
Contents

<i>Introduction</i>	viii
<i>Acknowledgements</i>	xii
1 The goals of human resource management	1
Defining human resource management	1
What are the goals of HRM?	10
Strategic tensions and problems in HRM	20
Summary and structure of the book	28
Part 1 Connecting strategy and human resource management	
2 Strategy and the process of strategic management	33
Defining strategy	33
The process of strategic management	44
Improving strategic management processes	50
Conclusions	54
3 Strategic HRM: ‘best fit’ or ‘best practice’?	56
Defining ‘strategic HRM’ and HR strategy	57
Strategic HRM: the ‘best fit’ school	61
Strategic HRM: the ‘best practice’ school	73
Conclusions: reconciling ‘best fit’ and ‘best practice’	82
4 Strategic HRM and the resource-based view of the firm	85
The resource-based view: origins and assumptions	86
Resources and barriers to imitation	88
Applying the resource-based view	94
The RBV and human resource strategy	100
Conclusions	107

Part 2 Managing work and people: searching for general principles

5 Work systems and the changing economics of production	111
Work systems in manufacturing	113
Globalisation, market reform and production offshoring	126
Work systems in services and the public sector	131
Conclusions	140
6 Managing employee voice	142
The growth and changing contours of employee voice	144
What are the impacts of employee voice systems?	154
Trade unions and change in employee voice	158
Management style in employee relations	165
Conclusions	169
7 Managing individual performance and commitment	171
The performance equation	172
Managing employee ability	175
Managing employee motivation	183
Conclusions	199
8 Linking HR systems to organisational performance	201
HR systems and organisational patterns in HR strategy	201
The 'black box' problem: links between HRM and performance	215
Conclusions	224

Part 3 Managing people in dynamic and complex business contexts

9 Human resource strategy and the dynamics of industry-based competition	229
Industry dynamics: cycles of stability and change	230
HR strategy and industry dynamics	235
Conclusions	249
10 Corporate human resource strategy in the global economy	251
Strategy, structure and the divisionalised company	254
The HR implications of divisionalisation	259
From M-form to N-form?	265
The HR implications of mergers and acquisitions	269
Conclusions	277
11 Conclusions and implications	279
The main themes of this book	279
Can strategic planning be a valuable resource in the firm?	287

The design of HR planning processes	290
Seeking integration: HR planning and the new management accounting	296
Conclusions	307
<i>References</i>	309
<i>Author index</i>	335
<i>Subject index</i>	342

1

The goals of human resource management

Our mission in this book is to explore the ways in which human resource management (HRM) is strategic to organisational success. We are interested in how HRM affects the viability and relative performance of firms and other formal organisations. In so doing, we take an ‘analytical approach’ to HRM (Boxall, Purcell and Wright 2007b). This means we are concerned, first and foremost, with research that tries to describe what managers do in practice and with theory which helps us understand why and how they do it. Only on this basis do we enter into discussion of what we think they ought to do or how we think they could do it better.

The logical place to begin is with the analysis of goals. What is management trying to achieve in employing people? What sort of motives underpin human resource management? This is the question we pose and seek to answer in this first chapter. The chapter begins by defining the key characteristics of HRM. We then identify and examine the principal goals or motives that can be discerned in management’s HRM activities. This leads into a discussion of the strategic tensions and problems that management faces in pursuing these goals. We conclude with a summary and an outline of what lies ahead in the book.

Defining human resource management

HRM refers to all those activities associated with the management of work and people in firms and in other formal organisations. In this book, related terms such as ‘employee relations’, ‘labour management’ and ‘people management’ are used as synonyms for HRM. While there have been debates

over the meaning of HRM since the term came into vogue in the 1980s, it has become the most widely recognised term in the English-speaking world referring to the activities of management in organising work and employing people. Appropriately translated, it is also popular in the Francophone and Spanish-speaking worlds.

We do not wish to use the term loosely, however. Definitions are important. They should not be rushed or glossed over because they indicate the intellectual terrain that is being addressed. They suggest the relevant ‘problematics’ of the field – that is, they suggest what needs to be discussed and explained. Before proceeding, our definition will be clarified and elaborated.

HRM: an inevitable process in organisations

Let’s suppose you are a self-employed individual running your own small business. The business, however, is starting to take off. You have more orders from clients than you can cope with. You have some capital and your bank manager, who likes your financial performance so far and thinks you are a good risk, is prepared to lend you some more. The minute you decide you want to hire your first employee, you are engaged in the initial stages of human resource management. You are moving from a situation in which self-employment and self-management has been everything to one in which the employment and management of others will also be critical. Your ideas may not be well shaped at this stage but as you start to think more seriously about what kind of help you need and take some steps to make it happen (for example, by networking among talented friends or advertising the job on the internet), you are entering the world of HRM. Once someone has actually joined you as an employee, you have really begun the process of HRM in earnest. You have started to expand your business in the anticipation of improving its potential and, if you wish to survive, with the intention of making money through employing the talents of other people. You have embarked on a process that brings opportunity at the same time as it creates a whole new world of problems for you (for example, how are you going to involve this person in decision making?; what will you do if they are not much good at the job and coping with them turns out to be very time-consuming?; if they are good at it, how will you keep up with their income and career aspirations? . . .).

This simple illustration underlines the fact that it is virtually impossible to grow businesses (and, for that matter, any kind of formal organisation) without employing people. HRM is a process that accompanies the expansion

of organisations: it is a correlate of entrepreneurial success and organisational growth. One of the key metrics commonly used to measure the size of organisations is the number of people employed. The world's largest company by revenue in 2006 – Wal-Mart Stores – employs 1.9 million people.¹ The second largest company by revenue but the most profitable firm in the world in 2006, Exxon Mobil, employs around 84,000 people.² These differences in employee numbers say something about the difference between retail organisations and oil production in terms of technological intensity (the oil industry requires huge capital investments while supermarkets remain relatively labour intensive) but both of these organisations need large numbers of people to do what they do. In the public sector, workforces can also be very large. The British national health system, for example, employs over 1.5 million people.³

The idea that we might need to justify the process of HRM in organisations is, thus, rather absurd. We may well wish to analyse the effectiveness of a firm's approach to HRM and make some changes but we inevitably come back to some kind of 'human resourcing' process (Watson 2005). You simply cannot grow and maintain organisations without at least some employment of other people. Longstanding firms may go through periods in which they need to lay off people – possibly very large numbers of people – to improve their cost structure but hardly any business will survive unless it is employing at least some people on a regular basis. If everyone is laid off and their final entitlements paid to them, the process of HRM will cease – but so will the firm.⁴

HRM: managing work and people

Our conception of HRM covers the policies and practices used to organise work and to employ people. In other words, HRM encompasses the management of work and the management of people to do the work. Work policies and practices are to do with the way the work itself is organised. This includes its fundamental structure, which can range from low-discretion jobs where supervisors exercise a high level of control through to highly autonomous jobs where individuals largely supervise themselves. It also

1 <http://money.cnn.com/galleries/2007/fortune/0704/gallery.500top50.fortune/index.html>

2 www.exxonmobil.co.uk/corporate/citizenship/ccr5/global_workforce.asp

3 www.skillsforhealth.org.uk/sector.php

4 Except in the case of 'shell companies' which are defunct but may be revived when someone acquires the rights to the name and decides to use them.

includes any associated opportunities to engage in problem-solving and change management regarding work processes (for example, through quality circles or team meetings). Employment policies and practices, on the other hand, are concerned with how firms try to hire and manage people. They include management activities in recruiting, selecting, deploying, motivating, appraising, training, developing and retaining individual employees. In addition, they include processes for informing, consulting and negotiating with individuals and groups and activities associated with disciplining employees, terminating their contracts and downsizing entire workforces. As this makes apparent, the management of work and people includes both individual and collective dimensions. People are managed through employing and relating to them as individuals and also through relating to them in larger groups.

HRM: involving line and specialist managers

Given this wide remit, it should be obvious that HRM can never be the exclusive property of HR specialists. As an essential organisational process, HRM is as an aspect of all management jobs. Line managers – those who directly supervise employees engaged in the operations of the firm – are intimately involved, usually hiring their own team and almost always held directly accountable for the performance of that team. In larger organisations, there may be permanent in-house HR specialists contributing specialist skills in such technical aspects of HRM as the design of selection processes, the formation of Equal Employment Opportunity (EEO) policies, the conduct of collective employment negotiations, and training needs analysis. There may also be specialist HR consultants contracted to provide such important services as executive search, and assistance with major reformulations of salary structure and performance incentives. In the UK and Ireland, there are currently around 81,000 HR specialists working in organisations and around 6,500 consultancy organisations providing HR advice or services.⁵ This underlines the importance of this kind of work in advanced economies. All specialists, however, are engaged in ‘selling’ their services to other managers (senior, middle and first-line), in working together with other members of the management team to achieve the desired results. In this book, the acronym ‘HRM’ is used to refer to the totality of the firm’s management of work and people and not simply to those aspects where HR specialists are involved.

5 www.apinfo.co.uk/pmy/

HRM: managerial efforts to build individual and organisational performance

HRM can usefully be understood as a set of activities aimed at building individual and organisational performance. On the individual level, HRM consists of managerial attempts to influence individual ability (A), motivation (M), and the opportunity to perform (O). If managers want to enhance individual performance, they need to influence these three variables positively (Blumberg and Pringle 1982, Campbell, McCloy, Oppler and Sager 1993). This is true in any model of HRM, whether we are talking of one in which employees have relatively basic skills (such as fast food services) or very advanced qualifications (such as brain surgery). Using mathematical notation:

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

In other words, individuals perform when they have:

- the ability (A) to perform (they *can do* the job because they possess the necessary knowledge and skills);
- the motivation (M) to perform (they *will do* the job because they feel adequately interested and incentivised); and
- the opportunity (O) to perform (their work structure and its environment provides the necessary support and avenues for expression).

The AMO framework is depicted in Figure 1.1. We should note here that it is not only HRM that affects the AMO variables. Employees are motivated and enabled not only through incentives (such as pay and promotion) and work processes (such as supervisory help and co-worker support) but also through the wider organisational environment, including such things as the

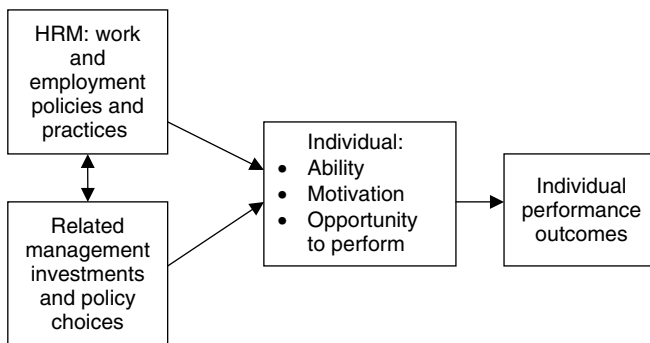


Figure 1.1 The AMO framework

quality of information systems and the level of funding available. It is easier to perform when a firm is financially successful and management decides to plough its wealth back into new technologies and better staffing budgets.

The mathematical shorthand we use here, $P = f(A, M, O)$, is not meant to be mystifying or off-putting. It is simply a useful way of indicating that no one knows the precise relationships among ability, motivation and opportunity. There is no exact formula here but we do know that all three factors are involved in creating employee performance. Good ability alone will not bring performance: the worker must want to apply it. Similarly, motivated workers with good abilities cannot achieve much if critical resources or organisational support are lacking. The AMO framework is something that we will refer to regularly, and develop in a more sophisticated way, in this book.

The managerial effort in human resource management, however, is not solely concerned with managing individuals as if they were independent of others. It does include this but, as we have indicated, it also includes efforts to organise and manage groups of employees and whole workforces. Figure 1.2 sketches the role of HRM on this collective level. Again, we do not know the precise relationships here but we do know that HRM plays an important role in building workforce organisation and capabilities and the general climate of employee attitudes. It typically includes attempts to build work systems that coordinate individuals in some kind of way, such as permanent teams, finite project groups and ‘virtual teams’ which coordinate through the internet. It may include attempts to build collaboration across departmental or hierarchical boundaries and networks operating across work sites, countries and time zones. These sorts of work organisation activities, along with various kinds of recruitment and development activities (including, at times, company takeovers), are attempts to build workforce capabilities. Managers try to build ‘critical mass’: the stock of knowledge and

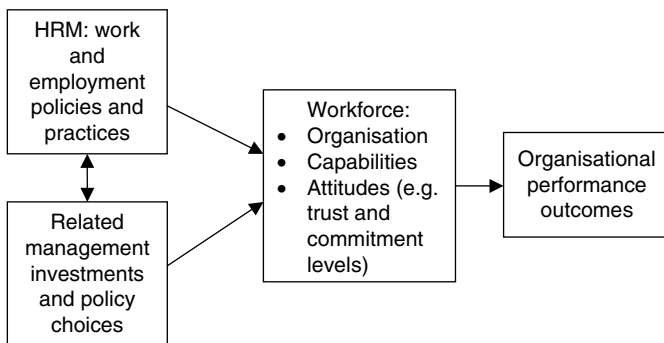


Figure 1.2 HRM and collective performance variables

skills they need to fulfil the firm's mission. Finally on the collective level, HRM includes management actions that affect the attitudinal climate of the workplace. Management's stance towards employee voice is a key influence here and a variety of collective variables – such as trust levels, commitment levels and the quality of cooperation – are in play.

HRM, then, needs to be understood as a management process that operates on more than one level. It includes attempts to manage individuals and attempts to build a functioning workplace society. Theorists increasingly argue that HRM is about building both 'human capital' (what individuals know and can do that is valuable to the firm) and 'social capital' (relationships and networks among individuals and groups that create value for the firm) (e.g. Goshal and Nahapiet 1998, Leana and van Buren 1999, Snell 1999). These levels are obviously connected. While there is often much that individuals can achieve through their own skills and drive, they are always acting within a larger social context. They are inevitably affected by the quality of workforce organisation and capabilities and the attitudinal climate in which they are embedded. The need to understand HRM as concerned with both human and social capital will be an important theme in this book.

HRM: incorporating a variety of management styles and ideologies

As our discussion so far should indicate, management often adopts a variety of approaches to managing employees. In the larger organisations, it is quite common for one approach to be taken to managing managers, another to permanent non-managerial employees, and yet another to temporary and 'contract' staff (e.g. Pinfield and Berner 1994, Harley 2001, Kalleberg *et al.* 2006). In unionised organisations, such as public sector hospitals, there can be different employment regimes for each professional group with each of these negotiated in separate contractual negotiations and then enforced or 'policed' with a high degree of seriousness. In this light, Osterman (1987) refers to a range of 'employment subsystems' in firms. Lepak and Snell (1999, 2002, 2007) talk of a 'human resource architecture' in which management chooses different HR systems for different groups based on their strategic value and the uniqueness of the skills that each group possesses.

