for employees doing similar work; and 'temporal consistency' or consistency in how employees are treated over a reasonable period of time. As discussed in HRMRR-1 (Chapter 4), these forms of integration and their interrelationships are problematic at a conceptual, empirical and prescriptive level.

It is not surprising then that there is only *limited* empirical support for any widespread and close matching of business strategy and HR policy and practice (see HRMRR-1, pre-1995; Boxall and Purcell, 2003, post-1995). Furthermore, from a prescriptive position, there is an argument that this is not necessarily desirable as it may inhibit the flexibility required to cope with new opportunities and market changes (Boxall, 1992; Wright and Snell, 1998). Similarly, it has been suggested that advocacy of close 'internal' integration 'over-simplifies the paradoxical elements involved in managing people' (Boxall and Purcell, 2003, p. 57). For example, an organisation may require a highly committed, 'empowered' workforce, while at the same time pursuing a strategy of downsizing, as is the case for companies in the airline and car manufacturing industries (Pil and MacDuffie, 1996, cited in Boxall and Purcell, 2003, p. 57). External fit may undermine the possibility of achieving internal fit.

A further problem is that while external fit with business strategy would argue a *contingent* design of HRM policy, internal fit or consistency – at least with the human resource values associated with HCM/HPWS – would argue a *universalistic* approach to employment policy. Can this contradiction be reconciled without stretching to the limit the meaning of HRM as a distinct approach to managing people at work?

This distinction is critical as the contingent and universalistic approaches rest on very different and contradictory theoretical perspectives about organisational competitiveness. The universalistic approach is consistent with one reading of institutional theory and arguments about institutional isomorphism (DiMaggio and Powell, 1983; Paauwe and Boselie, 2003). In other words, the assumption here is that organisations that survive and prosper do so because they identify and implement the most effective, 'best' policies and practices. As a result successful organisations get to look more and more like each other through practices such as benchmarking. In HR terms this equates with the belief that treating employees as assets via the HCM/HPWS models will always pay off, irrespective of circumstance, and that the effects are additive (the greater the number of 'best' HR practices that are implemented, the greater the positive effect on performance) (see, for example, Pfeffer, 1994; see Marchington and Grugulis, 2000, for a critique of Pfeffer's work). Further, in what is sometimes described as a configurational approach, it is also claimed that an integrated 'bundle' of HCM/HPWS practices will have positive, non-linear, syngergistic effects on performance (MacDuffie, 1995). Contingency approaches, on the other hand, are consistent with the RBV theories that argue that sustained competitive advantage rests not on imitating so-called best practice, but on developing unique, non-imitable competencies (Barney, 1991). This approach rests on the recognition of the importance of *idiosyncratic* contingencies that result from path dependency, social complexity and causal ambiguity (Collis and Montgomery, 1995). From this perspective organisational performance is not enhanced by merely following 'best' HR practice (the HCM/HPWS models) but from knowledge about how to combine, implement and refine the whole potential range of HR policies and practices to suit the organisation's idiosyncratic contingencies (Boxall, 1996; Wright *et al*., 1994).

There has been some attempt to reconcile these two approaches. For example, Boxall and Purcell (2003, p. 69) suggest that it is helpful to distinguish between the 'surface level' of HR policy and practices in an organisation and an 'underpinning level' of processes and principles. They write:

> We are most unlikely to find that any theorist's selection of best practices (the surface layer) will have universal relevance because context always matters, as descriptive research demonstrates. It is, however, possible to argue that there are some more effective ways of carrying out the generic HR processes (such as selection) which all firms would be wise to follow. More powerfully, it is possible to argue that there are certain *desirable* principles which, if applied, will bring about the more effective management of people (authors' italics).

Further, building on the work of Wright and Snell (1998), Guest (2001b, p. 1093) proposes what he terms a 'contingent strategic contingency model'. In other words, it might be argued that in capital intensive manufacturing, HCM/HPWS models may always be preferable as labour costs are a small proportion of total costs and high quality, committed labour can facilitate the optimum exploitation of high cost plant and materials. In the service sector, however, there is a choice, depending on business strategy, between the 'high road' of HCM/HPWS and the 'low road' of a low waged, Tayloristic, highly controlled employment strategy. Empirical research has yet to provide clear support for this proposition.

This brings us to what has become *the* key debate about strategic HRM, in both the USA and UK: what is its relationship to organisational performance?

The performance link

Is strategic HRM linked to organisational performance on a universalistic (additive), configurational (patterned) or contingency (idiosyncratic) basis (Delery and Doty, 1996)? The greatest support appears to be for the universalistic model: that the greater the extent to which the characteristics of the HCM/HPWS model are adopted, the greater the association with organisational performance (see, for example, empirical studies in both the UK and USA by Batt, 2002; Delaney and Huselid, 1996; Delery and Doty, 1996; Guest, 1997, 1999; Guest *et al*., 2003; Huselid, 1995; Ichniowski *et al*., 1997; MacDuffie, 1995; Patterson *et al*., 1997; Pfeffer, 1994; Youndt *et al*., 1996). (For support of the contingency position, see Arthur, 1992, 1994; Sanz-Valle *et al*., 1999.)

However, on examination, the empirical evidence for such universalism is more equivocal than it might appear at first sight.

The problems stem from methodological concerns with research design (see Becker and Gerhart, 1996; Edwards and Wright, 2001; Guest, 2001b; Legge, 2001; Marchington and Grugulis, 2000; Ramsay *et al.*, 2000; Rogers and Wright, 1998; Wright and Gardner, 2003; Wright *et al.*, 2001b) and from empirical observation (see Cully *et al.*, 1999; Gittleman *et al.*, 1998; Osterman, 1994). As already said in the introduction, considering the relationship between HRM and performance, the three most basic questions are: how are we to conceptualise HRM, how are we to conceptualise performance and how are we to conceptualise the relationship between the two?

