Human Resource Management Orientation and Strategic Responses to Environmental Change

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Abstract

The field of HRM has attracted substantial attention both as a practice and as a field of academic research. This paper examines the conceptual relationship between the soft and hard orientations of HRM and the organization's business strategic response on the one hand and the environmental forces on the other. The argument is based on the premise that changes in the external environment trigger business strategic responses that in turn trigger human resource management strategic responses, but the nature of these responses is moderated by the HRM orientation practiced by an organization. From the literature evidence and the conceptual argument advanced, several propositions are drawn. Firstly, the business strategic response of an organization to external stimuli influences the HRM orientation adopted. Secondly, organizations tend to adopt workforce flexibility during change but the degree and type of that flexibility will depend on the organization's HRM orientation. Thirdly, organizations practicing soft HRM policies are less likely to encounter confrontations with trade unions compared to those practicing hard HRM policies. Lastly, most organizations are more likely to adopt hard HRM practices during change though their HRM rhetoric is soft.

1.0   INTRODUCTION

The concept of human resource management (HRM) has attracted considerable attention over the last two decades from scholars and practitioners alike. While part of the debate has centered on its application and theoretical underpinnings (Pinnington and Edwards, 2000; Armstrong, 1999; Beardwell and Holden, 1997 and Storey, 1992), the other has been on its prescriptive value for the survival of organizations in a turbulent and volatile business environment (Anthony and colleagues, 1996: Brewster and colleagues, 2000). More recently, the issue of whether to situate the HRM debate in the organizational or the international context has arisen (Sparrow & Marchington eds, 1998). According to Pinnington and Edwards (2000), change in the external environment triggers organizational responses which may take the form of restructuring, mergers, acquisitions, splits and cost cutting, which in turn trigger human resource management responses reflected in adoption of new employment patterns and new employer-employee relationships (Hendry, 1995; Sparrow & Marchington, 1998).

HRM has assumed varied meanings and connotations. While it has been used as a synonym for personnel management by some, (Storey, 1992; Storey & Sisson, 1993), there is a general agreement that the adoption of HRM signals a more business oriented and business integrated approach to the management of people (Beer and colleagues, 1984; Fombrun and colleagues, 1985; Storey, 1987). However, more skepticism has been expressed about its theoretical underpinnings and intellectual credentials (Storey, 1995; Legge, 1995a). While some writers

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have questioned if HRM is a map, a model or a theory (Legge, 1995a) others have proposed typologies (Storey, 1987; Hendry, 1995) and some have proceeded to make empirical observations to confirm the presence of these typologies in organizations (Truss, 1997, 1999; Heery, 1997; Gooderham and colleagues 1999; Kane & Crawford, 1999 and Morris, 2002). Among the typologies proposed, the soft and hard HRM orientations are the most acceptable and the subject of conceptual constructions and empirical enquiries. The soft version of HRM is linked to the human relations school while the hard HRM version is seen as emerging from strategic and business policy thoughts (Guest, 1989; Storey & Sisson, 1993).

The general view, therefore, is that HRM is a qualitatively different function with philosophical underpinnings, but the exact nature of this view is not clear and is the subject of much debate. Further controversy has been fueled by the discrepancy between the rhetoric and reality of HRM. As a result, Legge (1995a); Storey & Sisson (1993) and Sparrow and Marchington (1998) have raised much concern about the applicability of HRM ideas in organizations especially in the light of a turbulent and constantly shifting environment. Some empirical observations have shown that, while organization's rhetoric, reflected in management's language and vocabulary is soft, the reality, reflected in management action and behaviour can be hard depending upon the prevailing changes in the environment in which the organization operates (Gooderham and colleagues, 1999 and Truss, 1997, 1999).

In this paper, the objective is to develop a conceptual understanding of how organizations respond in the way they manage people when changes occur in their external environments. To achieve this objective the theoretical underpinnings of HRM are outlined and consequently the relationship between environmental change and business strategic responses is discussed within two broad generic human resource management practices – employment patterns and employee relations. This article rests on the premise that changes in the external environment trigger business strategic responses that in turn trigger human resource management strategic responses, but the nature of these responses is moderated by the HRM orientation practiced by an organization.