Not only are there key differences in style within firms but differences in styles across firms are also widely observed. In terms of the way firms approach employee voice, we see a broad range of styles from paternalistic

ones through to workplace ‘partnerships’ in which there is much greater recognition of employee rights and interests (e.g. Purcell and Ahlstrand 1994, Budd 2004).

Our definition of HRM, then, allows for a wide variety of management ideologies and styles. The notion of HRM is largely used in this sense in the United States where the term covers all management approaches to managing people in the workplace. Some approaches involve unions while others do not (see, for example, Noe *et al.* 2005). It must be admitted, however, that most styles of labour management in the US *private* sector do not involve dealing with unions.⁶ This fact can mean that students of HRM there have much less exposure to theory on union–management relations than is typical in Europe and in the old Commonwealth countries of Canada, South Africa, Australia and New Zealand.

In Britain, the rise of practitioner and academic interest in HRM sparked a debate about the term’s meaning, its ideological presuppositions, and its consequences for the teaching and practice of Industrial Relations. Storey (1995: 5) defined HRM as a ‘distinctive approach to employment management’, one which ‘seeks to achieve competitive advantage through the strategic deployment of a highly committed and capable workforce, using an integrated array of cultural, structural and personnel techniques’. Similarly, Guest (1987) developed a model of HRM as a strongly integrated management approach in which high levels of commitment and flexibility are sought from a high quality staff. Some commentators went further and saw HRM as a workplace manifestation of Thatcherite ‘enterprise culture’, as an ideology that would make management prerogative the natural order of things (see, for example, Keenoy and Anthony 1992).

For research purposes, defining HRM as a particular style is obviously a legitimate way to proceed. It opens up useful questions such as: what practices constitute a high-commitment model of labour management?; in what contexts is such a model likely to occur?; and are the outcomes of such a model actually superior?

We are interested in all styles of labour management, and the ideologies associated with them, and pursue the sorts of questions about particular models just noted. However, for the purposes of exploring the links between strategic management and HRM, we find that a broad, inclusive definition of HRM is more appropriate. The terrain of HRM includes a variety of

⁶ In 2005, US private sector union density (based on membership) stood at 7.8 per cent of employed wage and salary earners: www.bls.gov/news.release/union2.t03.htm

styles. We are interested in which ones managers take in a particular context and why and we are interested in how different styles work. The strategy literature requires this kind of openness because it recognises variety in business strategy across varying contexts (see, for example, Miles and Snow 1984, Porter 1980, 1985). It implies that there is no ‘one best way’ to compete in markets and organise the internal operations of the firm. If we are to truly explore the HRM–strategy nexus, we need relatively open definitions on both sides of the equation.

HRM: embedded in industries and societies

HRM, then, is a process carried out in formal organisations – some small, some large, some very large, including multinational firms and the huge government departments of large countries. While recognition of this fact is essential, the academic study of HRM has been criticised by scholars in the companion discipline of Industrial or Employment Relations for focusing too much on the firm and ignoring the wider context of the markets, networks and societies in which the firm operates (see, for example, Rubery and Grimshaw 2003, Blyton and Turnbull 2004, Rubery, Earnshaw and Marchington 2005). We think this is a fair criticism. The different HR strategies of firms are better understood if they are examined in the wider context that helps to shape them, something we shall certainly be arguing throughout this book. Work and employment practices are not entirely developed within a firm or controlled by that firm’s management.

We will shortly be arguing that HRM is profoundly affected by the characteristics of the industries in which the firm chooses to compete, as demonstrated long ago in Dunlop’s (1958) classic analysis of industrial relations systems. Firms often adopt similar HR practices to other firms operating with the same know-how or technology or trying to serve the same type of client. Anyone with extensive experience of law firms, for example, will be able to explain important similarities in the way they hire their associates and set up arrangements to ‘manage’ their partners. Similarly, anyone with serious experience of production work in clothing manufacturers will see similarities in HR practices in this industry and will realise that there are major differences from law firms, not least in the work process and in the pay levels! We should point out that, in this sense, it is useful to consider the public sector as a set of ‘industries’, embracing core government departments, the armed services, public health providers, schools and many others. Organisations in these areas, just like firms in private sector industries, face similar challenges and demonstrate many similar responses

in their approaches to HRM (e.g. Kalleberg *et al.* 2006, Bach and Kessler 2007).

We will also be arguing that along with industry differences, HRM is deeply affected by differences between societies. Although globalisation is a powerful set of forces, nation states still exercise a major impact on the HR strategies of firms. Nations provide resources of physical infrastructure, politico-economic systems, educated workforces and social order. These resources are of variable quality across nations but are always significant. In exchange for the use of these resources, national governments often impose regulations on how employees should be treated, with varying degrees of enforcement of these regulations. Firms, therefore, are always 'embedded in structures of social relations' (Granovetter 1985: 481).

The role of industry and societal factors in influencing the HR strategies of firms is an important theme in this book. The implicit model of HR practice as something entirely within the control of management in the individual firm is something we work hard to avoid.

What are the goals of HRM?

Human resource management, we have argued, covers a broad range of activities associated with managing work and people and shows a huge range of variations across such categories as occupations, hierarchical levels, firms, industries and societies. This confusing detail and profound diversity naturally begs a fundamental question: what are employers seeking through engaging in HRM and how do their goals for HRM relate to their broader organisational goals? What are the underpinning objectives of employers? In terms of the 'level of analysis' involved, our question concerns the goals that characterise whole employing units: that is, firms or, where these are diversified and devolved in labour management, business units or establishments within them.

The task is a difficult one. It has never been easy to define the goals of labour management in the firm. In a classic analysis, Karen Legge (1978: 3) noted that most textbooks on (what was then) personnel management sidestepped the issue by briefly referring to some statement such as, 'the optimum utilisation of human resources in order to achieve the goals and objectives of the organisation'. She pointed out that this kind of vague, ill-defined statement begged a number of important questions, including the question of *whose* interests were being served and what was meant by optimisation. Ignoring such troublesome questions, the textbooks moved

quickly into the traditional exposition of personnel practices, depicted as ends in themselves (rather than as means or methods which might be relevant in some contexts and counter-productive in others).

One can, to some extent, sympathise. In asking about a firm's goals for HRM, we face the problem that these goals are often implicit (Purcell and Ahlstrand 1994, Gratton *et al.* 1999b). Only the larger firms have formal or explicit goal statements for their HR strategies (Kersley *et al.* 2006). Even when they do, we need to be careful in taking them at face value. In HRM, aspirational rhetoric or ideology may mask a more opportunistic and pragmatic reality (Marchington and Grugulis 2000, Legge 2005). Broad policies are always open to the interpretations of managers, both general and specialist, and sometimes their active subversion. Furthermore, particular patterns of HRM are laid down or 'sedimented' at certain critical moments in an organisation's history (Poole 1986) and managers find themselves working within these traditions without necessarily being able to explain how all the pieces got there. Goals may not be seriously analysed unless some kind of crisis emerges in the firm's growth or performance that forces reconsideration and restructuring (e.g. Snape, Redman and Wilkinson 1993, Colling 1995). Our task, then, is better understood as trying to infer the general intentions or motives underpinning labour management, recognising that we are studying a complex, collective process, built up historically in firms and inevitably subject to a degree of interpretation, politicking and inconsistent practice. It helps if we analyse the goals of HRM in terms of two broad categories: economic and socio-political goals (Boxall 2007).

The economic goals of HRM

Cost-effectiveness

We argue in this book that the primary problem facing firms is to secure their economic viability in the industries in which they have chosen to compete. Viability means the firm is profitable enough to satisfy its shareholders and those who have lent it money. It is not essential for a firm to 'maximise' profits but it *is* essential to sustain the commitment of key investors or the firm will fail, be restructured or sold off.

To achieve viability, management needs to stabilise a production system that enables the firm to compete in its industry (Rubery 1994, Rubery and Grimshaw 2003). Industries vary in their 'underlying economic structure' (Porter 1980: 3) and the firm needs a reliable way of producing what its customers want at a price they are prepared to pay. If it is a public sector organisation, it will need to stabilise its operations (for example, run its

school or its hospital) within the budget it has been allocated or the price set for its services. In order to support economic viability, managers are naturally concerned with the problem of how to make the kind of labour they need productive within a cost structure the firm can afford. In other words, management seeks to establish a cost-effective system of labour management (Geare 1977, Osterman 1987, Godard 2001).

The fundamental need for a firm's managers to relate their HR activities to the economic characteristics of the industry introduces a major source of variation into how HRM is conducted. Very expensive, high-skill models of labour management, incorporating rigorous selection, high pay, and extensive internal development, are unusual among firms in those services, such as fast food, gas stations and supermarkets, which are characterised by intense, cost-based competition (Boxall 2003). In such circumstances, firms typically adopt a low-skill model of HRM. They have some long-term managers and employees to provide a reliable 'backbone' to operations but otherwise simply offer enough money to attract less experienced workers such as students and new migrants. They do not expect most of these workers to stay very long. Their 'business model' turns on providing adequate rather than excellent service standards because customers are more price than quality sensitive: they will take part in service production (for example, weighing their own fruit and vegetables, packing their own groceries or pumping their own petrol) in order to buy more cheaply. On the other hand, as Godard and Delaney (2000: 488) explain, high-skill, high-commitment HR strategies are more often found where the production system is capital intensive or where high technology is involved. They cite the example of nuclear power plants:

... in a nuclear power plant employing many workers, the costs of poor morale, (labour) turnover, and strikes can be high, so the benefits of HRM innovations will tend to be high. Firm size may also introduce important economies of scale, reducing the costs of HRM innovations per worker. Thus, in this plant, the benefits of new practices can be expected to exceed the costs. In a small, low-technology garment factory employing unskilled labour, the opposite may be true.

In capital-intensive conditions, the actual level of labour cost will be quite low (10 per cent or less of total cost) but workers will have a major effect on how well the technology is utilised or exploited (as Appleyard and Brown (2001) illustrate in the case of semiconductor manufacturing). It thus pays to remunerate and train them very well, making better use of their skills and ensuring their motivation is kept high. As they find ways of making the equipment meet or even exceed its specifications, the unit costs of labour fall and productivity rises. Thus, in this kind of context, the firm can easily

sustain high wage levels. It is more important *not* to alienate this kind of labour, because of the productivity impacts of disruptions, than it is to worry about wage levels.

These examples help to illustrate the point that it is wrong to confuse wage levels with *unit* labour costs or to confuse cost minimisation with cost-effectiveness. In certain cases, where product markets are very competitive and where technology is limited and the work is labour intensive, labour costs are decisive in the assessment of cost-effectiveness (Boxall 2003). In these situations, cost-effectiveness does broadly equate with labour cost minimisation because labour cost levels have such a huge impact on the survival of firms. This is why so much clothing, footwear and toy manufacture has moved to low-wage countries such as China and Cambodia. On the other hand, more complex and capital-intensive research and design functions can often be kept in high-wage countries where a small team of well-paid designers uses advanced computing equipment and keeps in close contact with their marketing colleagues and with retail buyers external to the firm.

Clearly, then, the problem of securing cost-effective labour, of making labour productive at reasonable cost, invites some careful thinking about costs and benefits in the industry concerned. There are indeed situations where labour costs can make or break the firm. When this occurs in manufacturing, firms worry about where to site production facilities to take advantage of lower labour costs. When it occurs in services, firms typically use employment practices that keep their service costs competitive: wages paid are relative to 'the going rate' in the local labour market (but rarely superior to it), the training investment is only sufficient to ensure basic quality, and employee turnover levels can be high. Or, if the service can be offered over the internet, managers may think about outsourcing or offshoring it to lower-cost countries. Quality may be no better than average but this may be quite acceptable with customers if the price is right. On the other hand, there are situations where labour costs are not in competition but the interaction between labour and technology needs to be carefully managed to achieve high productivity. Here, high levels of HR investment pay high dividends and help to protect against disruption or downtime. Similarly, there are areas in the service sector, such as professional services, which are knowledge intensive. Here, managers see the value of investing in higher salaries, extensive career development, and time-consuming performance appraisal because these practices foster the kind of expert interactions with customers that make it possible for the firm to secure and retain high value-added business.

In summary, the fundamental economic motive that can be observed in HRM is concerned with making labour productive at an affordable cost in the industry concerned. In effect, managers ask: what HR systems are cost-effective or 'profit-rational' in our specific market context? In capitalist societies, the pursuit of cost-effectiveness runs across the management of labour in all business organisations and also makes its impact in public sector organisations through their budget constraints and contracting requirements.

Organisational flexibility

Cost-effectiveness is not, however, the only economic goal we can discern in HRM. It is something that is aimed for in a *given* context. In other words, given a particular market or budget and a certain type of technology (among other things), it is about management's drive to make labour productive at competitive cost. However, change is inevitable and many firms have, of necessity, adopted some HR practices designed to enhance capacity to change or build 'organisational flexibility' (Osterman 1987). The word 'organisational' is used here because employers typically seek forms of flexibility which extend beyond, but encompass, their labour management (Streeck 1987). Concern to achieve an appropriate degree of flexibility has grown since the 1980s.

Short-run responsiveness

In thinking about the HRM goals that firms pursue in the area of organisational flexibility, it is useful to distinguish between *short-run* responsiveness and *long-run* agility. Short-run responsiveness includes attempts to bring about greater numerical (or 'headcount') flexibility (measures which make it easier to hire and shed labour) and greater financial flexibility (attempts to bring greater flexibility into the price of labour) (Atkinson 1984). Thus, firms engaged in very cyclical activities often seek to relate their permanent staff numbers to their calculation of the troughs in business demand rather than the relatively unpredictable peaks, seeking to offer overtime and bring in temporary or 'seasonal' staff if, and when, the workload surges. In other cases, managers seek to pay workers a mix of wages and profit-related bonuses, with the latter fluctuating in line with company financial fortunes. In both these cases, the emphasis is on adjusting labour costs to fit with changes in business revenues. Short-run responsiveness also includes attempts to hire workers who are cross-trained or 'multi-skilled', combining roles that have historically been kept in separate job descriptions.