For testing the relationship between HRM and performance, from a positivistic perspective, the first requirement is a theory-derived conceptualisation of HRM and its precise specification as an independent variable. Clearly positivists cannot work with the subtleties and sophistication of Keenoy's (1999, p. 16) approach, which, likening HRM to a hologram, regards it 'not as a concrete, coherent entity but as a series of mutually implicated phenomena which is/are in the process of becoming'. For a positivist, HRM must be a precisely specified variable not a process. Process, in theory, pertains to the relationship between HRM and performance, not to HRM as a concept. That said, in treating HRM as a variable, positivists have not acted consistently, either at the level of theorising or in terms of specifying and measuring the concept of HRM.

At the level of theorising there have been the competing 'strategic', 'descriptive' and 'normative' perspectives (Guest, 1997). Nor has there been agreement about specification or measurement. For example in operationalising the concept of pay, as Wright and Gardner (2003) point out, does one assess the presence or absence of contingent pay, or does one specify a variety of approaches for tying pay to performance (merit pay, bonuses, stock options, profit-related pay, commissions and so on)? One could also specify the range of different performance criteria to which pay could be tied. The fact that most studies opt for the simple measure of presence/absence is worrying as this tells us nothing about how effectively the practice is implemented (see Ramsay *et al.*, 2000). With reference to contingent pay, for example, Purcell (1999, p. 27) reminds us that 'Bowey and Thorpe (1986) found that it was not the type of pay system that affected the outcome but the use of consultation in the design phase – i.e., that process was more important than content'. As for measurement, although the concept of contingent pay is included in MacDuffie's (1995), Huselid's (1995) and Arthur's (1992) list of 'high performance practices', each measures it differently. For example, Huselid uses the proportion of the workforce covered by profit sharing, gainsharing and merit pay, while Arthur used the percentage of employment costs accounted for by bonus or incentive payments (Becker and Gerhart, 1996, p. 793).

Leaving aside the issue of specification, questions have also been raised about the validity and reliability of measures of HR practices. Most of the American studies already cited involve large-scale postal surveys of 'single respondents answering quick questions', to quote John Purcell (1999, p. 28). Purcell questions whether one senior management respondent can possibly have knowledge of the whole firm and also of the desirability of question 'that encourages the respondent to tick a box and not go to the file to find the answer'. Further, the use of single respondents grows more problematic the more complex and diversified the firm. It is especially suspect when the respondent is asked to make judgements on how the firm compares with others, particularly in relation to matters of performance (see below).

If there is a question mark over the validity of the data in these studies, their reliability (and, hence, generalisability) is also suspect. While most studies rely on single respondents (and, hence, issues of internal consistency dominate), a multiple-respondent study by Gerhart *et al.* (2000), designed to examine sources of variance in the measurement of HR practices, found 'frighteningly low' levels of overall reliability of HR practices measures. They noted that the statistic commonly used in multiple respondent studies [rwg] was inappropriate because it only assesses 'agreement' within one firm rather than 'reliability' across firms. However, although they found almost no interrater reliability for more 'objective' measures of HR practices, they report better interrater reliability on subjective measures (involving Likert-type scales) of the effectiveness of the HR function.

Despite these difficulties, as Guest *et al.* point out (2003, p. 294), it cannot be denied that the large majority of studies find an association between HR practices and performance *whichever* operational definition of HRM is used. Indeed, Edwards and Wright (2001, p. 570) argue that diversity in measures of HRM may be a positive rather than a negative factor:

> if different empirical measures come up with broadly similar results, then surely the basic hypothesis is strengthened. Yet the studies may be showing only that managing people in a coherent and disciplined way is more effective (in some sense) than not doing so.

Turning to the conceptualisation and measurement of performance, US commentators have tended to take a rather limited conceptualisation, generally in terms of productivity and financial performance. A study by Rogers and Wright (1998) (cited in Wright and Gardner, 2003) reviewed 29 empirical studies containing 80 separate observations of an empirically tested link between HRM and organisational performance. They categorised the performance measures into HR (turnover being the only employee measure they found), organisational (for example, productivity, quality, customer satisfaction), financial accounting (for example, return on assets) and financial markets (for example, Tobin's q the difference between the market- and book-value of a firm's assets). They found that only 3 effect sizes were reported relating HR to human resource outcomes, but 34 relating to organisational, 24 to accounting and 19 to financial market outcomes. No sign here of the 'balanced scorecard' approach to performance advocated by

David Guest (1997, p. 266) and to some extent achieved in Guest's (1999) own study of employee reactions to HRM and in the WERS (1998) survey, which tapped employee attitudes to work and their assessments of the climate of employee relations (Cully *et al.*, 1999, Chs 6, 8 and 12). The lack of American studies on employee outcomes seems misguided as all the theoretical rationales of how HR affects organisational performance rest on the assumption that its is *through* these employee outcomes.

Apart from the very limited and questionable conceptualisation of organisational performance and, with the exception of European commentators (Boselie *et al.*, 2001; Boxall and Purcell, 2003; Guest, 1997; Paauwe and Richardson, 2001), no recognition that these are but social constructions, there are problems with measurement. As Wright and Gardner (2003) point out, with the notable exception of Huselid's (1995) study, there is a tendency not to assess multiple performance measures in any single study. As a result researchers are unable to examine the interrelationships among outcomes, although Huselid's study suggests these may be significant (at least some of the effect of HR practices on firm performance was mediated by the reduction in employee turnover). Problems such as these, though, pale into insignificance when compared to those associated with examining the *relationship* between HR and performance.

A first issue is the practical one of trade-offs in selecting an appropriate level of analysis in testing HRM/performance relationships (Wright and Gardner, 2003). Plant-level studies (for example, MacDuffie, 1995; Youndt *et al.*, 1996) have three strengths: the risk of variance in HR practices is minimised; the respondent(s) is likely to have first-hand knowledge of the HR practices – both espoused and in-use – increasing the validity of the responses; there is the potential of providing the most proximal measures of performance. The drawback is that research at this level may not allow assessing 'fit' with business strategy and there are the perennial issues of generalisability (see Purcell, 1999, p. 31).