2.0 THEORETICAL UNDERPINNINGS OF HRM

Although HRM may not have attained the status of a theory, the two frequently cited typologies of 'soft' and 'hard' HRM have gained some credence with writers and researchers who have made attempts to bridge theory and practice (Towers, 1996). Although typologies have been criticized as being classification systems rather than theories, Doty and Glick (1994), to the contrary, support typologies. They argue that when typologies are properly developed and fully specified, they are complex theories that can be subjected to rigorous empirical testing using quantitative models. The writers point out that, typologies have generated a large volume of

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empirical research because of their ability to provide a parsimonious framework for describing complex organizational structures. They refer to popular typologies such as Miles and Snow's (1978), Mintzberg's (1979, 1983) and Porter's (1980) that have stimulated a large amount of empirical research. Based on the above arguments, it would appear that the soft and hard approaches to HRM would serve as an appropriate theoretical basis from which to discuss the HRM concept.

According to Truss (1997), the underlying ideas and assumptions of HRM are based on two opposing views of human nature. These are the human relations movements of the early twentieth century and the more recent strategic management and business policy line of thought that gave rise to what Guest (1989) referred to as the 'soft' and 'hard' models of HRM respectively.

2.1 Hard HRM

The hard HRM, proposed by Fombrun, Tichy and Devanna (1984) is also referred to as the Michigan School Model. The idea of this HRM model was inspired by Alfred Chandler's concept of structure following strategy. The emphasis of the hard HRM model is on treating employees as a means to achieving the organization's strategy. Guest (1989), Storey (1992), Hendry (1995) and Beardwell & Holden (1997), explain that the hard version of HRM is rooted in the corporate strategy and business policy line of thought which emphasizes environmental scanning and integration of the business plan with human resources. This orientation fosters the quantitative, strategic and calculative approach to HRM aimed at efficient production. The emphasis in this approach is on the term *resource*, which implies that people are viewed as any other factor of production to be used rationally and deployed in a calculative and instrumental way for economic gain. This model is associated with efficiency - seeking devices such as assessment of human resources, rewards, individual performance appraisals, and performance pay, reflecting the application of Taylorist ideas (Sisson, 1994). Organizations that practice this model, monitor investment in employee training and development, to ensure it fits in with the firm's business strategy. Collective entities are discouraged with collective bargaining and trade unions taking backstage (Morris, 2002). Hard HRM assumes that the needs of the firm are paramount and that increasing productivity is the management's principal reason for improving the effectiveness of HRM.

In their model, Fombrun et al (1984) propose a framework for strategic HRM that assumes that organizational needs come first. Their view is that organizations exist to accomplish a mission or achieve objectives. Hence, the model hinges on three issues: mission and strategy of the organization; fit among organizational structures and human resource requirements, tasks and systems. The model assumes that HRM will respond to the external and internal environment appropriately.

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Some writers have dismissed this model as inhuman while others proclaim it as common sense and the only route to business success (Hendry, 1995; Morris,2000). Others have argued that hard HRM has been used to strengthen management prerogative and legitimize the worst employee-relations excesses of the enterprise culture (Legge, 1995a)
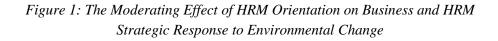
2.2 Soft HRM