Such 'functional flexibility' (Atkinson 1984) helps the firm to maintain a lower headcount but cope better with marginal improvements in product design or production processes.

Long-run agility

Long-run agility, on the other hand, is a much more powerful, but rather ambiguous, concept (Dyer and Shafer 1999). It is concerned with the question of whether a firm can build the ability to survive in an environment that can change radically. Does the firm have the capacity to create, or at least cope with, long-run changes in products, costs and technologies? Can it adapt to change as fast or faster than its major rivals? What elements of its HR strategy might need to be flexible to achieve this? While some firms aspire to long-run agility, organisational ecologists such as Carroll and Hannan (1995), who study patterns of firm birth, growth and decline in industries, observe that it is very hard to achieve because core features of organisations are hard to change once laid down in the early stages of establishment and growth.

A key challenge to the agility of manufacturing firms in recent times has come from the major cost differences between companies with operations in the developed world and those with operations in newly industrialising nations. When manufacturers in lower-cost countries find ways of making the same products at the same quality and delivery benchmarks but do so at much lower prices, established firms operating in high-wage countries either adjust their HR strategies or go out of business. A case in point is one of Britain's most innovative manufacturing firms, Dyson. The firm, an international leader in vacuum cleaner technology, shifted its production facilities to Malaysia in the year 2000. Relocation to Malaysia not only delivered lower unit costs than was possible in the UK but also ensured proximity to key parts suppliers, thus improving the firm's location in its supply chain. Some 550 British workers were laid off in the process and HR strategy now revolves around managing a dual workforce: one in the UK where research and development (R&D) staff are employed and one in Malaysia where the products are assembled.⁷ This shift in production facilities and labour forces has made Dyson a more agile firm, enabling it to invest more heavily in R&D and to expand production. The company sees its long-run ability to survive as relying on innovation in its core products or technologies. Making a difficult change to its production and HR strategy

7 For a summary of the company's history, see http://en.wikipedia.org/wiki/James_Dyson

has enabled it to focus more effectively on this goal. Agility, then, may mean that the firm needs the capacity to make quite radical changes in HRM.

What about competitive advantage?

Our discussion has focused on employer goals in relation to the viability problem of the firm. The pursuit of viability is clearly the fundamental driver that we observe in management behaviour: without securing economic viability, including its HRM dimensions, firms fail. However, a key question concerns the conditions under which firms can, and do, pursue sustained competitive advantage through HRM (e.g. Wright, McMahan and McWilliams 1994, Mueller 1996, Boxall and Steeneveld 1999). In thinking about this question, it is helpful to distinguish between labour-cost advantages and labour-differentiation advantages and to consider the extent to which either form of advantage can be sustained.

The sort of production switching we have just talked about is done for reasons of cost, including labour costs. This, however, is more likely to enhance viability than it is to bring about a *sustained* advantage: the firms that do it first enjoy some temporary advantages but, as others follow suit, profits typically return to normal. High-tech manufacturing firms, like Dyson, do not necessarily rest in this position. They may seek a more enduring form of advantage through some distinctive feature that is not so easily copied. This is where differentiation in labour quality becomes the issue, which is much more what people have in mind when they think of 'human resource advantage' (HRA). Boxall (1996, 1998) breaks HRA down into 'human capital advantage' (employing smarter people) and 'organisational process advantage' (developing better ways of working together). It is possible to hire brilliant individuals, and this can bring important breakthroughs for a time, but fail to take best advantage of this potential as a result of poor organisational processes in such areas as teamwork, communication and problem solving. Achieving both human capital and organisational process advantages is clearly more valuable.

When might firms embrace a goal of achieving some form of human resource advantage? Existing studies on service sector HR strategy, including Batt's (2000) study of US call centres and Hunter's (2000) study of US rest homes, indicate that firms rarely adopt this goal when they are locked into the cost-based competition that occurs in mass services. In mass services, customers are price sensitive and will typically take part in self-service if the price is right. The goal of HR advantage is more of a possibility in differentiated service markets where a group of more affluent customers is prepared to pay a premium for better quality (Boxall 2003). This often

happens, for example, in professional services and in such services as luxury hotels and premium banking. We will explore this issue further in this book. What we wish to emphasise at this stage is that viability is the fundamental business goal that HRM must serve. There are, however, situations in which employers seek sustained competitive advantage through HRM and there are interesting questions around the conditions under which they might achieve it.

The socio-political objectives of HRM

Social legitimacy

While the pursuit of economic objectives is fundamental to HRM, it does not fully account for the strategic behaviour of employers. Firms are economic actors but they operate in societies, making use of human capacities that citizens and the state have nurtured (for example, through family support and through public education and training systems). In this light, governments typically exercise their right to regulate employment practices and constrain employer behaviour. We observe significant variation in HRM based on the way firms respond to different national regulations (e.g. Gooderham, Nordhaug and Ringdal 1999). There are fundamental differences, for example, between US employment systems and those that prevail in the 'Rhineland countries' of Germany, France and the Netherlands where 'social partnership' models accord a strong role to trade unions and works councils (Paauwe and Boselie 2003, 2007). This argument can be linked to the observation that capital markets and the governance systems of firms vary across 'varieties of capitalism' (Hall and Soskice 2001, Gospel and Pendleton 2003). Anglo-American firms, used to operating under more liberal market regimes, need to make adjustments when employing workforces in the more highly coordinated and regulated economies of continental Europe. Firms need to fit into their socio-political context and this inevitably means that packages of 'best practices' developed in one country, such as the USA, can rarely be exported 'holus-bolus' elsewhere.

The 'bottom line' is that most firms allocate some resources to ensuring their moral legitimacy or ethical standing in the society or the various societies in which they operate (Suchman 1995, Paauwe 2004). This is certainly true in societies where labour laws are not simply enacted but also effectively enforced through government agencies and/or trade union action. As Lees (1997) argues, social legitimacy should be understood as an employer goal alongside the more market-oriented ones. In general, employers are concerned with ensuring their social legitimacy *while simultaneously* pursuing

cost-effective HRM (Boxall 2007). More broadly, of course, the quality of the firm's reputation as an employer is only one aspect of its social legitimacy, which also includes such things as its impacts on the natural environment. There is a range of contemporary movements designed to encourage greater social responsibility in business and broader corporate reporting, including the notion of the 'triple bottom line' (financial, environmental and social) (Elkington 1997).

In practice, we see significant variation in the extent to which employers take legitimacy goals into account in their labour management. At one extreme, there is a group of employers in any society who try to avoid their legal responsibilities. In the UK, for example, there is an ongoing problem with the employment of new migrants (some legal and some illegal) on wage rates below the legal minimum and in unsafe conditions. This was tragically illustrated in the drowning of 23 Chinese workers while harvesting shell-fish at Morecombe Bay in 2004.⁸ There are sectors of the British economy where government enforcement activities (through HM Revenue and Customs) have revealed that a large number of employers do not pay the minimum wage. This has been estimated at one in three workplaces in pre-school childcare ('nurseries').⁹ Most employers in Britain, however, comply with their responsibilities under employment law and under government regulations for occupational safety and health. Their legitimacy goal is legal compliance. Compliance is the baseline legitimacy goal for employers who wish to avoid prosecution and bad publicity, a risk in any society in which labour laws are efficiently enforced. It is apparent, however, that some firms, at least, operate beyond this baseline. For example, some firms are now actively competing for Equal Employment Opportunity (EEO) awards or for favourable rankings in lists of the 'best companies to work for', the 'great places to work' or the 'family-friendliest companies'.¹⁰ These tend to be larger, better-known firms, but some are also innovative small firms, with a strong interest in building their standing as an 'employer of choice'. Some see the achievement of the Investors in People (IiP) standard as a dimension of legitimacy since it based on a commitment to training and development

8 See, for example: 'Another Morecombe Bay is waiting to happen', *Guardian*, 28 March 2006, p. 28.

9 www.gnn.gov.uk/environment/detail.asp?ReleaseID=211711&NewsAreaID=2&NavigatedFromDepartment=True

10 <http://money.cnn.com/magazines/fortune/bestcompanies/>; <http://www.greatplacetowork.co.uk/>; www.workingwoman.com/100BEST_2005.html; <http://business.timesonline.co.uk/article/0,12190-2329654,00.html>

linked to business needs¹¹ while for others being recognised for corporate social responsibility, including in employment, is a desirable goal.

Managerial autonomy or power to act

As with economic motives, where we see both attempts to stabilise cost-effectiveness in the short run and the need to build some capacity for change if firms are to survive into the long run, it is useful to think about management's socio-political motives in a dynamic way. All firms can be seen as political systems in which management holds authority but one in which management decisions are subject to legal and moral challenge (e.g. Donaldson and Preston 1995). What is management trying to achieve in the politics or governance of the workplace as time goes by? Whether consciously or not, the evidence suggests that management exhibits a fundamental desire to enhance its autonomy or power to act. In a classic study of management ideology, Reinhard Bendix (1956: xxiii) argued that 'ideologies of management are attempts by leaders of enterprises to justify the privilege of voluntary action and association for themselves, while imposing upon all subordinates the duty of obedience and of service to the best of their ability'. Similarly, Gospel (1973) refers to management as having a less openly acknowledged 'security objective' alongside the profit (cost-effectiveness) motive, a goal to maximise managerial control over an uncertain environment including threats to its power from work groups and trade unions. We can add to this the fact that management often feels constrained by sharemarket reporting pressures and scrutiny. De-listing from stockmarkets is growing among firms in which a dominant (often, family-based) interest has sufficient capital to buy out other shareholders.¹²

Most people would recognise that there is a natural tendency in positions of authority or in conditions of risk to try to ensure one can act effectively: it is unhelpful to firms if managers are hopelessly checked at every point when they need to take decisive action. Managers need some 'degrees of freedom' or the job is impossible. The issue we will shortly explore is the question of whether management's drive for power can undermine its other goals, including cost-effectiveness and social legitimacy.

Thus, while management is generally concerned about social legitimacy, at least to the extent of legal compliance in societies where there is a risk of legal enforcement, and sometimes well beyond this, we also observe management

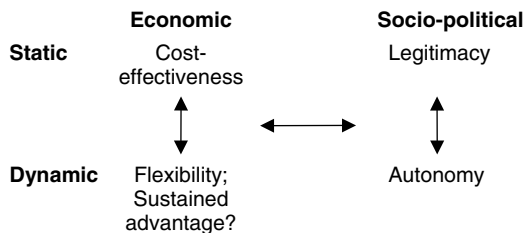
11 www.iipuk.co.uk/IIP/Web/default.htm

12 See, for example, *The Economist*, 25 November–1 December 2006, p. 96.

playing a longer-run political game. The natural tendency of management is to act, over time, to enhance its room to manoeuvre. We see this in the way multinational firms tend to favour investment in countries with less demanding labour market regulations (Cooke 2001, 2007). We also see it at industry and societal levels, in the tendency of employer federations to lobby, over time, for greater freedom to manage and to resist new employment regulations seen to be diminishing managerial prerogative. And we see it in the actions of those firms which wish to minimise or eliminate the pressures exerted by external shareholders and watchdogs.

Strategic tensions and problems in HRM

We have identified, then, four fundamental or underpinning motives in HRM (Figure 1.3). We have split these into economic and socio-political goals because the firm is not simply an unconstrained economic entity: it is an economic entity located in a social and political context. In HRM, firms should pursue cost-effectiveness in the industries in which they compete while simultaneously aiming for legitimacy in the societies in which they are located. This is complicated enough but, over time, the firms that survive develop some degree of flexibility in HRM and their managers secure enough autonomy to be effective. Some firms may pursue sustained competitive advantage through HRM. Such a discussion naturally arouses suspicion that the pursuit of these goals is far from straightforward. This is indeed the case. The strategic management of work and people in the firm inevitably involves management wrestling with ‘strategic tensions’ and problems, including trade-offs between employer and employee interests. We turn now to a discussion of the key tensions and problems that management faces.



Source: Adapted from Boxall, P., 'The goals of HRM'. In Boxall, P., Purcell, J. and Wright, P. (eds) *The Oxford Handbook of Human Resource Management*. Oxford: Oxford University Press.
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Figure 1.3 The goals of HRM

The problem of labour scarcity

One of the main problems facing management stems from the fact that firms need to compete not only in product markets but also in labour markets (Windolf 1986, Rubery 1994, Coff 1997). In all countries where forced labour has been eliminated, workers are free to resign and seek alternative employment. Firms must compete with others to secure appropriately skilled staff. Well-resourced and well-recognised organisations that have the ability to pay the going rate or better, and are able to offer good development opportunities, tend to dominate the labour market. As a result, many small firms remain fragile, tenuous organisations with ongoing recruitment problems (Storey 1985, Hendry, Arthur and Jones 1995, Hornsby and Kuratko 2003). The goals of building a stable production system, including a cost-effective supply of motivated employees, and building some capacity for development of the business, are seriously compromised if the firm cannot make competitive job offers and keep the labour it has. It then struggles to build the capabilities it needs to meet its business objectives or respond to its clients' demands. In the extreme, the tension associated with labour scarcity can become a full-blown 'capability crisis', threatening the firm's reputation and viability.

Labour scarcity is a problem that can afflict entire industries and not simply undercapitalised firms or new firms struggling for recognition. In the oil sector, shortages of managers, technical staff and offshore engineers are currently compromising the development of new production, leading to project delays, salary inflation and associated cost increases.¹³ In the British trucking industry, there are major shortages of drivers because of difficult working conditions: drivers have responsibility for valuable vehicles and loads, work long hours in dangerous conditions and are often away from home (Marchington, Carroll and Boxall 2003). Many people who hold driving qualifications prefer to work in a local factory or service industry where their lifestyle can be more normal. In the health sector, labour scarcity is a worldwide phenomenon: competition for workers with internationally transferable skills continues to strain the resources of public and private health systems all over the world. The UK government's list of skill shortages, used to indicate immigration opportunities, currently includes over 50 categories of medical specialists.¹⁴ As recruiters in rich countries comb the globe for scarce labour, there can be kick-on effects and ethical

13 *The Times*, 17 April 2006, p. 39; <http://news.bbc.co.uk/1/hi/scotland/4302937.stm>

14 www.skillclear.com/skillist.asp#doctors

problems, unfortunately: health services in third-world countries can be denuded of expensively trained health professionals by first-world poaching.