Business-level studies are optimal for assessing relationships between HR practices and business strategy, but given that businesses often have multiple locations, categories of employee and jobs, as indicated earlier, precise assessments of HR practices become problematic, especially if the research design relies on just one senior management respondent.

The bulk of research linking HR practices and performance has been conducted at corporate level (see Wright and Gardner, 2003) given the reliance on financial measures of performance, as it is at this level that much of the publicly available financial data exists. However, this exacerbates problems associated with the validity of single respondent assessments given the complexity of assessing HR practices over a range of businesses, the problem that there may be variance between the business strategies across businesses within some corporations (hence identifying *a* business strategy is likely to be problematic) and, because these studies cross industries, the difficulty in partialling out all of the industry effects.

At first sight, this may appear to be here just a methodological issue rather than a theoretical one (that is, the researcher needs to be careful to match appropriately the research question with the level of analysis). However, what is worrying theoretically is that if the majority of the research studies remain located at the corporate level, given the American obsession with measures of financial performance, this is not conducive to assessing the enacted aspects of employee behaviour that constitute the intervening variable in explaining the relationship between HR practices, operating and financial performance. It is difficult to see how such studies can *test* causal relationships, as opposed to making theory-derived inferences about the correlations they find.

This brings us to some major difficulties: causality, implicit performance theories and the 'black box'.

First, with some exceptions (see Becker and Gerhart, 1996, Table1) the majority of the American studies are cross-sectional rather than longitudinal and, hence, as intimated above, while causality may be inferred from correlation, technically it is not tested. This gives rise to three possibilities. A causal relationship may exist in the direction inferred, that is, HRM policies and practices give rise to positive outcomes. However, as Purcell (1999, p. 30) points out, even if this did exist, it might reflect no more than a temporary 'Hawthorne' effect in response to a change programme. (Of course it is possible, with the same direction of causality, that HRM, particularly 'hard' HRM, may give rise to negative outcomes, or as Guest and Hoque (1994b) report, positive outcomes on organisational performance measures but negative outcomes on HR/employee outcomes.) Alternatively, reverse causality may exist. In other words, just to take the financial outcomes, as a firm becomes more profitable or its share price rises, it may invest in 'high commitment/ performance' HRM practices, such as expenditure on training or profit sharing. As Wright and Gardner (2003) point out, this may be due to a belief that such practices will further increase performance, from a belief that they will reduce the risk of performance declines, or they might stem from a belief in the justice and efficacy of wealth distribution. However, it is the profits that generate HR practices rather than vice versa. A further possibility, identified by Wright and Gardner, is that the observed relationship between HR practices and performance may stem not from any true relationship (that is, 'true' from a positivistic perspective), but from the implicit theories of organisational survey respondents. Their argument on this latter point is as follows.

Implicit performance theories (e.g., Brown and Perry, 1994; Golden, 1992; McCabe and Dutton, 1993) suggest that respondents' implicit theories of relationships between variables of interest bias their responses to survey questions. So, for example, if a respondent has little detailed knowledge of the HR practices in her firm (highly likely if the firm is large, diverse and multisited), but knows that the firm is performing well in terms of productivity and profitability, she may infer that 'high performance' HR practices *must* exist, given this level of performance, based on the implicit theory that such practices are related to high performance. In their own study (Gardner, Wright and Gerhart, 1999, cited in Wright and Gardner, 2003) some support was found for implicit theories about the HR/performance relationship, in a simulated study. Gardner, Wright and Gerhart presented line managers, HR managers, MBAs and HR Masters students with scenarios of high- and low-performing firms and then had them estimate the use of HR practices in each firm. They report that all four groups estimated significantly greater usage of 'high performance' HR practices in high- as opposed to low-performing firms. This suggests that the observed relationship between measures of HR practices and firm performance may simply be an artifact of the implicit theories about their relationship held by respondents. Furthermore, Guest *et al.* (2003), in an empirical study of 366 companies, found that while the greater use of HRM was not associated with higher productivity when *objective* performance measures were used, there was a strong association between HRM and both productivity and financial performance when using *subjective* performance measures. When a rigorous test of causality was used, namely employing objective performance measures, controlling for past performance and testing for change in performance, then no significant association between HRM and performance were found.

Finally, there is the vexed issue of the 'black box'. It is widely recognised, even by adherents to this research agenda and its associated positivistic research designs (for example, Becker and Gerhart, 1996; Guest, 1997; Wright and Gardner, 2003) that little has been done to unlock the 'black box' of the processes that link HRM (however conceptualised) with organisational performance (however conceptualised). But unless this is done, for example, by developing models that include theory-derived, key intervening variables, it is not possible to rule out unequivocally alternative causal models that explain empirical associations between HR practices and organisational outcomes (Becker and Gerhart, 1996, p. 793; Purcell, 1999, p. 29).

The question then becomes how many and what intervening variables should there be in the 'black box' (employee behaviour?, employee skills?, strategy implementation?, operating performance?) (Becker *et al.*, 1997; Becker and Huselid, 1998) and how should these variables be specified? For example, 'operating performance' might be defined and measured in terms of customer satisfaction, customer retention, sales revenues, quality defects, scrap, down-time, productivity, labour costs; employee behaviours in terms of productivity, creativity and discretionary effort (Becker *et al.*, 1997; Wright and Gardner, 2003). Then there is the issue of distinguishing between espoused and actual HR practices and employee skills and behaviours (Wright and Snell, 1998). And, as Wright and Gardner (2003) point out, the greater the number of intervening variables identified and the greater the level of specificity, the greater the multiplicative effect in determining the processes of a model, as the model building requires specification of the relationships between each of the specifications of the major intervening variables.

If this complexity is problematic when a universalistic approach to HR practices/performance relationships is adopted, it becomes additionally so when a contingency or configurational approach is preferred. With contingency models of the HRM/performance relationship there are issues of causal ambiguity and path-dependent contingencies that add up to idiosyncratic choices (Boxall, 1992; Collis and Montgomery, 1995; Purcell, 1999). Causal ambiguity refers to the numerous and subtle interconnections between contingent factors that makes each organisation's experience, in a sense, unique. Path dependency recognises the emergent nature of strategy and the dependence of policy choices on the organisation's history and culture. Put the two together and the resultant idiosyncratic contingency suggests that each organisation has to make choices of HR policy and practice based on its judgment not just of appropriateness to business and operational strategies but what 'suits' the history and culture of the organisation, what 'feels' right (Purcell, 1999, p. 35). Such potential complexity sits uneasily with the large-scale surveys and quantitative approaches of positivism.