The soft HRM approach to managing people also referred to as the Harvard Model, was advanced by Beer et al (1984) and Walton (1985) and extended by Guest (1989). The model proposes that people can be dealt with within four human resource categories: employee-influence, which refers to the amount of authority, responsibility and power voluntarily delegated by management; human resource flow, which refers to decisions on recruitment, selection, promotion, exit, job security, career development, advancement and fair treatment; reward systems which, are concerned with both intrinsic and extrinsic rewards such as the work itself, sense of purpose, achievement and challenge, pay, bonuses, pensions, holidays, health insurance and flexible working hours; and work systems, which deal with the arrangement of people, information activities and technology. Organizations adopting this model ensure that employees are involved in work, have opportunities for advancement and participate in decision-making. Any HRM policies would be developed with employee's need for influence in mind but within the limitations of having to be consistent with the overall business strategy and management philosophy.
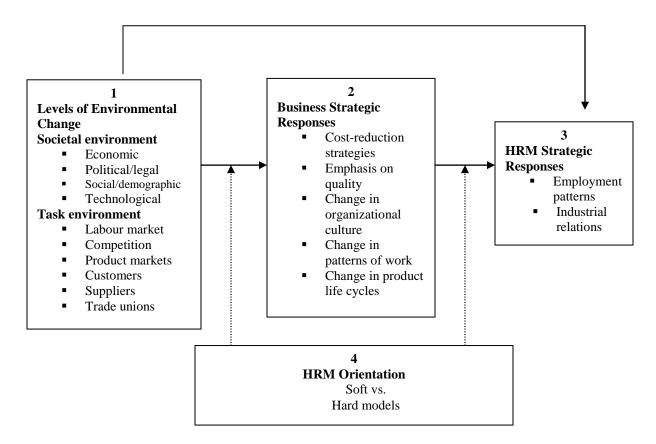
Guest (1989) developed a second soft HRM model. He identified and recommended four human resource outcomes namely: high employee commitment to organization, strategic integration, high workforce flexibility and adaptability and high quality workforce. He proposed that these four HR outcomes would lead to desirable organizational outcomes such as high job performance, stronger problem solving skills, greater change consistent with strategic goals and improved cost-effectiveness. Guest's model can be said to be soft HRM as it gives a strong recognition to employee needs such as training and development. The soft HRM approach is seen as more development oriented with a humanistic focus based on explicit statements about the value of employees to the firm and ethical matters related to the employment relationship (Storey, 1992; Beardwell & Holden 1997). Employees are seen as active partners rather than passive inputs and core assets especially in creativity and innovation. An organization practicing a soft approach to managing its human resources would be expected to stress the importance of employee commitment, self-regulation and a broad degree of self- control (Pinnington & Marchington, 2000). The focus in this model is on individual development, lifetime training and individual freedom.

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3.0 THE CONCEPTUAL MODEL

In this section, the moderating effect of soft and hard human resource management orientations on business and human resource management strategic responses to environmental change is discussed. The first box in the model shows the variables operating in the external and internal environments of an organization. Changes at this level trigger responses at the business level shown in the second box. The third box indicates a set of broad human resource management practices used to explain the nature of the responses at this level. The fourth box at the bottom shows that, the impact of environmental change on the business strategic response and consequently on the human resource management response is moderated by the human resource management orientation practiced by an organization

Figure 1: The Moderating Effect of HRM Orientation on Business and HRM Strategic Response to Environmental Change

1
Levels of Environmental Change
Societal environment
- Economic
- Political/legal
- Social/demographic
- Technological

Task environment
- Labour market
- Competition
- Product markets
- Customers
- Suppliers
- Trade unions

2
Business Strategic Responses
- Cost-reduction strategies
- Emphasis on quality
- Change in organizational culture
- Change in patterns of work
- Change in product life cycles

3
HRM Strategic Responses
- Employment patterns
- Industrial relations

4
HRM Orientation
Soft vs.
Hard models

3.1   Environmental Change

The general HRM literature notes the continual and dramatic changes that have taken place in organizations in the recent past. While some of these changes have been triggered by externally-driven economic pressures, social and demographic change, advancements in technology and

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political and legal change such as public sector reforms and deregulation of labour markets (Hendry, 1995; Pinnington and Edwards, 2000) others are internal and are driven by competition, the labour market, customer-driven markets and demands for value by shareholders (Anthony et al, 1996; Beardwell & Holden, 1997).