The problem of labour motivation

As suggested by the AMO framework, a second major problem is associated with the motivation of employee behaviour if and when workers are actually hired. Motivation is a fragile variable. The employment contract is an exchange relationship but, unlike the sale and purchase of commodities, it involves an ongoing, unpredictable interaction between the parties. Future behaviour matters but neither party can accurately predict it when they sign up. Both are relying on some element of trust and are therefore taking risks. As the pioneering industrial relations writers, Sidney and Beatrice Webb (1902: 658) put it, the labour contract is 'indeterminate'. Will the worker offer a conscientious, consistent level of effort over time, helping the employer reach their productivity objectives? On the other side of the coin, will the employer impose work pressures that are intense or make the worker suffer working conditions that are unsafe? Will the level of work pressure be subtly (or, perhaps, crudely) increased over time without any renegotiation of rewards? Such a process of work intensification can undermine the initial trust extended to the employer by the worker and invite some form of retaliation which then damages the firm's performance (for example, reduction of work quality, absenteeism, disinclination to 'go the extra mile', and resignation). Overall, will the 'wage-effort bargain' become more or less satisfying for the parties? Will the parties achieve some kind of satisfactory balance in their relationship?

It is impossible to anticipate all this in advance and silly to think that any written contract of employment could cover all the possibilities (Williamson, Wachter and Harris 1975). As Cartier (1994: 182) puts it, 'the contract of employment is inherently incomplete'. As a result, the law gives employers the right to issue what are commonly known as 'lawful and reasonable orders', but the simple fact is that control of the behaviour of other human beings is always limited. When individuals are instructed to carry out work tasks, their discretion is never fully taken away from them (Bendix 1956). The employer, like the employee, must exercise some trust, relying to some extent on workers to use their judgement. For example, no matter how much 'scripting' there is of how to deal with customers in shops, restaurants or call centres, the individual employee can still decide not to be helpful or to be plainly rude in a way that alienates customers, something we have all experienced or may encounter on a regular basis. 'Discretionary behaviour' is

something that employees can give and can withdraw (Appelbaum *et al.* 2000, Purcell *et al.* 2003). As Keenoy (1992: 95) argues, 'no matter how extensive the controls, in the final analysis, management is reliant on employee cooperation'.

There is a huge body of literature examining the relationships between employer and employee interests in the workplace and their implications for motivation, cooperation and workplace performance. In the Industrial Relations (IR) and Sociology of Work (SW) traditions, emphasis is placed on the fact that there are important conflicts of interest in the workplace (e.g. Clegg 1975, Kelly 1998, Blyton and Turnbull 2004). Conflicts over income (e.g. what share of revenue goes to profit and what to wages?; what relativities should there be across occupational groups?; to what extent is it fair to pay for performance differences within occupational groups?) and over the control of work (e.g. who makes decisions about work processes?; what staffing levels should be maintained?; how fair is the workload?) are seen to affect the basis for workplace cooperation. IR/SW scholars emphasise the role of voice institutions in improving the balance of interests (e.g. Budd 2004). The general argument is that management should work with worker representatives in processes of collective bargaining, information sharing and consultation, to enhance fairness and build a work climate characterised by trust and cooperation. A willingness on management's part to share control is seen as important to developing a stable 'social order' in which both the firm and its workers can work productively and reap rewards they value (e.g. Watson 2005, 2007).

Research in the Organisational Psychology (OP) and Organisational Behaviour (OB) traditions also emphasises fairness or equity concerns in the workplace, including employee concerns with distributive and procedural justice (e.g. Folger and Cropanzano 1998). The OP/OB traditions also include extensive work on the motivational properties of work itself, on the ways in which work can be made more interesting and challenging (e.g. Cordery and Parker 2007). In terms of conceptual frameworks, the notion that individuals have a 'psychological contract' with their employer has become increasingly important (e.g. Rousseau 1995, Guest 2007). A major gap between what management promises and what management delivers in the psychological contract inevitably affects an individual's capacity to trust and their level of motivation and commitment. The OP/OB tradition is important for its analytical focus on questions affecting the motivation of individual employees.

In this book, we bring together these perspectives on motivation. The key point both traditions emphasise is that a tension around employee

motivation is endemic to the employment relationship. Motivation is an ongoing concern for individual managers and for management collectively. At their worst, motivational challenges can be expressed in forms of collective action (such as lowered work norms and strikes) or in high levels of individual action (such as dysfunctional levels of absenteeism and turnover). Such challenges can affect management's legitimacy, depress productivity and threaten the firm's viability.

Change tensions in labour management

The need to pursue stable production, while also pursuing some degree of flexibility, poses major dilemmas within management strategy (Osterman 1987, Brown and Reich 1997, Adler, Goldoftas and Levine 1999). How much weight should management place on strengthening its production routines and staffing arrangements to make the firm more efficient and how much weight should be placed on building flexibility for the future (Wright and Snell 1998)?

To illustrate the difficult choices involved, suppose a firm developing a new line of business decides it wants a high degree of flexibility. Unemployment levels are presently high and management thus employs all operating staff in the new business on short-term or temporary employment contracts. This means the firm can shed labour more easily if it has to. A problem emerges, however, as the labour market improves: many of the more highly skilled and productive workers move to more secure jobs elsewhere (why should they work on a short-term contract when they can obtain a permanent job, one that will help them gain home loans and make their families more secure?). In this labour market, the firm finds that it fails to recruit and retain as well as its competitors or to reach their level of production quality. Too much emphasis on flexible employment starts to threaten the firm's chances of survival. It will have to think again about how to employ people.

Imagine another firm, which employs all its labour on well-paid, permanent contracts to build a loyal workforce (traditionally called 'labour hoarding'). This works well for quite a time but the firm's sales are sensitive to consumer discretionary spending and decline sharply when a minor recession comes along. The firm has products with excellent long-term prospects but greater flexibility is needed in its staffing structure to ensure it can weather these sorts of short-term variations in demand. It is forced to make some lay-offs, a process that tarnishes its reputation with employees, and spurs management to think about whether all staff should actually be on permanent contracts.

As these illustrations makes apparent, both of these scenarios represent undesirable extremes. Both firms need to consider how to strike a better balance between short-run and long-run. Further, as the scenarios make clear, the problem of how to cope with change not only creates dilemmas within management strategy but brings trade-offs with the security interests of workers. In Hyman's (1987: 43) memorable phrase, capitalism is a system in which 'employers require workers to be *both* dependable *and* disposable'. The most resilient firms are those which can evolve a clever balance between stability and flexibility while maintaining employee trust and confidence. This is much easier said than done.

Legitimacy challenges in wider society

As emphasised above, some measure of social legitimacy typically matters to firms. The 'social order' within the firm which we have talked about in relation to the problem of motivation inevitably connects to the wider society. In countries such as the UK, France and the USA, the growth of trade unions in the early to mid parts of the twentieth century saw the legitimacy challenge spill over from the shopfloor onto the streets and vice versa. These countries and many others experienced waves of strikes and social disruption as unions sought recognition and the establishment of collective bargains. Unions also turned to national political activity, lobbying political parties and, in many countries, forming their own. As a result, progressive social legislation – which brings organising rights and minimum conditions to all workers – has largely eliminated this sort of challenge in advanced industrialised countries. There are exceptions, of course. Stubborn management resistance to employee influence is still apparent in a minority of firms, something which can require the intervention of government mediation services. There is also the fact that there are low-wage sectors in advanced countries which may be targeted by unions and community coalitions (see, for example, the 'living wage' campaigns in the USA described by Juravich and Hilgert (1999) and Nissen (2000)). More and more political concern, however, is now focused on working conditions in the Third World.

This does not mean Western companies are off the hook. An important development concerns the ethics of human resource management in global supply chains in which managers often seek out production sites which offer both lower costs and greater management autonomy (Cooke 2001, 2007). But problems can come. Multinational clothing and footwear companies are increasingly concerned that they do not acquire a reputation for sourcing their products from contractors employing Third World labour on

exploitative terms.¹⁵ Levi Strauss, for example, while no longer able to retain large production capacity in the United States because of major changes in the economics of production in its industry, is concerned to ensure that its foreign contractors comply with its code of employment ethics.¹⁶

A key question is whether companies can successfully audit their own performance in this area. To bring third-party scrutiny into the assessment of ethical employment practice, a New York-based organisation called Social Accountability International has developed an international standard called SA (Social Accountability) 8000.¹⁷ SA 8000 is based on key conventions drawn from the ILO (International Labour Organisation), the Universal Declaration of Human Rights and the UN Convention on the Rights of the Child. It thus incorporates standards on child and forced labour, union rights, employee discipline, and health and safety, among others. Companies seeking this standard must be audited and certified by an accredited audit agency. While modelled on the well-known ISO quality system, SA 8000 requires auditors to consult with workers and their unions, and includes a mechanism for workers to bring complaints about non-compliance. Companies which are signatory members of SA 8000 (meaning their own factories and their suppliers must comply) include the world's largest toy retailer, Toys R Us. Another way in which global companies can attest to the legitimacy of their HRM is through membership of the 'Ethical Trading Initiative', an alliance of companies, non-governmental organisations and trade unions, which requires independent verification that codes of employment practice are being implemented.¹⁸

These accountability standards underline the important role that trade unions and, in European countries, works councils have played in improving the legitimacy of employment practices. When management reaches employment agreements with worker organisations, and thus willingly constrains its own autonomy in certain ways, the legitimacy of the employment regime in the firm is usually enhanced. However, voice practices are now much more diverse with many initiatives having been developed by employers (Boxall, Freeman and Haynes 2007). How workers feel about these newer forms of voice is a question we explore in this book.

15 See, for example, 'Labour Behind the Label', www.cleanupfashion.co.uk/

16 www.levistrauss.com/Citizenship/

17 www.sa-intl.org/

18 www.ethicaltrade.org/

Complexity and politics in management

What we have said so far should indicate the kind of complexity that is involved in managing work and people. The fact that we can highlight the sorts of problems firms face in pursuing their HRM goals does not mean that it is easy to solve any of them. Complexity grows as organisations grow and as they become more diverse. Management faces ‘cognitive limitations’ in developing good strategy, a problem that has bedevilled management attempts to develop astute frameworks for problem analysis and goal setting in HRM. Despite the growing attention to HRM since the 1980s, boardroom and top management debates have often been hamstrung by lack of agreement on how reports on strategic HR matters should be structured. The problem was summed up by a group managing director in Purcell and Ahlstrand’s (1994) study of HRM in multidivisional firms who commented that the board in his company ‘had decided on thirty priorities in the last few years, with the people ones being the most woolly, the hardest to measure, and the easiest to forget’. In this light, much of this book is dedicated to examining confusing HR issues that affect management policy and exploring frameworks that can help structure the management of work and people in a way useful to managers.

But management’s problems in HRM are not simply cognitive. Strategic management is not just mentally hard, it is politically fraught. Never mind the politics between management and labour, some of the worst politics are on one’s own side. For example, if a senior HR executive in a large firm argues for a longer-term investment in building organisational agility through greater human resource development (e.g. greater use of off-the-job training and personal development for all workers), this idea is hardly likely to win universal support. It is an investment which needs to be justified. If the company is a multidivisional firm, business unit managers may not see the idea as helpful. If they are incentivised to produce short-run profit, why should they support activities which take people away from their jobs and which potentially make them less satisfied with their lot? This is just one example of internal politics but an important one in complex, multidivisional firms.

Variations in institutional supports and societal resources

Finally, supposing management understands the problems of HRM well enough and is well resourced and well disposed in political terms to handle them, we return to the fact that firms are embedded in industries and societies, as scholars of comparative employment institutions, such as Rubery

and Grimshaw (2003), emphasise. Small firms are clearly very dependent on state support which includes, very critically, systems for vocational education and training in their sector (Winterton 2007). Firms in societies in which they and their competitors rely on 'poaching' rather than training to develop the staff they need are very vulnerable in a hot labour market: the undercapitalised ones may simply fail to attract the workers they need, finding that customers desert them and they lose their reputation.

It is wrong to assume that these issues simply afflict small firms. So-called 'global' firms are also affected by the dominant ways in which a society organises its human resource development. As is well known, large British manufacturers have been at a disadvantage for some time. German firms, for example, have enjoyed major advantages in manufacturing arising from superior technical training systems to those typically found in English-speaking countries (Steedman and Wagner 1989, Wever 1995). As Winterton (2007: 327) explains, 'the higher skill level of the German workforce is generally seen as a source of competitive advantage, permitting German firms to focus on higher value-added market niches'. On the other hand, he also explains that German firms do not have it all their own way: US and UK firms often find it easier to make the changes necessary to bring in 'lean production' and more flexible ways of working. The slow pace of the German institutional structure, with its layers of industrial negotiation and consultation, can act as a costly drag. Firms in the Anglophone world often take advantage of their more fluid decision-making structures. This helps to make the point that the industry and societal context both constrains and enables firms to perform.

In sum, then, firms are not masters of their own destiny in HRM even if they perceive the issues well and want to act effectively. We will be arguing that management does enjoy a realm of strategic choice to make distinctive decisions in HRM but the extent of that realm varies: the choices are never entirely in management's hands.

Summary and structure of the book

This book adopts a broad, inclusive definition of HRM because we aim to explore the various ways in which HRM is critical to the survival and relative performance of firms and other formal organisations. Human resource management includes the firm's work systems and its employment practices. It embraces both individual and collective aspects of people management. It is not restricted to any one style or ideology. It engages the energies of both

line and specialist managers (where the latter exist) and typically entails a range of messages for a variety of workforce groups.

This chapter has discussed the goals or motives that we see underpinning the management of work and people. Human resource management is a process which serves more than one critical goal. Managers face the need to develop a cost-effective system of labour management to support the firm's economic viability in the industries in which it competes. At the same time, management typically aims to secure legitimacy in the societies in which the firm operates through, at the minimum, employing labour according to legal requirements. Over time, successful firms also embed elements of flexibility into their HRM to enable them to cope better with change and we observe management seeking to enhance its autonomy or power to act. Some firms pursue sustained competitive advantage through the way they manage labour.

Pursuing these goals inevitably involves grappling with strategic tensions and problems. The problem of labour scarcity hampers firms which are weak in the labour market. Labour motivation is a multi-layered challenge in all firms because control of human behaviour is inevitably limited. There is a fragile chain of links connecting what managers want to achieve with work and people and what they actually achieve. The need to grapple with change brings trade-offs between company survival and employee security. Wider social concern with the work and employment practices of firms can bring major challenges to legitimacy, including in global supply chains. The cognitive and political issues associated with these problems are a major problem in themselves. And, even where the firm is well resourced and astutely led, there are serious challenges posed by the industry and societal contexts in which firms are embedded.