Turning to empirical observation, we are confronted by puzzling findings. If we are to accept at face value the research studies that suggest there is a universalistic relationship between HCM/HPWS and organisational performance, why do we find such relatively little implementation of this model of HRM? I have already mentioned the absence of any widespread, extensive adoption of HCM practices in UK organisations (Cully *et al.*, 1999). Similarly, in the US, Gittleman *et al.*'s (1998) comprehensive survey found that of six work organisation practices (teamwork, TQM, quality circles, peer review of employees' performance, worker involvement in purchase decisions and job rotation) 58 per cent of firms had *none* of these practices. Putting the findings of the empirical studies together (including those of Osterman, 1994) there seems to be a consensus that HCM/HPWS are more prevalent in the public sector (UK) and in private sectors competing on quality, whether in products or services, exposed to international competition and employing more advanced technology. As far as workplaces are concerned, HCM/HPWS are more likely to be found on the greenfield sites of large (and in the UK) foreign-owned and unionised organisations. But all this would point to the logic of the contingency 'best fit' approach rather than that of 'best practice'. It may also point to the possibility that LMEs, typified by short-termism, are inimical to the development of HCM.

Indeed, as several commentators have observed, the implementation of any management 'best practice' is likely to fall foul of vested interests, politicking, organisational history and culture (Dunlop and Weil, 1996). What is defined as 'best practice' is going to be influenced by national culture and institutions, as is clear from the differing HR implications of the 'patient capital', coordinated market economy institutions of Germany as compared to the short-termism of the liberal market economy of Anglo-America. Indeed, it has been suggested that, in the Anglo-American world, in the last fifteen years or so, the dominant emphasis in practice has been on short-term survival rather than the development of long-term resource-based advantage, with the widespread, *ad hoc* adoption of 'hard' policies of delayering, downsizing and increasingly contingent forms of employment, even if, simultaneously, senior management aspire to a committed, involved workforce (Boxall, 1996; Pil and MacDuffie, 1996).

Future directions of research on the strategic HRM and performance relationship

Despite the difficulties outlined above, interest in the HRM/performance relationship seems here to stay. Most commentators, already cited, have suggestions for the improvement of research designs (for example, more within industry, business and plant-level designs, more consistent and valid measures of HR practices, more longitudinal studies, a 'balanced scorecard' approach to organisational outcomes, opening up the 'black box' and so on). Guest (1997) and Purcell (1999) present two contrasting ways forward, one from a universalistic and one from a contingent perspective.

Guest (1997, 1999) suggests that expectancy theory might provide a theory of process to link HRM practices and performance, as it links motivation and performance. Specifically, expectancy theory proposes that, at the individual level, high performance depends on high motivation, coupled with the necessary skills, abilities, appropriate role design and perception. This equates skills and abilities with quality, motivation with commitment and role structure and perception with flexibility. HR practices designed to foster these HR outcomes (for example, selection and training for abilities and skills/quality; contingent pay and internal promotion for motivation/commitment and teamworking design for appropriate role design and perception/flexibility) should facilitate high individual performance. This in turn should contribute to high performance outcomes (for example, high productivity, low absenteeism and labour turnover) giving rise (other things being equal) to desired financial outcomes. In empirical studies of employees' reactions to HCM/HPWS policies (Guest, 1999; Guest and Conway, 1997, 1998, 2000, 2001) Guest suggests that the psychological contract may be a key intervening variable in explaining the link between such HR practices and employee outcomes such as job satisfaction, perceived job security and motivation. Furthermore, although Guest's research is cross-sectional and, hence, raises the usual caveats about causality, the inferred direction of his empirical findings is supported by a similar longitudinal study (Patterson *et al.*, 1997).

Nevertheless, Guest acknowledges the limitations of these models in terms of explaining organisational outcomes. While we may be able to measure the impact of HR practices on *HRM* outcomes (quality, commitment and flexibility), the measurable impact on *organisational* and *financial* outcomes is likely to become progressively weaker because of the range of potentially intervening variables. Guest also suggests that we need a theory about the circumstances when human resources matter more and a theory about how much of the variance between HR practices and performance can be explained by the human as opposed to other factors.

Purcell (1999, pp. 36–8), building on the resource-based value view of strategy, has some interesting observations here. He recognises that, on the one hand, claims that bundles of 'best practice' HCM/HPWS are universally applicable leads into 'a utopian cul-de-sac', ignoring dual labour markets, contingent workers and business strategies that do not require such expensive practices to achieve financial success. On the other hand, the search for a contingency model of HRM is a 'chimera', 'limited by the impossibility of modelling all the contingent variables, the difficulty of showing their interconnection, and the way in which changes in one variable have impact on others, let alone the need to model idiosyncratic and path dependent contingencies'. The way forward, Purcell argues, is the analysis of how and when HR factors come into play in the management of strategic change. Purcell suggests that we should explore how organisations develop successful transition management, build unique sets of competencies and distinctive organisational routines and, in situations of 'leanness', with greater dependency on all core workers, develop inclusivity and trust. The focus of research on strategic HRM (indeed, the focus of strategic HRM itself) should be on 'appropriate HR architecture and the processes that contribute to organisational performance in the short and medium term, and which positively contribute to the achievement of organisational flexibility and longevity'. Suggestions as to how this might be done are outlined in Boxall and Purcell (2003).

Whether the future research on strategic HRM focuses on the psychological contract or on the processes of transition management, it can only benefit from the insights derived from qualitative, preferably longitudinal, critical case studies. In particular, such studies, by their ability to explore in depth contextual contingencies and employee sense-making, can contribute to opening the 'black box' of the processes that link HRM to organisational performance.