The environment of an organization refers to the sum total of the factors or variables that may influence the present and future survival of an organization (Armstrong, 1999). The factors may be internal or external to the organization. Anthony and colleagues (1996), use the term societal environment to define the varying trends and general forces that do not relate directly to the company but could impact indirectly on the company at some point in time. Four of these forces are identified as economic, technological, legal and political and socio-cultural and demographic forces. The second type of environment is the task environment that comprises elements directly influencing the operations and strategy of the organization. These may include the labour market, trade unions, competition and product markets comprising customers, suppliers and creditors. The task environment elements are directly linked to the company and are influenced by the societal environment.

Environmental changes may be conceptualized as threats or opportunities and both are associated with urgency, difficulty and high stakes (Chattopadhyay et al, 2001). They are thus likely to evoke organizational responses and consequently human resource management action. Threats involve a negative situation in which loss is likely while opportunity involves a positive situation in which gain is likely. Perceptions of threats can intensify concerns about efficiency-enhancing strategies, hence focusing on internal organizational issues such as cost-cutting, aggressive marketing, emphasis on quality and change in organizational culture, while perceptions of opportunities are associated with a greater sense of control which may imply initiating risky actions such as developing new products or venturing into new markets (Chattopadhyay et al, 1999). The implication of environmental change means that organizations have to respond by instituting a variety of strategies in order to generate sustained levels of profitability in the future (Sahdev et al, 1999).

3.2 Business Strategic Response to Environmental Change

An organization faced with environmental change can adopt one or several strategic postures with the environment. Miles and Snow's (1978) typologies of *defenders, prospectors, analyzers* and *reactors* explain business strategic choices of organizations. The four types of organizations are based on observed patterns of response to market conditions. *Defenders* strongly defend their position in the market against any forces whether competitors, government or trade unions. They depend on a narrow line of products that caters for a niche market and tend to rely on established and stable technology. They would rather improve efficiency of existing operations than search for new opportunities when faced with change. In terms of human resource management

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response, Anthony and colleagues (1996) explain that defenders prefer aggressively trained specialists in the industry in order to produce and market a narrow line of products. Top managers tend to be highly expert in their limited area of operation. When confronted with change, defender organizations are more likely to focus on internal efficiency-enhancing strategies which may mean adopting cost-cutting measures such as downsizing, reducing product lines, developing high quality workforce through specific training, introducing performance related pay, avoiding trade unions and collective bargaining and adopting numerical flexibility in its employment patterns. From HRM theory, the hard HRM aspects are likely to be stronger than the soft aspects as defenders appear to operate along Taylorist lines where efficiency, tight controls, avoidance of collective bargaining and performance pay are practiced. More specifically, we can propose that:

> Proposition 1: defender organizations practice hard HRM during both periods of change and stability.

Prospectors on the other hand are described as organizations that are always looking for new market opportunities and aggressively seeking to develop new products and new markets. They have a strong concern for product and market innovation. When confronted with environmental change, they are more likely to experiment with potential responses to emerging trends. Prospectors usually take the lead, forcing competitors to respond, hence acting as creators of change and uncertainty. Because of constant shuffling of products and markets and the need to monitor a wide range of environmental conditions, trends and events, thus spreading their efforts and resources, prospectors tend to be inefficient. In addition, prospector organizations are characterized by loose controls, devolution of power and authority, decentralized systems, less bureaucracy and easy communication. In terms of human resource management, prospectors look for aggressive, entrepreneurial people who are willing to take risks to develop new products. They maximize functional flexibility by training people on a wide range of skills so that they can be moved easily to new projects. While innovative and highly qualified individuals are valued and rewarded, investment in general skills that are easily transferable to other projects or even other organizations are offered. Expertise and technologies tend to be embedded in people rather than systems and routine mechanical operations. As such, workforce diversity is encouraged to tap a wide range of skills and talents. The human resource management role therefore, is one of facilitating rather than controlling organizational operations. From the foregoing, prospector organizations can be said to practice soft HRM as emphasis is on people oriented outcomes rather than production and efficiency. Consistent with this observation it is proposed that:

> Proposition 2: Prospector organizations practice soft HRM during both periods of change and stability.