We have a job to do, so what lies ahead? In Part 1, three chapters look at the key bridges that link strategy with HRM. Chapter 2 explores the meaning of strategy and the process of strategic management, including its (very human) cognitive and political dimensions. In Chapter 3, we set up definitions of strategic HRM and HR strategy and examine the debate between universalist ('best practice') and contingency ('best fit') models of strategic HRM. This chapter underlines the importance of a firm adapting its HRM to its context while also finding a useful role for general principles of labour management. Chapter 4 explores the implications for strategic HRM of the resource-based view of the firm. This is a key body of thought in contemporary strategic management which is richly laced with human issues. Along with an emphasis on the fact that firms are embedded in a

web of social institutions and expectations, it is a perspective which informs much of the rest of the book.

In Part 2, the book contains four chapters which aim to lay the basis of a strategic theory of labour management after the previous part has undermined simplistic concepts of 'best practice'. It explores general principles that can be used to guide the strategic choices firms make in managing work and people. In Chapter 5, we examine work systems in the light of the changing economics of production. Then, in Chapter 6, we explore theory and research on the management of employee voice. This is followed by Chapter 7 which focuses on the management of individual performance and commitment. In Chapter 8, we draw the various pieces from this part of the book together through a typology outlining major HR systems and a model of the key links between HR systems and performance inside the 'black box' of the firm.

In Part 3 of the book, we apply strategy concepts and general principles of labour management to the analysis of HR strategy in complex and dynamic contexts. In Chapter 9, we set out a model of how HR strategy evolves across cycles of industry-based competition. Then, in Chapter 10, we discuss research on the nature of HRM in the most complex contexts currently known: multidivisional and multinational firms. The final chapter (Chapter 11) summarises the book's most important themes and asks the 'where to from here?' question, examining ways in which the understandings of strategy and HRM developed in this book might be practically applied to improve the strategic management processes in contemporary firms.

Author index

- Abell, D., 246, 304
Ackroyd, S., 139
Adams, J., 191, 197
Adler, L., 145
Adler, P., 24, 123
Ahlstrand, B., 8, 11, 27, 37, 166, 243
Alexander, M., 94, 264
Alic, J., 132
Allen, M., 146, 161, 163, 164
Alonso, A., 69
Alpander, G., 236, 237
Amit, R., 87
Anderson, N., 50
Ansoff, I., 288
Anthony, P., 8
Appelbaum, E., 23, 78, 79, 80, 81, 120,
124, 125, 150, 154, 210
Appleyard, M., 12, 81, 121, 123
Armstrong, P., 263
Arthur, J., 124
Arthur, M., 21, 179, 235, 238
Ashkanasy, N., 181
Atkinson, J., 14
Audit Commission, 139
Aycan, Z., 70
- Bach, S., 10, 128, 131, 138, 139, 210, 215,
218
Bacharach, V., 175
Bacon, N., 126, 205
Baden-Fuller, C., 88, 233, 244, 245
Baird, L., 64, 65, 229
Bamforth, K., 117
Banbury, C., 51, 52
Barber, A., 177
Barker, J., 130
Barnard, C., 37, 183
- Barney, J., 40, 87, 88, 89, 90, 91, 93, 100,
242, 244
Baron, J., 63, 104, 129, 204
Barr, P., 45, 46, 245, 289
Barsoux, J.-L., 61, 253, 274
Bartholomew, D., 290
Bartlett, C., 268
Bartol, K., 187
Bates, T., 106, 236
Batt, R., 16, 67, 68, 77, 79, 80, 123, 128,
129, 131, 132, 134, 135, 166, 219
Bauer, T., 220
Baumeister, A., 175
Becker, B., 76, 78, 79, 83, 203, 301, 306
Becker, T., 220
Beer, M., 61, 62, 63
Belanger, J., 146
Belbin, M., 45, 52, 175
Bendix, R., 22
Benkhoff, B., 243
Benson, G., 152
Berg, P., 125
Berggren, C., 118
Berner, M., 7, 59, 69, 208
Bettis, R., 267
Bewley, H., 152
Bhargava, S., 155
Bird Schoonhoven, C., 235
Black, S., 121
Blau, P., 193
Blumberg, M., 5, 173
Blyton, P., 9, 23, 126, 204
Boeker, W., 39, 49, 231, 235
Boselie, P., 17, 69, 146
Boudreau, J., 75
Bourgeois, L., 52, 54, 295
Boxall, P., 1, 11, 12, 13, 16, 17, 18, 20, 21,
26, 37, 40, 42, 50, 57, 62, 65, 67, 69,

- Boxall – *continued*
73, 87, 98, 100, 101, 104, 106, 116,
125, 133, 135, 136, 148, 152, 153,
157, 163, 165, 166, 170, 171, 175,
183, 184, 185, 194, 195, 198, 199,
209, 213, 217, 219, 229, 239, 242,
244, 245
- Bowditch, J., 270
- Bowen, D., 166, 220
- Bowey, A., 188
- Boyer, K., 121
- Bracker, J., 35
- Bradley, K., 143
- Bradley, L., 181
- Brandenburger, A., 230, 293
- Braun, W., 264
- Braverman, H., 115
- Brews, P., 289
- Brewster, C., 61, 253
- Brynjolfsson, E., 121
- Brown, C., 12, 24, 81, 121, 123
- Brown, J., 213
- Brown, W., 162
- Bruce, A., 187
- Brue, S., 184, 237
- Bryson, A., 152, 154, 157, 159, 251, 261
- Buck, T., 187
- Budd, J., 23
- Buller, P., 65
- Buono, A., 270
- Burawoy, M., 115
- Burch, G., 50
- Burgess, S., 198
- Butler, J., 93
- Buxton, J., 198
- Campbell, A., 94, 260, 264
- Campbell, J., 5, 173
- Campion, M., 209
- Cappelli, P., 77, 81, 124, 152
- Carroll, G., 15, 41, 97, 209, 230, 231, 233,
237, 245
- Carroll, M., 21, 135
- Carroll, S., 187
- Carter, K., 236, 237
- Cartier, K., 22
- Cartwright, S., 270, 271
- Challis, D., 121
- Chandler, A., 255
- Channon, D., 258
- Charlwood, A., 157
- Child, J., 42, 44, 47, 48
- Clegg, H., 23, 116, 145
- Cleveland, J., 182
- Coff, R., 21, 89, 101
- Collard, R., 154
- Colli, A., 206, 207
- Colling, T., 11
- Collins, C., 101, 106, 177
- Combs, J., 68, 134, 137, 209
- Conner, K., 87
- Conway, N., 139, 150
- Conyon, M., 187
- Cooke, W., 20, 25, 130, 143
- Cool, K., 87
- Cooper, C., 270, 271
- Cordery, J., 23, 112, 115, 116, 118, 134
- Costa, J., 43
- Cox, A., 154, 276
- Coyle-Shapiro, J., 155, 189, 192
- Craft, J., 293
- Crichton, A., 75, 180, 290
- Cronshaw, M., 66
- Cropanzano, R., 23, 276
- Cutcher-Gershenfeld, J., 164, 165, 204
- Dale, B., 154
- Darbishire, O., 207, 269
- Datta, D., 270
- Davis, E., 66
- Davis, S., 272
- Dawson, J., 236
- DeCastro, J., 95
- DeFillippi, R., 40, 90, 93
- de Geus, A., 295
- Dean, J., 68
- Deane, P., 114
- Deephouse, D., 41, 97
- Delaney, J., 12
- Delbridge, R., 119, 120, 122
- Delery, J., 75, 76, 79, 202
- Deming, W., E., 119
- Dierickx, I., 87
- DiMaggio, P., 41
- DiTomaso, N., 217
- Doeringer, P., 70, 71, 82, 117
- Donaldson, T., 19, 43, 48
- Dooreward, H., 58, 68, 138
- Doty, D., 75, 79
- Dowling, P., 61, 181, 253
- Dubin, R., 145
- Dunlop, J., 9
- Durham, C., 187
- Dyer, L., 14, 57, 63, 76, 180, 246, 247,
248, 249, 250

- Earnshaw, J., 9
 Eastman, L., 77, 122, 125, 156
 Eaton, S., 68, 135
 Edvinsson, L., 99
 Edwards, P., 83, 265
 Edwards, T., 265, 270, 278
 Edwards, V., 274
 Eilbert, H., 75
 Eisenberger, R., 194
 Eisenhardt, K., 44, 45, 47, 52, 54, 235, 295
 Elkington, J., 18, 301
 Erdogan, B., 220
 Evans, P., 61, 249, 253
- Forrant, R., 126
 Feigenbaum, A., 230
 Ferguson, N., 35
 Ferlie, E., 129
 Fernández-Pérez, P., 206
 Ferner, A., 265
 Florida, R., 122
 Folger, R., 23, 276
 Forsgren, R., 236, 237
 Forth, J., 152, 154, 157, 251, 261
 Foster, R., 231, 233
 Fox, A., 115
 Freeman, J., 34, 37, 231, 235, 236
 Freeman, R., 26, 79, 80, 147, 148, 152, 157, 162
 Frege, C., 145
 Frenkel, S., 120, 132
 Friesen, P., 231, 245
 Fryer, G., 68, 135, 136
 Fuller, S., 181, 182
 Fulmer, I., 152, 301
- Gaertner, S., 185
 Gallie, D., 130, 154, 181, 196
 Gardner, T., 216
 Geare, A., 12
 Gelade, G., 152
 Gelb, A., 143
 Genadry, N., 249
 Georgiades, K., 156, 157, 160, 170
 Gerhart, B., 75, 76, 78, 79, 81, 83, 152, 301
 Gersick, C., 231
 Ghemawat, P., 43
 Giangreco, A., 158
 Gilbert, J., 65
 Giles, A., 146
 Gilligan, C., 198
 Godard, J., 12, 69, 82
 Goldoftas, B., 24, 123
- Gollan, P., 142
 Gooderham, P., 17, 69
 Goodrich, C., 164
 Goold, M., 95, 243, 260, 264, 266
 Gordon, G., 218
 Goshal, S., 7, 92, 101, 268
 Gospel, H., 17, 19
 Gottlieb, N., 125, 176
 Gouldner, A., 193
 Graen, G., 166
 Granovetter, M., 10
 Grant, D., 100, 192, 216, 217, 223, 243
 Grant, J., 270
 Grant, R., 34, 44, 87, 89, 99, 100, 268, 295
 Gratton, L., 10, 293
 Green, F., 129, 138, 219
 Greenberg, J., 276
 Greenwood, R., 213
 Griffeth, R., 185
 Grimshaw, D., 9, 11, 28, 69, 184, 185, 214
 Grugulis, I., 11, 74
 Guest, D., 8, 23, 36, 139, 150, 168, 191, 194, 301
 Gumbrell-McCormick, R., 147
 Guthrie, J., 125, 126, 177, 185, 186, 188
 Guy, F., 134
- Hackman, R., 118
 Hall, P., 17, 147
 Hall, R., 89, 100
 Hambrick, D., 45, 50, 245
 Hamel, G., 37, 94, 97, 98, 99, 267, 296
 Hampden-Turner, C., 70, 75, 78
 Hannan, M., 15, 41, 97, 116, 207, 230, 231, 233, 237, 245
 Harley, B., 7, 59, 125
 Harris, H., 61, 253
 Harris, J., 22
 Harris, L., 169
 Harrison, D., 303
 Hart, S., 51, 52
 Haspeslagh, P., 273, 274
 Haynes, P., 26, 68, 135, 136, 146, 148, 152, 157, 161, 163, 164, 166, 170
 Hedlund, G., 101, 252, 267
 Heery, E., 145
 Helfat, C., 99
 Heller, F., 142
 Henderson, R., 231
 Hendry, C., 21, 179, 235, 238, 239
 Herzberg, F., 118
 Herzenberg, S., 132, 133, 134
 Hilgert, J., 25

- Hill, C., 43, 48, 258, 260
Hill, S., 154, 169
Hinings, C., 42, 212
Hitt, L., 121
Hochschild, A., 134
Hoddeson, L., 92
Holahan, C., 125, 176
Holder, G., 63
Hom, P., 185
Hood, C., 129
Hoopes, D., 89
Hope-Hailey, V., 219
Hornsby, J., 21
Hoskisson, R., 87, 99, 260
Houston, J., 274
Hubbard, N., 253, 269, 270, 271, 273, 277
Huber, V., 181, 182
Huff, A., 45, 46, 245
Hunt, J., 50
Hunt, J.W., 270
Hunt, M., 289
Hunt, S., 88
Hunter, J., 50, 101, 175, 176, 181, 183
Hunter, L., 16, 68, 135, 161
Hunter, R., 175
Huselid, M., 203, 301
Hutchinson, S., 130, 166
Hyman, R., 25, 145, 147, 155
- Ichniowski, C., 80, 81, 82, 124, 155
Isenberg, D., 45
Ivery, M., 152
- Jackson, P., 125
Jackson, S., 64, 65, 66, 67, 69, 247
Jacoby, S., 117, 207, 208, 213, 214, 261
James, C., 274
Jelinek, M., 257
Jemison, D., 273, 274
Jenkins, D., 122
Jensen, J., 112
Jensen, M., 184
Johnson, G., 37, 268
Johnson, H., 296
Jones, A., 21, 179, 235, 238
Jones, D., 119
Jones, T., 43, 48
Judge, T., 175
Judiesch, M., 50, 101, 176
Juravich, T., 25
- Kahwajy, J., 52, 54, 295
Kalleberg, A., 7, 10, 69, 123, 137, 138, 139, 209
- Kamoche, K., 89
Kaplan, R., 43, 59, 93, 262, 268, 279, 296, 297, 298, 299, 300, 301, 302, 304
Karasek, R., 196
Katz, H., 208, 269
Kaufman, B., 116
Kay, J., 67, 102
Keenoy, T., 8, 23
Kelley, M., 214, 269
Kelly, J., 23, 145, 162
Kenney, M., 122
Kepes, S., 202
Kersley, B., 11, 138, 151, 152, 159, 160, 181, 182, 196, 206, 218, 251, 262
Kessler, I., 10, 128, 131, 138, 139, 155, 186, 187, 188, 189, 192, 210, 215, 218
Kets de Vries, M., 182
Kidder, D., 189
Kim, B., 75, 177
King, A., 93
Kinnie, N., 99, 101, 196, 220
Kintana, M., 69
Kirkpatrick, I., 139
Kirn, S., 301
Kletzer, L., 112
Knox, A., 68
Koch, M., 242, 288, 289
Kochan, T., 74, 187
Konzelmann, S., 126
Kossek, E., 82
Koys, D., 303
KPMG, 253, 270
Kreps, D., 63, 104, 129, 203
Kristof, A., 198
Kruger, J., 197
Krugman, P., 126
Kuratko, D., 21
- Lacey, R., 116, 237
Lam, S., 290
Landes, D., 238
Lane, C., 39, 180
Lashley, C., 68
Latham, G., 75, 82, 181, 182, 183, 199
Latham, S., 181, 182, 199
Laurent, A., 274
Lawler, E., 77, 120, 122, 152
Lawrence, P., 274
Lawson, B., 121
Lazear, E., 184, 185, 186
Leana, C., 7
Lees, S., 17, 69
Legge, K., 10, 11, 73, 100, 169, 216, 274