The ethics of HRM

Since writing HRMRR-1, there has been a growing interest in business ethics generally, reflected in concerns about the environment and animal rights, the effects of globalisation and, in the wake of corporate scandals such as Enron and WorldCom, issues of corporate governance. This has rubbed off onto HRM (see, for example, Special Issues of *Organization*, 1995, 2003b; Legge, 1998, 2000a; Parker, 1998; Winstanley and Woodall, 2000; Woodall and Winstanley, 2001). The reasons for this interest are implicit in much of the preceding discussion. There was a reaction against the perceived excesses of the enterprise culture, which, for some, embodied the 'unacceptable face of capitalism'. Milton Friedman's (1970) assertion that 'the social responsibility of business is to increase profit', while in tune with the enterprise culture, rang a discordant note with the stakeholding leanings of New Labour. There are concerns about the implications of globalisation and the associated mantra about the search for competitive advantage which, often in practice if not in theory, are equated with cost cutting and labour intensification. The short-termism of Anglo-American business systems and their apparent single-minded obsession with organisations' financial performance often appears to disregard human dignity at work (Hodson, 2001). In the 1980s, HRM commentators might have considered debates about the ethicality of multinationals to be of specialist interest. Now, the outsourcing of much commodity production (and services, such as call centres) from the west to developing countries, as part of a strategy of flexible organisation, has brought close to home the issues of the ethicality of child labour and the 'hollowing out' of UK and US household name companies. The changing nature of the UK workforce places questions about equality and diversity firmly on the agenda. Above all, as is evident in much of the preceding discussion, the concept of trust, identified years ago in Alan Fox's (1974) seminal work, now permeates many problematic issues about employee relations and organisational design. These include generating employee commitment and honouring their psychological contracts, developing social partnerships between employer, employees and unions and managing joint alliances and extended supply chains (see Special Issue, *Academy of Management Review*, 1998; Special Issue, *International Journal of Human Resource Management*, 2003a).

Good technical discussions applying western deontological and teleological ethics (Kant, Nozick, Rawls, Mill, Aristotle) to HRM and employment relations abound (see, for example, Woodall and Winstanley, 2001; Legge, 2005). However, the two most influential books in fuelling ethical debates about HRM and globalisation are the polemics by Richard Sennett, *The Corrosion of Character*, and by Naomi Klein, *No Logo*. In the next section I wish to explore the interrelationships between their arguments and the implications for HRM.

The Corrosion of Character?

Richard Sennett, an Aristotelian, argues that organisational 'flexibility' has deeply damaging effects on workforces in Anglo-American post-industrial societies as it prevents people from developing a long-term, coherent narrative that can render their lives meaningful to them. While recognising the well-known dysfunctions of bureaucracy and Fordism, in particular, the deadening of the spirit, initiative and spontaneity, Sennett (1998, p. 43) argues that routine can protect as well as demean, 'decompose labor, but [it can] compose a life'. In other words, the work might be routine, but contains 'traction' as well as tedium (well recognised in Baldamus' classic study (1961) and in that of Jahoda (1972 [1933]) on unemployment), giving structure to the days, weeks and years. The 'metric of time' might be oppressive, but through its formal negotiation (whether of overtime, holidays, or seniority rules) and its informal 'fiddling' (work-study, time-based incentive schemes) could provide an arena of empowerment. Long service in one organisation might conceivably generate a sense of community and mutual commitment, even loyalty and *esprit de corps* among colleagues and workmates that had grown old together, united by shared, if not always pleasant, experiences. Bureaucracy and Fordism, both icons of modernism, are rooted in modernism's meta-narrative of progress. Hence, if all else failed, employees could give meaning to their lives through a belief, underwritten by the Keynesian settlement, that their steady, stoical endurance and deferred gratification would provide the foundation for the upward mobility of their children. As Sennett (1998, p. 44) concludes: 'to imagine a life of momentary impulses, short-term action, devoid of sustainable routines, a life without habits, is to imagine indeed a mindless existence'.

But, Sennett suggests, flexibility in all its manifestations, is pushing us in the direction of a meaningless work life. Work is becoming 'illegible' at many levels. For example, for routine production and service workers, equipment that is designed to be user friendly to facilitate speed of response has the complexity built into the machines rather than the operations. Its lack of comprehensibility renders our engagement with work superficial, since we lack deep understanding of what we are doing. The lack of challenge on the one hand and the inability to cope with potential challenges in the event of machine breakdown undermines any identification with the task, in the context where the side-bets inherent in long-term stable work, which might have provided substitute identification, no longer exist. Among managerial and professional workers in delayered organisations, job moves, whether inside or outside the organisation, often constitute 'ambiguous lateral moves', as the vertical moves, characteristic of the old bureaucracies, disappear, and it is only after the event that 'retrospective losses' may be clear. No longer is it clear, either, whether voluntary 'career' moves between organisations are the best strategy to optimise financial gain, particularly in a world of continual downsizing, when 'last in' is likely to be 'first out'. Yet failure to move in a society that idolises change, not to take the gamble that it might be career-enhancing, is to accept oneself in advance as a failure. Then, in fast-moving organisations, particularly the media, financial services and ICT industries, the emphasis may be on youth, with a devaluing of experience, particularly as recognition of seniority and experience may appear to be a reversion to the habits of bureaucracy. Finally, the feeling that experience and track record no longer count, may result from the favoured control mechanisms of decentralised and supposedly responsive organisations: surveillance and auditing (see also Lyon, 1994; Power, 1997; Sewell, 1998; Townley, 1994). The first contains the message of low trust and the second that one is only as good as one's last game, that there is no longer any notion that past record counts, that the accumulation of credit, of a character that is valued for its own sake, is irrelevant.