- Lengnick-Hall, C., 264
 Lengnick-Hall, M., 264
 Leonard, D., 91, 95, 96, 97, 98, 104, 106, 245, 250
 Lepak, D., 7, 102, 103, 104, 105, 106, 125, 192
 Levine, D., 24, 123
 Levinson, D., 198
 Levinson, J., 198
 Levinthal, D., 230
 Lewis III, J., 270
 Liden, R., 221
 Ligthart, P., 152
 Littler, C., 115
 Lorenz, E., 70, 82
 Lovas, B., 92
 Lowe, J., 122
 Lynch, L., 121
- MacDonald, H., 75, 82, 181
 MacDuffie, J., 80, 81, 118, 123, 124, 202, 203, 204, 209, 242, 275
 MacKenzie, G., 210
 Mackie, K., 125, 196
 Macky, K., 116, 125, 194, 217, 219
 MacNeil, I., 189
 Madsen, T., 89
 Mahoney, J., 87
 Main, B., 237
 Malone, M., 99
 Malos, S., 210
 Marchington, M., 9, 11, 21, 74, 135, 142, 149, 150, 154, 155, 207, 212, 219
 Marginson, P., 50, 147, 252, 260, 262, 263, 265, 266
 Marks, A., 164
 Marks, M., 270
 Marshall, V., 181, 182
 Marsick, V., 179, 180
 Martell, K., 187
 Martin, R., 162, 169
 Martínez-Lucio, M., 164
 Mayer, M., 237, 257, 258, 266, 267
 McCloy, R., 5
 McConnell, C., 184, 237
 McGovern, P., 219
 McGrath, R., 242, 288, 289
 McIntosh, S., 129
 McKersie, R., 150, 161, 164, 165, 204
 McLean Parks, J., 189
 McMahan, G., 16, 92
 McMillan, J., 49
 McMullen, P., 65
- McWilliams, A., 16, 92, 93
 Meckling, W., 184
 Medoff, J., 162
 Meihuizen, H., 58, 68, 138
 Meshoulam, I., 64, 65, 229
 Meyer, A., 42
 Meyer, S., 115
 Miles, R., 9, 230
 Miller, D., 42, 66, 87, 182, 231, 245
 Millward, N., 154, 251, 261, 262
 Mintzberg, H., 34, 42, 44, 45, 288, 296
 Mirvis, P., 270
 Morgan, G., 114
 Mueller, D., 232, 235, 236, 244, 245
 Mueller, F., 16, 92, 100, 130, 243, 266
 Murphy, K., 182
 Murray, A., 66
 Murray, G., 146
 Myatt, J., 230
- Nalebuff, B., 230, 293
 Nahapiet, J., 7, 101
 Nelson, R., 39, 43, 86
 Neumark, D., 77, 81, 124, 152
 Newman, D., 303
 Newman, W., 231, 244
 Nishii, L., 216, 220
 Nissen, B., 25
 Nordhaug, O., 17, 69
 Norton, D., 43, 59, 93, 262, 268, 279, 296, 297, 298, 299, 300, 301, 302, 304
- Oakeshott, R., 143
 Odiorne, G., 174
 Ogbonna, E., 169, 274
 Olaverri, C., 69
 Oldham, G., 118
 Oliver, C., 41, 104
 Oppler, S., 5
 O'Reilly III, C., 273, 275
 Organ, D., 191
 Orlitzky, M., 120, 177
 Osterman, P., 7, 12, 14, 24, 59, 69, 76, 77, 81, 207, 208, 209
 Ostroff, C., 166, 221
 Ouchi, W., 62
- Paauwe, J., 17, 69, 146, 147
 Pandian, J., 87
 Parker, S., 23, 112, 115, 116, 118, 125, 134
 Pascale, R., 35
 Patterson, M., 236
 Peccei, R., 158, 169

- Peel, S., 104
 Pendleton, A., 17, 155
 Penn, R., 196
 Penrose, E., 86, 100
 Peteraf, M., 41, 58, 87, 97, 99, 230
 Peters, T., 35
 Pfeffer, J., 43, 48, 76, 77, 78, 273, 275
 Pichler, S., 82
 Pickering, J., 258
 Pickus, P., 202
 Pil, F., 123, 203, 204, 275
 Pinder, C., 183
 Pinfield, L., 7, 59, 69, 208
 Piore, M., 117, 120
 Pisano, G., 99
 Polanyi, M., 101
 Poole, M., 11, 61
 Porter, M., 9, 11, 40, 43, 44, 65, 66, 87,
 106, 107, 236, 296
 Poutsma, E., 142, 152
 Powell, W., 41
 Prahalad, C., 37, 94, 97, 98, 99, 267, 296
 Prensushu, G., 80, 155
 Preston, L., 19, 43, 48
 Priem, R., 93
 Pringle, C., 5, 173
 Pucik, V., 61, 253
 Pudelko, M., 69
 Purcell, J., 1, 8, 11, 23, 27, 37, 57, 67, 68,
 78, 98, 100, 102, 104, 130, 149, 150,
 155, 156, 157, 158, 160, 166, 170, 186,
 187, 188, 215, 219, 220, 241, 243, 253,
 256, 261, 266, 270, 271, 273, 277
 Purcell, K., 104

 Quinn, J. B., 37, 38
 Quinn, R., 301
 Quintanilla, J., 265

 Rasmussen, E., 116
 Redman, T., 11, 220
 Reed, R., 40, 90, 93
 Rees, C., 265, 270, 278
 Rees, H., 198
 Reeves, T., 76
 Richardson, H., 77, 122, 125, 156
 Ringdal, K., 17, 69
 Riordan, M., 92
 Robinson, S., 189, 191, 270
 Romanelli, E., 231, 244
 Roos, D., 119
 Rose, M., 185, 195, 196, 197, 198, 200
 Rose, M. B., 206

 Rosenthal, P., 169
 Roth, P., 303
 Rousseau, D., 23, 48, 103, 189, 190, 191
 Rowlinson, M., 49
 Rubery, J., 9, 11, 21, 27, 69, 184, 185, 196,
 236, 238
 Rucci, A., 301
 Rumelt, R., 90, 258
 Rutherford, M., 65
 Rynes, S., 177
 Ryngaert, M., 274

 Sabel, C., 120
 Sager, C., 5
 Sako, M., 155
 Salancik, G., 43, 48
 Samson, D., 121
 Scandura, L., 166, 219
 Schaubroeck, J., 290
 Schein, E., 189
 Schmidt, F., 50, 101, 176
 Schmitt, N., 75, 177
 Schnaars, S., 231, 236
 Schneider, S., 274
 Scholes, K., 37, 268
 Schuler, R., 64, 65, 66, 67, 69, 247
 Schumpeter, J., 40, 90, 231, 236, 244
 Schwartz, H., 272
 Scott, K., 152, 301
 Scullion, H., 253
 Shafer, R., 14, 180, 246, 247, 248, 249, 250
 Shamsie, J., 87
 Shanley, M., 41, 58, 97, 230
 Sharfman, M., 230
 Shaw, K., 76, 80, 81, 82, 124, 155
 Sheehy, G., 198
 Shoemaker, P., 87
 Shore, L., 183, 189, 193
 Shuen, A., 99
 Simon, H., 44, 45
 Sisson, K., 156
 Smart, D., 93
 Smith, A., 138
 Smith, A. R., 290
 Smith, C., 47, 48
 Smith, D., 122
 Smith, K., 101, 106
 Snape, E., 11, 220
 Snell, S., 7, 24, 68, 73, 102, 103, 104, 105,
 106, 125, 192, 245
 Snow, C., 9, 230
 Solar, P., 126
 Soskice, D., 17, 147

- Sparrow, P., 252, 253, 264, 268
 Spratt, M., 202
 Sprigg, C., 125
 Srinivasan, T., 42
 Steedman, H., 28, 39, 69
 Steeneveld, M., 16, 37, 40, 98, 100, 209, 213
 Stewart, T., 99
 Stimpert, J., 45, 46, 245
 Stopford, J., 245
 Storey, D., 21, 106, 237, 238, 239
 Storey, J., 8, 161
 Strauss, G., 142
 Streeck, W., 14
 Stuart, M., 164
 Suarez, F., 37, 58
 Suchman, M., 17
 Sulsky, L., 75, 82, 181
 Swart, J., 99, 101

 Tailby, S., 104, 161, 164
 Taira, K., 79
 Tayeb, M., 69, 82
 Taylor, M., 177
 Teece, D., 99
 Terkla, D., 70, 82
 Thomas, H., 230
 Thorpe, R., 188
 Tomer, J., 184
 Towers, B., 79, 80
 Tregaskis, O., 265
 Trevor, C., 75
 Trist, E., 117
 Trompenaars, F., 70, 75, 78
 Truss, C., 220
 Tsui, A., 42
 Tuchman, B., 49
 Turnbull, P., 9, 23, 162
 Tushman, M., 231, 244

 Uhl-Bien, M., 166, 220
 Ulrich, D., 301
 Utterback, J., 37, 58, 231, 232

 Van Buren, H., 7
 Vandenberg, R., 77, 122, 123, 125, 156
 Varma, G., 177
 Veliyath, R., 42
 Veersma, U., 142, 152
 Volberda, J., 266

 Wachter, M., 22
 Waddington, J., 147

 Wagner, K., 28, 39, 69
 Walker, G., 89, 235
 Walker, R., 139
 Wall, T., 118, 121
 Wallace, T., 120
 Walsh, J., 68
 Walton, R., 77, 150, 164, 165, 204
 Warner, M., 115
 Waterman, R., 35
 Watkins, K., 179, 180
 Watson, T., 3, 23, 114, 117, 183, 192, 193, 197
 Way, S., 124
 Webb, B., 22
 Webb, S., 22
 Welch, D., 61, 181, 253
 Wenlock, J., 271
 Wernerfelt, B., 87, 88, 89, 91
 West, G., 95
 West, M., 236
 Wever, K., 28, 79
 White, M., 154
 Whitener, E., 193, 194
 Whittaker, S., 219
 Whittington, R., 34, 38, 44, 257, 258, 266, 267
 Wial, H., 132
 Wilkinson, A., 11, 149, 150
 Wilkinson, B., 119, 126, 274
 Williams, J., 234, 247
 Williamson, O., 22, 257
 Willmott, H., 119
 Wilson, I., 288
 Winchester, D., 161, 164
 Windolf, P., 21, 177, 178
 Winter, S., 39
 Winterton, J., 28, 69, 180
 Wolfe Morrison, E., 189, 191
 Womack, J., 119
 Wood, R., 181, 182
 Wood, S., 77, 186
 Wooldridge, A., 176, 177, 179
 Woolfson, C., 162
 Wright, M., 83
 Wright, P., 1, 16, 24, 67, 73, 81, 92, 100, 215, 216, 220, 242, 245

 Youndt, M., 75, 83, 245

 Zagelmeyer, S., 154
 Zbaracki, M., 44, 45, 47
 Zeithaml, C., 93

Subject index

- ABB, 252, 267
ability, *see* employee ability
absenteeism, 22, 24
acquisitions, 91, 253, 269–78
adult life-cycle theory, 198–200
advanced manufacturing technology, 69, 121, 130, 140
age discrimination, 178–9
ageing workforce, 178–9
agency theory, 183–8
Agfa, 238
agility, *see* organisational agility
Air Products, 103–4
airline industry, 41, 128
AMO framework, 5–7, 84, 122–3, 154, 221–2, 284, 300
analytical HRM, 1, 67
Anglo-American firms, 28, 70, 261, 265
apparel industry, *see* clothing manufacturing industry
Apple Computer, 231
appropriability, 89–90, 187
aristocracy of labour, 209
assembly line, 116
assessment centres, 202
asset specificity, 91
attitude surveys, 151–2, 154, 156, 287, 291, 306
automobile manufacturing industry, 80–1, 98, 119–20, 123–4, 202–3, 237
automotive components industry, 155
autonomous work groups, *see* self-managing teams
autonomy, *see* employee autonomy, management autonomy/power
Aviva, 113, 271
balanced scorecard, 59, 93, 262, 268, 296–308
banking and finance sector, 35, 37–8, 90, 97, 128, 187, 274–5
barriers to imitation, 40, 90–4, 100, 288
BASF, 238
Bay of Pigs, 49
Bayer, 238
benchmarking, 128
best-fit school, 56, 59, 61–73, 82–4, 281–2
best-practice school, 56, 59, 73–84, 123, 176–7, 281–2
‘black box’ problem, 86, 215–25, 243–4, 286–7
‘black hole’ firms, 168
BMW, 131
Body Shop, 39
bonus systems, *see* performance-related pay
bounded rationality, 44–5
British Oxygen, 103–4
BTR, 258
budgeting, 260, 263, 300
bundling, 76, 87, 96, 202, 242
bureaucracy, 211–14, 215, 245, 269, 287
bureaucratic HRM, 62
burnout, 174
business process re-engineering (BPR), 128
business strategy, *see* strategy
C&NW, 46–7, 289
Cadbury, 47–8
call centre industry, 67–8, 131, 134
Canon, 94, 265–6
capability crisis, 21
career development/ladders, 117, 179–81, 198–200, 249, 263–5

- careerism, 48
- causal ambiguity, 93–4, 242, 288
- CGU, 271
- change management, 24–5, 128, 157–8
- Chaparral Steel, 95, 106
- chemical industry, 238
- chief executives, 53
- chronic under-achievers, 174
- Cisco Systems, 275
- City of London, 90, 187
- clan HRM, 62–3
- Clarks, 130
- classical bureaucracies, 211, 213
- clothing manufacturing industry, 12, 39, 80, 127, 131
- cognition, 27, 44–7
- cognitive ability, 175
- cognitive ability tests, 177
- coherence, 202–3, 220
- collective bargaining, 117, 145–6, 159, 161–5
- collectivism, 147
- Commission on the Skills of the American Workforce, 77
- commitment, *see* employee commitment
- compensation, *see* pay, performance-related pay
- competitive advantage, 16–17, 20, 39–44, 57, 89–94, 229, 286, 305
- competitive disadvantage, 241, 286
- competitive parity, 101, 241
- competitive strategy, 42–3, 65–9, 71–2, 87
- compliance, 18, 78, 164
- concertive control, 130
- Federation of British Industry (CBI), 153
- configurational perspective, 42
- conglomerates, 257–9
- consistency, 191–2, 203, 217–18, 220, 243–4, 287
- consultation, *see* employee voice
- consultative committees, 147, 153–4, 167–8
- control, *see* management autonomy/power
- cooperation, 23, 92, 102, 230
- core capabilities, 95–8
- core competencies, 94–8, 267
- core rigidities, 96
- core-periphery model, 102–7, 192, 194, 249–50
- corporate social responsibility, 18–19, 143, 177
- corporate strategy, *see* strategy
- cost-effectiveness, 11–14, 20, 81–2, 202, 281, 304–5
- cost leadership, 65–6
- cost minimisation, 13
- cotton industry, 113–14
- craft/professional models, 205, 209
- culture, *see* national culture, organisational culture
- deficit model, 180
- demand-control model, 196
- demarcation, 117
- derecognition, 163
- deregulation, 126–31
- de-skilling, 114–5
- differentiation, 65–6
- discretionary behaviour, 22–3, 66, 115, 120, 140, 196, 284
- discrimination, 82
- distinctive capabilities, 97–8
- distinctive competence, 94
- diversification, 254–9
- diversified quality production, 79
- division of labour, *see* Scientific Management, specialisation, Taylorism
- divisionalised companies, 251–69, 277–8
- dominant coalition, 44
- dominant designs, 231–2
- downsizing, 24, 74, 126, 129, 138, 204, 249, 271–7
- drive system, 208
- dual strategies, 304
- due diligence, 93, 272
- DuPont, 267
- Dutch cultural context, 70
- dynamic capability, 99
- Dyson, 15–16, 105–6, 130
- easyJet, 41, 128
- economics of production, 11–14, 71–2, 81, 112, 136–7
- education, 175
- education sector, 129
- efficiency wages, 237
- effort-reward bargain, 22
- embedded collectivism, 147
- emotional labour, 134
- employee ability, 5–7, 99, 172–83, 200, 284
- employee autonomy, 26, 115, 125, 196
- employee behaviour, 156, 164–5, 215–18, 221, *see also* discretionary behaviour

- employee commitment, 125, 150, 154, 156, 164, 167, 194, 199, 200–1, 204, 221, 271, 284
- employee discretion, *see* discretionary behaviour
- employee expectations, 192–5, 270–73
- employee interests, *see* employee motivation, interest alignment, interest trade-offs
- employee involvement, *see* employee voice, high-involvement work systems
- employee motivation, 5–7, 22–4, 118, 172–3, 183–200, 284
- employee perceptions, 215–18, 221–3
- employee performance
 - and ability, 175–83, 200
 - and AMO framework, 172–5
 - and motivation, 183–201
- employee relations styles, 7–8, 165–70
- employee retention, 48, 99, 139, 199, 238, 273
- employee rights, 17–19, 25–6, 145–8, 170
- employee satisfaction, *see* job satisfaction
- employee surveying, *see* attitude surveys
- employee turnover, *see* labour turnover, employee retention
- employee voice
 - and change management, 157–8
 - changes in, 144–54
 - defined, 142–4
 - direct forms of, 148–54, 167–8
 - dual systems of, 155–7, 168–70, 223, 287
 - embedded, 154–6
 - and employee problems, 157
 - history of, 116–17
 - impacts of, 154–8
 - indirect forms of, 148–54, 158–65
 - and management responsiveness, 157, 159–60
 - management styles in, 7–8, 165–70
 - non-union representative, 158–65
 - and pay reforms, 188
 - representative forms of, 148–54
 - and trade unions, 143, 145, 158–65
 - and trust dynamics, 159–60
- employer of choice, 18
- employment ethics, 17–19, 26, 104, 143–5
- employment regulation, 10, 17–18, 69, 71, 78, 116, 292
- employment relations, 9
- employment relationship, 22
- employment security, 25, 195–6, 204, 249, 271–2
- enabling capabilities, 97–8
- entrepreneurship, 235–9
- Equal Employment Opportunity (EEO), 4, 18, 82
- equifinality, 79–80, 82–3, 283
- equity, 22–4, 105, 194, 198, *see also* organisational justice
- equity theory, 191, 197
- escaping, 164
- establishment crisis/phase, 231–3, 235–9, 249–50
- ‘Ethical Trading Initiative’, 26
- ethics, *see* employment ethics
- European Union, 128, 145–7
- European works councils, 147
- expectancy theory, 192–5
- experience, 175
- expressivism, 198–9
- external fit, 64, 202
- extrinsic motivators, 195–201, *see also* employee motivation
- Exxon Mobil, 3
- factory system, 113–19
- Fairchild Semiconductor, 92, 238, 239
- fairness, *see* equity, organisational justice
- familial model, 205, 206–7
- family firms, 207–8, 212–13
- fast followers, 231, 288
- financial economies, 259–60
- financial strategy, 42
- fire service (UK), 163–4
- first-mover advantages, 91, 231, 288
- First World War, 35, 116, 126
- Five Dollar Day, 237
- flexible bureaucracies, 212, 214–15, 245, 269
- flexible specialisation, 79
- flexibility, *see* flexible bureaucracies, flexible specialisation, organisational flexibility
- focus, 66
- follower strategy, 231, 288
- footwear manufacturing industry, 127, 130
- forcing and fostering, 164, 205
- Ford, Henry, *see* Fordism
- Fordism, 115–22, 140, 213, 237, 266
- formalisation, 183, 240
- French education system, 71
- French management, 274
- functional equivalence, *see* equifinality

- gas retail industry, 104
- General Electric, 34, 267, 268
- General Motors, 119, 237, 255
- German workforce, 28
- gestalt perspective, 42
- globalisation, 112–13, 126–31, 141, 251–4, 278, 293
- goals of HRM, *see* human resource management
- governments, *see* nation states
- Great Depression, 116, 126
- Gregg, Samuel, 114
- groupthink, 49
- Hanson, 258
- Harvard framework, 61–4
- health sector, 3, 7, 21–2, 93, 129, 139
- high-commitment management, 77, 125, 167, 186
- high-involvement work systems
 - and AMO framework, 122–3
 - components of, 121–3, 148, 170, 177, 180, 204
 - contexts of, 123–4, 130–1, 133, 136–7, 140–1, 167–9, 213–14, 285
 - and cost-effectiveness, 124, 152
 - defined, 77, 120–2, 206, 209
 - and employee responses, 122–3, 125
 - and equifinality, 79–80, 82–3, 283
 - mediators in, 122–3, 156
 - and nation states, 285
 - objectives of, 77, 121–2
 - and organisational agility, 248
 - PIRK model of, 122–3
 - and trade unions, 164–5
- high-performance work systems, 77–82, 120, *see also* high-involvement work systems
- high-tech manufacturing, 12–13, 16, 68–9, 81, 131
- higher education, 106–7
- Hoechst, 238
- Hollywood film studios, 87–8
- homo economicus*, 45
- horizontal fit, 63 *see also* internal fit
- hotel industry, 68, 135–6
- human capital, 7, 92, 100–1, 286
- human capital advantage, 16, 101–2
- ‘Human Relations School’, 117
- human resource advantage, 16–17, 102, 106, 184, 202, 238–9, 241–4, 246–9, 250
- human resource architecture, 7, 102–7
- human resource cycle, 171–2
- human resource management
 - analytical approach to, 1, 67
 - defined, 1–10, 28–9, 280
 - embeddedness of, 9–10, 12, 27–8, 69–71, 282
 - goals of, 10–30, 72–3, 83–4, 158, 203, 205–10, 247, 280–1, 304–8
 - ideologies in, 7–9
 - micro, 171–2
 - process of, 2–3
 - strategic tensions in, 20–30
 - styles in, 7–9, 63
- human resource planning, 242–3, 290–308
- human resource policy, 83, 100, 222, 243
- human resource practice, 83, 222, 243–4, 283–4
- human resource principles, 83, 283–4
- human resource specialists
 - directors, 50, 262–3
 - and employee voice, 157
 - and HR planning, 243, 292
 - and industrial relations, 117
 - and line managers, 4, 219, 222, 260–1
 - and management of managers, 50, 253
 - in multidivisional firms, 262–5, 268
 - and organisational size, 240
 - and overheads, 260–1
 - and the resource-based view, 89
- human resource strategy
 - and business funding, 72
 - and competitive advantage, 16–17
 - and competitive strategy, 65–9, 71–2
 - and economic conditions, 71–2
 - corporate, 60–1, 251–78
 - defined, 42, 57–61, 280, 284–5
 - and economics of production, 11–13, 71–2, 81
 - and employment regulation, 10, 17–18, 69, 71–2
 - and goals of HRM, 304–8
 - in high-wage countries, 15, 127–8
 - and industry contexts, 9–10, 11–14, 81, 123
 - and industry dynamics, 229–50, 282–3
 - and labour markets, 72, 78
 - and managerial characteristics, 72
 - in manufacturing, 12–13, 15–16, 68–9, 80–1, 113–31, 136, 205, 208
 - in mergers and acquisitions, 269–78
 - in multidivisional firms, 60–1, 251–78
 - in multinational firms, 60–1, 70–1, 251–78
 - and national cultures, 69–71, 78

- human resource strategy – *continued*
 - and organisational life-cycles, 64–5, 71–2, 229–50
 - and organisational size, 64, 71–2, 211–25, 235–9, 240, 250
 - and organisational structure, 71–2, 251–78
 - in public sector, 9–10, 11–12, 138–40, 163, 205, 210
 - and the resource-based view, 85–108, 229–50, 285–6
 - in services, 12–13, 16–17, 67–9, 131–8, 205, 209–11
 - in small firms, 28, 64–5, 134–5, 205–7, 235–9
 - and societal contexts, 9–10, 25–8, 69–70, 72, 78
 - and technology, 12–13, 68–9, 71–2
 - and trade unions, 69, 71–2
- human resource systems
 - and competitive advantage, 105–6, 286
 - defined, 59–61, 76, 111–12, 201–2, 224, 284
 - and equifinality/functional equivalence, 79–80, 283
 - and internal fit, 202–4
 - and organisational patterns, 210–15
 - and viability, 241
 - single-status, 210
 - strong, 166, 220
 - types of, 115, 204–10, 285
- human resources portfolio, 174
- hyper-determinism, 43
- hyper-voluntarism, 43
- IBM, 231, 238
- ideology, *see* management ideology
- imitation, 231
- implicit contract, 192
- individual performance, *see* employee performance
- individualism, 75
- industrial citizenship, 144
- industrial democracy, 143, *see also* employee voice
- industrial model, 205, 207–8
- industrial psychology, 75, 171
- industrial relations, 9, 23
- industry analysis, 296
- industry clusters, 106, 293
- industry contexts, 9–14, 27–8, 67–9, 71–2, 98, 123, 234
- industry evolution, 230–5, 247, 282–3
- informal model, 206, 208
- Information and Consultation of Employees (ICE) regulations, 147
- information technology, 121, 141
- inimitability, 89–90
- innovation, 231–3
- institutional theory, 41
- Intel, 238
- intellectual capital, 99
- intelligence, 175
- interest alignment, 84, 177, 183–201, 239
- interest trade-offs, 73–4
- internal equity, 198
- internal fit, 63, 76, 202–4, 225, 306
- internal labour markets (ILMs), 64, 117, 138, 179, 208, 238
- international HRM, 60–1, 69–70, 253, 274
- International Labour Organisation (ILO), 26
- International Monetary Fund (IMF), 129
- internet, 36, 112–13, 126, 141
- intrinsic motivators, 195–201, *see also* employee motivation
- Investors in People (IiP), 18–19
- Japanese companies, 70–1, 119–20, 136, 261, 266–7
- Japanisation, 120, 218
- J-curve, 275
- job complexity, 176
- job enrichment, 118, 121
- job evaluation, 58, 117
- job rotation, 137
- job satisfaction, 118, 125, 150, 154, 156, 195–201, 221, 284
- job security, *see* employment security
- John Lewis Partnership, 143
- joint consultative committees, *see* consultative committees
- joint working parties, 155
- justice, *see* organisational justice
- just-in-time, 120
- know-how, 89, 93, 100, 101, 133, 134, 174, 179, 240
- knowledge, 101, 173
- knowledge-based view (KBV), 95, 99
- knowledge-intensive firms, 13, 99
- knowledge management, 98–9, 265–9, 278
- KPMG, 57, 272
- labour costs, 13, 16, 25, 127, 130
- labour differentiation, 16
- labour hoarding, 24

- labour laws, *see* employment regulation
- labour markets, 21, 28, 72, 126, 135, 178, 207, 223, 237, 292–3
- labour motivation, *see* employee motivation
- labour power, 22–4, 48, 69
- labour process, 22–3, 116
- labour productivity, 11–14, *see also* productivity
 - labour scarcity, 21–2, 28, 237, 292–3
- labour turnover, 13, 24, 103–4, 125–6, 134–5, 139, 156, 186, 195–6, 198, 223, 271
- law firms, 9
- law of context, 83, 282
- lay-offs, *see* downsizing
- leader-member exchange, 166
- leadership, 50–4, 166, 235–6, 241
- lean production, 28, 70–1, 79, 119–20, 125, 136
- learning, 98–9, 102, 179–81
- legal compliance, 17–18, *see also* employment regulation, social legitimacy
- legislation, *see* employment regulation
- legitimacy, *see* social legitimacy
- Levi Strauss, 26
- life-cycle theory, 198–200
- Lloyds Bank, 271
- long-run agility, *see* organisational agility