To Sennett, 'teamworking, ' part of the vocabulary of flexibility, epitomises many of the corrosive trends he identifies. 'Teamworking', he argues, emphasises the group, but for groups to hold together, they tend to keep to the surface of things by avoiding difficult, divisive personal questions. One difficult issue that cannot be confronted is that team members may be competitors and that the 'leader', now represented as a 'facilitator', is really the boss, but one who holds power while denying responsibility because that has been delegated to the team. Management is now a matter of peer pressure or a mixture of 'concertive' and 'chimerical' controls (Barker, 1993; Sewell, 1998). Equally, the team can deny responsibility, because 'change' is the responsible agent and everyone is a victim. The existence of power without authority in teams encourages the deep acting of a mask of cooperation and respect for team members, while looking for opportunities for freeloading, escaping responsibility for failed projects and claiming ownership of successes. The short-term projects and fluid team membership do not allow for the development of loyalties and trust.

The ethical question that Sennett leaves us with is: 'how can a human being develop a narrative of identity and life history in a society composed of episodes and fragments', in a world where flexibility no longer refers to tensile strength but to global trends that threaten to bend, if not break us? Sennett's voice is not alone. Almost twenty years previously, MacIntyre (1981), also an Aristotelian, was making similar observations. He argued that role fragmentation, inauthenticity ('the most effective manager is the best actor') [p. 107] and an unbalanced development of potentiality (hence the present maxim: 'no one on his deathbed has said "I wish I'd spent more time at the office"; many have said "I wish I'd spent more time with my family" ') deprive us of the opportunity to develop a substantial integrated narrative of our lives. As a result, we fail to render our lives meaningful to ourselves and to the community as a whole (see, also, Special Issue, *Organization*, 1995).

Now it is easy to criticise Sennett's argument as one-sided, overblown and as the nostalgic musings of an ageing unreformed Keynesian socialist,[7] but it serves as a corrective to the utilitarian-inspired eulogies about the challenge of portfolio careers in flexible organisations in an exciting boundaryless world. Certainly, where flexible labour is about treating employees as a variable cost to be minimised rather than an asset to be nurtured and valued, the very words that are associated with such employment – the 'contingent', 'peripheral' workforce – along with the individualised contracts offered, point to the organisation loosing its bonds of obligation to its employees.[8] This may result in treating them as a commodity, contrary to Kantian and Aristotelian ethical premises. 'Outsourcing' and 'insourcing' exacerbates this commodification of employees because when workers are not technically employed by an organisation yet whose quality of employment is an indirect outcome of its policies, it is likely to be a case of 'out of sight, out of mind'. This has worrying echoes. The longer the supply chain, often stretching to the other side of the world, the more that workers are placed contractually outside the boundaries of the organisation, the greater the extent to which proximity is replaced by physical, social and psychological distance, the more likely it is that fellow human beings are then transformed into objects different from ourselves, for whom we feel no responsibility (cf. Bauman, 1991). A recent UK example is the exploitation (and invisibility) of migrant and asylum-seeking immigrants working for gangmasters in agricultural, fishing and food processing industries (*Guardian*, 27 March 2004). Purcell (1997) cites some overhead transparencies used in a presentation by the employment agency Addecco, suggesting the key advantages of using agency labour, that encapsulates the commodification of labour contractually outside the boundaries of the organisation:

- 'Enhances flexibility (turn on and off like a tap)
- No legal or psychological contract with the individual
- You outsource the management problems associated with non-core staff
- Greater cost efficiency (on average 15 to 20 per cent)'.

Mickey Mouse and the meaning of life

Turning to Naomi Klein's (2000) *No Logo*, her analysis suggests that one answer we may seek to Sennett's (and MacIntyre's) question about rendering our lives meaningful, only serves to reinforce the trends of global flexibility that 'corrode character'. Her argument is as follows.

It is a cliché that in a postmodern world many of us seek identity through our consumption rather than production and that such consumption is less about use-value than of meaningful images, values and experiences. These are often contained in the global brands that are the marketing triumphs of the global corporations, the engines of global flexibility. Brands, Klein argues, are not so much products as symbols of lifestyles and their character is to colonise the potentially competing sources of meaning, such as sporting events, institutions of learning and the media. While nation states symbolised their conquest of peoples and colonisation of territory by implanting a national flag, so the global companies implant their logos over areas of captive consumption.

It starts when logos grow 'so dominant that they have essentially transformed the clothing on which they appear into empty carriers for the brands they represent' (Klein, 2000, p. 28). Then the logos look to extend their colonising reach. The first tactic is sponsorship. As the 'feel-good' experience is all-important to consumer brands, there is a 'natural' association with leisure and pleasure. Hence sporting events and rock concerts are the first to be sponsored. This extends further in the development of fluid, synergistic partnerships between celebrity people and celebrity brands, such as between Michael Jordan and Nike. A variant of this is when the creator of a superbrand is accorded star status in the eyes of the consuming public, as in the case of Virgin and Richard Branson. Then, in a world of deregulation and privatisation, as government spending on public services dwindles, educational institutions and the arts generally, anxious to make up the shortfall, are ripe for partnerships with large corporations. This includes universities seeking sponsored Chairs, research and buildings, schools granting exclusive vending rights to Coca-Cola or Pepsi in exchange for equipment or art galleries extensions being named after their sponsor, such as the Sainsbury Gallery at the National Gallery in London. The search for profitable synergies through cross-promotional tie-ins, often facilitated by merger, is the next step and one exemplified by Disneyworld. From the initial children's films have sprung a raft of enterprises: videos, theme parks and hotels, Disney superstores, the *Disney Magic* cruise ship, which may visit Disney's privately-owned island in the Bahamas, Castaway Cay. There is even a gated and protected Disney township development in Florida, 'Celebration'. Disney bought ABC, which then broadcast its cartoons and films, and stimulated demand for a trip to Disneyland or Disney stores. As Klein (2000, p. 146) puts it, such activities 'combine buying with elements of the media, entertainment and professional sports to create an integrated branded loop'. A further step in brand dominance is signalled by the elimination of independent competition. This is done through the establishment of mega chains, such as Walmart, which undersells competitors; the blitzing out of competition by setting up chain store clusters – Starbuck's tactic; and the introduction of palatial flagship superstores, which act as a 3-dimensional advertisement for the brand (Klein, 2000, p. 132). The global corporations' final victory in this process of colonisation is signalled by their powers of censorship. This is direct, as when ABC suppressed a negative Disney-related story. It is also indirect as when Walmart's and Blockbuster Videos' refusal to stock material that they consider might undermine their image as a shop for the whole family, results in musicians, journalists and other media workers self-censoring their records, videos and magazine products in order not to risk the loss of shelf space (Klein, 2000, pp. 165–71). Here we have the irony that icons of capitalism are suppressing freedom of choice and individual rights to freedom, the major ethical justification of capitalism.

Sennett's and Klein's work are complementary. If we seek to achieve a meaningful identity, denied to many of us at work, through the consumption of *meaning full* brands, whether knowingly or not, we collude with those very global corporations that have been instrumental in creating working conditions that 'corrode character' in the first place. There are many ironies in this process. When we speak of shopping as 'retail therapy', the implication is that it unwinds the stresses induced by the flexibalisation deemed necessary for the production of the products and services that we now seek to consume. As producers we are stressed by the labour intensification of functional flexibility and the 'contingent worker' status afforded us by numerical flexibility, as shoppers we welcome low prices and extended opening hours. In purchasing brands we may feel we acquire a distinctive image, yet in following 'fashion' we lose uniqueness. We may deplore the instabilities in our working life, yet embrace it in some of our consumption as we seek to identify and follow the latest trends. We may want fashion, but in purchasing 'brands', by definition, we are also seeking security and predictability, 'something you can rely on' – the antithesis of many people's working lives. We may mourn the lack of value accorded to seniority and experience today, yet we purchase brands that look to ‘cool’ youth cultures for inspiration (Klein, 2000: Chapter 3). We may find no meaning in poorly paid, casualised ‘McJobs’, but as consumers, whether of fast food, financial services or supermarkets, we collude with our conversion into unpaid, part-time workers. We act as waiters in fast food restaurants, as bank clerks when we engage with call centres and cash machines, as garage attendants at petrol stations and as shop assistants – not to mention the pushing and tidying away of shopping trolleys – in supermarkets. In our roles as consumers we underwrite the flexibalisation that gives rise to the ‘corrosion of character’. The irony is that those most in need of alternative experiences to compensate for a ‘McJob’ working life are the least able to afford them.

Ethics and HRM

It is against this background that we can consider the role of human resource management in relation to the ethics of employment. As was discussed in HRMRR-1 (pp. 56–60), the personnel function is centrally concerned with achieving both the control *and* consent of employees or, to put it in Marxist terms, to assist in the extraction of surplus value through obscuring the commodity status of labour. The ‘high commitment management’ (HCM) model of human resource management seeks to secure the consent and commitment of employees to organisational values and demands by treating them as valuable assets and with respect. Ethically speaking, this strategy may be motivated by a belief in stakeholder ethics, New Labour’s favoured stance. Such a position is consistent with the unitarism of human resource management. Insofar as it is linked to a belief in fostering a unitary, inclusive and supportive culture, there may be elements of communitarianism, a close cousin of Aristotelianism. However, although HCM may appear Kantian in its respect for the person, the likely instrumentality of that respect rules out a truly Kantian ethical position. The ethical standpoint that appears to be most clearly embodied in HCM, not surprisingly, is a major ethical justification of capitalism: utilitarianism. The ‘black holes’ and ‘bleak houses’ identified by Guest and Sisson respectively (see HRMRR-1, p. 359) might appear to be basing their employment practices on the ethical position outlined by Friedman (1970).

Nevertheless, what prevails as the *enacted* ethics of human resource management in workplaces is likely to be the outcome of an on-going process of informal negotiation between different organisational stakeholders, reflecting emergent power/knowledge relations in which *most* employees are not as powerful as their employers. However, mindful of the circuit of capital, the voices of employees as consumers are likely to be influential in a capitalist society, but at the risk of cooptation into the ethics of utilitarianism.

Indeed, as Klein (2000) herself suggests, there already exists an activist backlash against brands. There is ‘culture jamming’, the touching up of billboards and other advertising media in a way that subverts the original message. There is anti-corporate and anti-globalisation activism, including boycotts over the use of child labour in the developing world and over a range of environmental issues (environmental pollution, rain forest destruction, GM crops). There have been attacks on the symbols of globalisation, such as McDonald's. Such debate and protest has been facilitated by the use of the Internet.

In the long term, though, the Kantian, trust-building ethic of 'Do as you would be done by', that may harness employees' productive creativity by providing dignity and trust at work (Hodson, 2001), might be most beneficial to all organisational stakeholders.

The future of HRM and HRM research

What of the future for HRM? This question can be considered from two perspectives: the nature of HRM practice and approaches to HRM research.

The future of HRM in the UK, at the level of practice, is likely to involve those perennial issues that require a balancing act. One might predict a continuing, pragmatic recognition that core knowledge working employees with scarce and valuable skills are likely to require some form of HCM, that may be considered 'too expensive' to extend to low skill, easily replaceable employees. Even so, judging by present empirical data (see, for example, Melian-Gonzalez and Verano-Tacorante, 2004), such knowledge workers are likely to be the lucky minority and there are no guarantees that HCM will accompany them all their working lives without continuous refurbishing of their skills in the light of changing organisational demands. One might predict the continuing need to respond to the often conflicting demands of the regulatory environment and of the marketplace and the imperative of cost control in a context of short-termism. One expression of this may be the challenge of coping with an increasingly diverse workforce given skills shortages and the influx of workers from the enlarged EU, let alone the rest of the world. The need to gain both the control and consent of employees, as ever, will be the *leitmotiv* of human resource management (Hyman, 1987). In coping with these challenges one might guess that, as in the past, practitioners will be susceptible to the fads and fashions of the consultancy industry (Clark and Fincham, 2002). Presently Kaplan and Norton's (1996, 2001) ideas about a 'balanced scorecard', not to mention the mirage-like learning organisation, are the latest fashions in HRM's perennial quest for centrality and credibility.