- management accounting, 296–308
- management autonomy/power, 8, 19–20, 23, 25–6, 62, 130, 142–4, 163–4, 167, 281, 305–6
- management capabilities, 50–4
- management cognitions, 27, 44–7, 86
- management consultancy industry, 58, 137–8, 266
- management control, *see* management autonomy/power
- management development, 263–5
- management ideology/rhetoric, 7–8, 19, 216, 218
- management perception, 242, 245
- management prerogative, *see* management autonomy/power
- management styles, 7–9
- managers
 - and HRM, 4
 - front-line, 124–5, 166–7, 218–22, 277, 291
 - management of, 50–4, 124–5, 181–3, 185, 187–8, 205, 208, 253, 263–5, 304
 - middle, 158, 166–7, 272
 - senior, 50–4, 166, 219–22, 243, 272
 - see also* human resource specialists
- Manpower Inc., 253–4
- manufacturing
 - capital-intensive, 12–13, 69, 131, 136
 - cost-effectiveness in, 12–13, 15–16, 68–9, 80–1, 127–8
 - labour-intensive, 13, 69, 127–8
 - work systems in, 113–131, 140–1
 - see also* advanced manufacturing technology, lean production, mass production
- marginal performers, 174
- market HRM, 62
- marketing, 87
- Marks and Spencer, 254
- mass production, 78, 208
- mature context, 231–3, 239–44, 250
- McKinsey, 57
- mediation services, 25
- medical electronics industry, 80, 124
- mergers, 126–7, 253, 269–78
- meta-planning, 303
- microcomputer industry, 231
- Microsoft, 43, 99
- migrant labour, 18
- motivated capability, 183
- motivation, *see* employee motivation
- motorcycle industry, 119
- multidivisional firms (M-form), 60, 94, 243–4, 251–78, 282–3, 300
- multinational firms, 20, 60–1, 94, 130, 142–3, 181, 251–78, 282–3
- multi-skilling, 14–15
- mutuality, *see* interest alignment

- nation states
 - and employment regulation, 17–18, 69, 71, 78, 116, 135, 144–8
 - and HIWSs, 285
 - and HR planning, 291–2
 - and patterns of HRM, 27–8, 69–71, 78, 208
- national culture, 69–71, 75, 78, 172, 177, 274
- neo-liberalism, 170
- networked organisations (N-form), 252, 265–69, 277–8

- 'new public management', 129, 139–40, 214–15
- newspaper industry, 163
- non-substitutability, 89–90
- North American Free Trade Agreement (NAFTA), 128
- Norwich Union, 113, 271
- nuclear power industry, 12
- NUMMI (Toyota plant), 123

- occupational safety and health, 18
- offshoring, 13, 105, 112, 126–31, 134, 135, 137–8, 141, 161, 179, 269, 271
- oil shocks, 119
- oligopoly, 40
- operational planning, 35
- operational strategy, 42
- operations management, 112, 255
- opportunity to perform, 5–7, 172–3, 284
- organisational agility, 14, 15–16, 180, 246–50, 282
- organisational behaviour, 23
- organisational citizenship behaviours, 191
- organisational climate, 6–7, 106, 155–6, 216, 220, 221, 223, 284, 287
- organisational commitment, *see* employee commitment
- organisational culture, 93, 169, 216–19, 245, 264, 272, 273–6
- organisational ecology, 15, 41
- organisational flexibility, 14–16, 20, 73, 244–50, 281, 304–6
- organisational justice, 276–8
- organisational life cycle, 64–5, 71–2, 229–50
- organisational performance, 5–7, 20, 221, 255, 280
- organisational politics, 27, 47–9, 166, 244–5
- organisational process advantage, 16, 101–2
- organisational psychology, 23
- outsourcing, 13, 105, 126–31, 179, 206, 210, 214, 245, 269
- Owen, Robert, 114

- parenting advantage, 44, 253, 264
- participatory bureaucracies, 211, 213–14, 245, 269
- partnership, *see* social partnership, trade unions
- path dependency, 91, 239, 288

- 'Pax Victoriana', 126
- pay, 117, 122, 176, 192, 195–6, 198, *see also* wages
- People's Express, 128
- perceived organisational support, 194
- perfect competition, 40
- performance, *see* employee performance, organisational performance
- performance appraisal, 75, 82, 180–3, 186, 188, 199
- performance drivers, 297–303, 307
- performance equation, 5–7, 172–5, 193
- performance management, 181
- performance-related pay, 115, 176, 185–8, 192, 306
- performance variation, 50, 101, 176, *see also* employee performance, organisational performance
- personal growth, 198–201
- person-job fit, 50, 198
- person-organisation fit, 198
- person-team fit, 50
- personnel economics, 184
- personnel management, 171
- PEST, 37n.2
- 'Peter Principle', 174
- poaching, 180
- politics, *see* organisational politics
- power, *see* employee autonomy, labour power, management autonomy/power, organisational politics
- powerholic personality, 182
- pre-school childcare, 18
- PricewaterhouseCoopers, 57
- privatisation, 128–9
- production systems, 11, 70–2, 125
- productivity, 12–13, 116, 119, 121, 125–6, 130, 161–2
- productivity bargaining, 161–2
- professional services, *see* services
- profit sharing, 155, 237
- provisioning motive, 185
- psychological contracting, 23, 188–95, 216–17, 270–1, 287
- public sector, 9–10, 11–12, 128–9, 138–41, 163, 210, 213–14, 218, 257
- punctuated equilibrium, 231
- putting-out system, 114

- quality circles, 154, *see also* total quality management

- rail industry, 46–7, 289
- rater bias, 181–2
- recruitment strategy, 175–9
- redundancies, *see* downsizing
- re-engineering, *see* business process re-engineering
- regulation, *see* employment regulation
- relational contracts, 189–90
- remuneration, *see* pay, performance-related pay
- renewal context, 232–3, 244–50
- ‘rent’, 40, 90
- resource-based view (RBV)
 - and agility, 247–8
 - application of, 94–9
 - assumptions of, 86–8
 - and balanced scorecard, 296
 - and barriers to imitation, 88–94, 100
 - defined, 86–8
 - and definition of resources, 88–90
 - and HR strategy, 100–8
 - and industry dynamics, 229–50
 - and multinational firms, 274
 - origins of, 86–8
 - and strategic planning, 288–90
- resource-dependence theory, 48
- resource partitioning, 208
- rest home industry, 68
- restrictive practices, 162–3
- retail sector, 134
- retention, *see* employee retention
- reward systems, 185, *see also* pay, performance-related pay
- Robertson Cooper Ltd, 52–3
- Rock Island, 46–7, 289
- Royal Mail, 143
- Ryanair, 41, 128

- SA 8000, 26
- Safelite, 185–6
- salaried model, 205, 208
- satisfaction, *see* job satisfaction
- scenario planning, 293–5
- Schumpeterian shocks, 40, 90
- Scientific Management, 78, 115, 118–20, 140, 257
- S-curve, 231–4, 247
- Sears, 301–2
- Second World War, 116, 126
- selection practices, 75, 82, 176–7
- self-managing teams, 118, 125, 148, 166
- self-serving bias, 198
- semi-autonomous teamwork, *see* self-managing teams
- semiconductor industry, 12, 81, 121, 238
- service-profit chain, 301
- services
 - competitive positioning and HRM in, 67–9, 131–8
 - cost-effectiveness in, 12–13, 16–17
 - geographically fixed, 136–7, 138, 141
 - mass, 134–5
 - professional, 12–13, 68, 99, 132–3, 137–9, 181, 205, 209–10, 211–13, 253
 - quality differentiation in, 135–8
 - work systems in, 131–8, 141
 - see also* public sector
- Shell, 295
- Shockley Semiconductor, 92
- short-run responsiveness, 14–15, *see also* organisational flexibility
- ‘sit-by-Nellie’ (‘SBN’) system, 179–80
- skill use, 196–8
- small firms, 21, 28, 124, 134–5, 152, 178, 180, 182, 207, 217–18, 237, 287, 290
- Smith, Adam, 113–14
- Social Accountability International, 26
- social architecture, 92
- social capital, 7, 92, 101–2, 264, 265, 267, 286
- social climate, *see* organisational climate
- social complexity, 91–2, 242, 288
- social contracts, 164–5
- social enterprises, 143
- social exchange, 193
- social interdependence, 104–5
- social legitimacy, 17–19, 20, 25–6, 41, 59–60, 73, 78, 97, 104, 107, 142–3, 148, 158, 169–70, 187, 207, 208, 269, 273, 278, 281, 304–5
- social norms, 69, 70
- social order, 23
- social partnership, 17, 145–6
- social responsibility, *see* corporate social responsibility
- societal contexts, *see* nation states, national cultures
- sociology of work, 23
- socio-technical work systems, 79, 117
- ‘solid citizens’, 174
- Sony, 94
- specialisation, 114–15, 117, *see also* Scientific Management, Taylorism

- speed-up, 116
- stakeholder perspective, 48, 291–2
- standardisation, 203, 208, 240
- ‘stars’, 174–5
- start-up firms, 64
- states, *see* nation states
- steel manufacturing industry, 80–1, 96–7, 124, 126, 127–8, 204
- ‘Store 24’, 297–9, 303
- strategic business units (SBUs), 94, 255–6, 261, 267
- strategic choice perspective, 34, 42–3, 55, 57, 103
- strategic groups, 58, 230
- strategic HRM
 - and balanced scorecard, 302–8
 - and best fit versus best practice, 61–84
 - defined, 57–61
 - and industry dynamics, 229–50
 - key themes in, 279–87
 - and multidivisional/multinational firms, 251–78
 - and the resource-based view, 85–108
 - see also* human resource management, human resource strategy
- strategic management
 - and cognition, 44–7
 - defined, 44–9, 55
 - and executive appointments, 50
 - and team building, 50–4
 - and organisational politics, 47–9
 - and the resource-based view, 86–8
- strategic planning, 34, 287–90, 307
- strategic problems/tensions, 36–44, 54, 87–8, 249
- strategy
 - and the resource-based view, 86–8
 - corporate, 43–4, 255–9
 - defined, 33–44, 54
 - emergent, 42, 296, 303
 - maps, 301–8
 - versus operations, 35
 - versus strategic plan, 34
 - versus tactics, 35
 - see also* strategic management
- strain, 196
- stress, 125, 134, 196, *see also* work intensification
- strikes, 24, 25
- ‘success trap’, 47
- supplemental capabilities, 97–8
- survival, 37–9
- survivor syndrome, 276
- sustained competitive advantage, *see* competitive advantage
- ‘sweetheart unionism’, 168
- SWOT, 87–8
- synergistic economies, 259–60
- synergy, 76, 87, 96, 202, 242, 265–69, 277, 300
- systemic thinking, 45–6, 97
- ‘table stakes’, 37, 55, 97–8, 124, 135–6, 299
- tacit knowledge, 93
- take-overs, *see* acquisitions
- Taylorism, 78, 115–16, 126, 132, 134, 140–1, 208, 213, 257, 283
- teamwork, 50–4, 92, 94, 102, 118, 125, 137, 152
- technical interdependence, 104–5, 125
- technology, 12–13, 68–9, 71–2, 116, 121, 127, 130, 135, 137, 231–4, 247, *see also* advanced manufacturing technology, information technology
- telecommunications industry, 129
- textile industry, 93
- Thatcherism, 8, 128–9, 139
- themes of the book, 279–90
- theory of the business, 301–2
- time-and-motion study, 115, *see also* Scientific Management, Taylorism
- top management teams, 50–4
- top-team building, 50–4
- total quality management (TQM), 70–1, 119
- ‘town hall’ meetings, 152
- toy manufacturing industry, 127
- Toyota production system, 119–20, 123
- Toys R Us, 26
- Trade unions
 - and acquisitions, 271
 - and challenge to factory system, 116–17, 208
 - and change management, 164–5
 - and conflict management, 117, 163
 - and demarcation disputes, 117
 - employee attitudes to, 147, 165, 170
 - and employee voice, 143–4, 148, 158–65
 - growth of, 25, 116–17
 - and HIWSs, 164–5
 - and internal labour markets, 117
 - and multidivisional firms, 260

- and patterns of HRM, 69, 71, 135, 167–9, 213
- in the public sector, 138–9, 163, 210, 214, 218
- and small firms, 207
- and social legitimacy, 17, 26
- and social partnership, 145
- strategies of, 161–5
- and trust in management, 159–60
- and work practices, 117, 162–3
- and workplace partnerships, 8, 79, 159, 161–3, 167–70
- trade-offs, *see* interest trade-offs
- Trades Union Congress (TUC), 161
- training and development, 179–81
- transactional contracts, 189–90
- transnational corporations, 268
- ‘triple bottom line’, 18, 301
- trucking industry, 21
- trust in management, 22–3, 102, 115, 139, 150, 155, 159–60, 170, 192–5, 204, 270–1, 273, 277, 284
- TSB, 271

- Unilever, 264, 265, 274
- union–management partnership, *see* trade unions
- union representation gap, 147, *see also* trade unions
- union substitution, 160, 168, *see also* trade unions
- unique timing and learning, 91, 239
- unit labour costs, 13
- United Nations (UN), 26
- universalism, 56, 73–84
- urbanisation, 114
- US firms, 265, 267

- value proposition, 299
- varieties of capitalism, 17, 147, 261
- vertical fit, 64, *see also* best-fit school
- vertical integration, 254, 259–60
- viability, 11, 16, 37–9, 54, 57, 106, 229, 233, 235–8, 239–41, 244–6, 249–50, 305, *see also* strategic problems
- vocational education and training (VET), 28, 69

- voice, *see* employee voice
- voluntarism, 145
- Volvo, 118

- wage
 - effort bargain, 22
 - levels, 13, 15, 25, 117, 127
 - see also* pay, performance-related pay
- Waitrose, 143
- Wal-Mart Stores, 3
- ‘war for talent’, 175
- water supply industry, 129
- waterfront industry, 162
- Welch, Jack, 268
- whanau* interviewing, 78–9
- women
 - and employment preferences, 199
 - and work-life patterns, 199
- work design/organisation, 3–4, 57, 66–9, 70–1, 111–41, 247–8
- work intensification, 22, 116, 129–30, 138–9
- work measurement/study, 115
- work-sample tests, 177
- work systems
 - and collective bargaining, 161–5
 - defined, 112
 - and globalisation, 126–31
 - in manufacturing, 113–31, 140–1
 - in private sector services, 131–38, 141
 - in public sector services, 138–40
 - typology of, 132
- workaholism, 174, 182, 196
- worker cooperatives, 143
- worker self-management, 143
- workforce capabilities, 6–7
- workforce organisation, 6–7
- work-life balance, 196, 199
- workload, 196
- workplace culture, *see* organisational culture
- Workplace Employment Relations Survey (WERS), 153
- works councils, 26, 146–7, 153, 159–60, 167–8
- World Bank, 129