Just at the time when the key ideas of resource-based value theory penetrate the thinking (if not necessarily, the practice) of practitioners, I would predict that the academic debates, while not abandoning the RBV perspective, will tend to refocus outward to explore more fully the institutionalist approaches.[9] This is likely to have two foci.

First, there is interest, *within* particular sectors of industry and national economies generally, of how human resource management practices become *homogenised* through isomorphism. Thus Paauwe (1996, 2004), Paauwe and Boselie

(2003) and Boselie *et al.* (2001, 2003), in the Netherlands, have been exploring the effects of coercive, normative and mimetic isomorphism (DiMaggio and Powell, 1983) in producing particular patterns of HRM and HRM and performance relationships in what they term highly institutionalised (hospitals and local government) and less institutionalised (hotels) sectors. Here 'institutionalised' is defined in terms of such factors as labour legislation, collective bargaining regulation, works councils with their legal prerogatives, unionisation – all employee-friendly characteristics of coordinated market economy institutional settings. Their research reveals two particularly interesting findings. First, that due to institutional pressures, twelve out of sixteen of Pfeffer's (1994) so-called 'best practices' are so prevalent in the Netherlands that they cannot be the source of competitive advantage against other Dutch companies (Paauwe, 1996). Secondly (and relatedly), the effect of HRM on performance is lower in highly institutionalised sectors than in less institutionalised sectors, where there is more leeway with respect to HRM choices.

The second focus of the institutionalist perspective is likely to be continuing work on *heterogeneity* in HRM *between* institutional settings. I would predict fruitful work in exploring the different nature of HRM and HRM/performance relationships between liberal market economies and coordinated market economies. The development of HRM practices in economies moving from state regulation to private enterprise is another developing area. Particular attention may be paid to the former East European economies, now members of the EU, and to what is likely to be the economic superpower of the 21st century, China (see, for example, Special Issue, *International Journal of Human Resource Management*, 2004b).

Finally, while not dismissing the highly quantitative studies on HRM and performance, I would support Korczynski's (2002) and Edwards' and Wright's (2001) plea that we cannot understand the nature of HRM unless we understand the nature of the work, the social relations and the dynamic of the economy in which it is embedded. This calls for rich, longitudinal case studies (see, for example, Hope Hailey, 1997) and an historically and culturally informed understanding of organisations' institutional settings. Further, the submerged voice of those who experience HRM initiatives (see Guest, 1999; Knights and McCabe, 2000) needs to be given more prominence, not only for ethical reasons, but to counteract the managerialist agendas that are implicit in much HRM and performance research.

Notes

* It should be noted that this chapter draws on and adapts some material already published in Legge (2000a), Legge (2001) and in Legge, K. (2003) 'Strategy as organizing', in Cummings, S. and Wilson, D. (eds), *Images of Strategy.* Oxford: Blackwell, 74–104.

1. I have decided not to update HRMRR-1, chapter by chapter, for three reasons. First, much of what is contained in that text is still valid today. Second, it nevertheless stands as a statement of the emergence of HRM in an historical context of rising neo-liberalism,

which the Preview/Postscript chapter updates. Third, if I were to substantially rewrite the book from a 21st century standpoint, I would use the Postscript/Preview chapter as a framework and write a *different* book. This would be something of an amalgam between the approach adopted in this Preview/Postscript chapter and those of the excellent Boxall and Purcell (2003) and Paauwe (2004). The emphasis would be predominantly institutionalist, but with some critical deconstructive discourse analysis and greater use of actor network theory.

2. Nevertheless, in organisation studies generally, postmodernism still finds a welcome refuge in *Organization*, a journal founded in the year HRMRR-1 was published and in the Standing Conference in Organisational Symbolism (SCOS). The focus of such work tends to be on discourse analysis and on organisational aesthetics. With the exception of 'Human and Inhuman Resource Management: Saving the Subject of HRM', Special Issue, *Organization*, 1999, the work undertaken from a postmodern perspective today rarely focuses on HRM, but on organisation/organising generally.
3. 'In-person' services also contain highly skilled and paid work, particularly when the target client group is affluent and the service being purchased is a lifestyle choice, less about use-value and more about image (du Gay, 1996). Yet while a Michelin-starred media chef is light years away from a McDonald's fast food worker and might more accurately be perceived as a knowledge worker, sadly, in employment terms, far more people work in the fast food industry!
4. According to Thompson *et al.* (2001, p. 931), 'Aesthetic labour is defined as a supply of embodied capacities and attributes possessed by workers at the point of entry into employment. Employers mobilize, develop and commodify these capacities and attributes through processes of recruitment, selection and training, transforming them into competencies and skills which are then aesthetically geared towards producing a "style" of service encounter deliberately intended to appeal to the senses of customers, most obviously in a visual or aural way'.
5. Much of the research about knowledge workers is framed in debates about the nature of organisational knowledge, its creation and management in knowledge-intensive firms. As this is seen to be a hot topic in post-industrial societies, much research money has been available in both Europe and North America, spawning many Special Issues of journal papers in this area. See, for example, Special Issues, *Journal of Management Studies*, 1993, 2001; *Organization Studies*, 2003c; *British Journal of Management*, 2004a. The same applies to the proliferation of Special Issues on the 'learning organisation'.
6. For more up-beat and optimistic interpretations of the present position and future of UK trade unionism, see Gospel and Wood (2003) and Kelly and Willman (2004).
7. Sennett is also well known for his early classic *The Hidden Injuries of Class* (with Jonathan Cobb, 1977, Cambridge University Press).
8. It should be noted, however, that Guest *et al.* (2000) found that working on a fixed term contract correlated with perceptions of fairness on the part of their *knowledge worker* IPD survey respondents. This was explained by respondents' perception that a transactional contract protected them from the open-ended commitments 'expected' by an overly demanding organisational culture. Further, given their high employability, a fixed term contract allowed them to negotiate conditions that offered a good balance between work and the rest of their lives' activities.
9. This is not to suggest that these two approaches are incompatible, just that institutional setting will influence the application of RBV theory. See, for example, Oliver (1997).

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