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Analyzers are organizations with a split personality. They have one product in a changing market and another in a stable market. In terms of human resources, analyzers value both stability and innovation in employees. For this type of organization, balance is important. When change occurs, they may resort to hiring a numerically and functionally flexible periphery workforce while retaining a specialized core set of employees to provide stability and continuity. Because they possess characteristics of both the defender and prospector organizations, analyzers can be said to practice either soft or hard HRM depending on whether the change is perceived as a threat or an opportunity. From this argument, we propose that:

> Proposition 3: Analyzer organizations will adopt hard HRM orientation to enhance efficiency when faced with change and soft HRM orientation during periods of stability.

Finally *reactors* are organizations whose managers may perceive major changes in their environment but have difficulties adapting quickly. Miles and Snow describe such organizations as unstable and ineffective. The causes for such dysfunction may be either the failure of top management to articulate the organization's strategy or inability to shape the organization's structure to fit strategy or resistance to change by management. In terms of human resource management, reactors prefer employees who are less resistant to change and would help the organization move along a chosen path. As their decisions are erratic it is rather difficult to predict the response of reactors.

3.3 HRM Strategic Response to Business and Environmental Change

HRM response to environmental change and business strategic decisions can be understood better by analyzing them in terms of generic human resource management practices from which the core themes of the soft and hard models of HRM are built. In discussing the approaches taken by HRM researchers, Legge (1995a) states that whether it is theory development or empirical research, the generic functions of HRM provide the basis for formulating measurable criteria against which to assess human resource management practices and processes in organizations. Based on this observation, HRM strategic responses to both environmental and business strategic change will now be examined within two broad generic HRM practices that encompass other functions such as training and development, recruitment, selection and rewards. These are *employment patterns* and *industrial relations.*

3.4 Employment Patterns

Growth in flexible working patterns is a reflection of changes in the labour market (Mayne & Tregaskis, 1996) and an aspect of human resource management strategy involving a greater ability by the employer to dispense with certain workers when not strictly essential to the production process (Brewster et al, 2000). This may take the form of franchising, sub-

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contracting, or use of part-time or temporary employees (Emmott & Hutchison, 1998). It may also mean, for any individual worker, a wide range of tasks and abilities and a willingness to employ them on behalf of the organization which purchases them; a greater variety in time periods of employment; a greater capacity among workers to be so deployed necessitating changed attitudes for all and skill and time management change for some (Hendry, 1995). These new work patterns and practices indicate a new strategic focus integrating both the hard and soft approaches to human resource management.

3.4.1   Concept of Flexibility

Brewster and colleagues, (2000) provide a detailed analysis of the flexibility concept in organizations. They identify various forms of workforce flexibility options such as financial, time, numerical, skill and functional. Atkinson (1984) cited in Legge (1995a), defines flexibility in terms of *functional, numerical* and *financial* flexibility. Functional flexibility refers to a firm's ability to deploy employees between activities and tasks to match changing workloads, production methods or technology. It is associated with multi-skilling, which can be achieved by training employees in a wide range of skills. Numerical flexibility refers to a firm's capacity to adjust labour inputs to fluctuations in output via the use of non-standard employment contracts designed to achieve flexibility through outsourcing and undermining of permanency of the employment relationship. Finally, financial flexibility refers to a firm's ability to adjust employment costs to reflect the state of supply and demand in the external labour market in a way that is supportive of the objectives sought by functional and numerical flexibility. It appears therefore that flexible patterns of work are central in the development of competitive advantage through the deployment and redeployment of human resources.

Emmott & Hutchinson (1998) cite the most common factors driving organizations to adopt flexible working practices as increased competitiveness both nationally and globally; new technology; changes in labour markets and employee demographics and government policies. Brewster (1998) observes further that workforce flexibility is an employment strategy that has emerged as a response to not only economic and technological factors but also to competitive pressures faced by firms. Such pressures necessitate the use of part-time and temporary employees to cut costs. Secondly the changing life style preferences and career patterns of people demanding for more leisure time, less rigidity in working time and more control of their time speeds up the adoption of flexible work patterns.

To enhance the understanding of flexibility, the flexible firm or core - periphery model advanced by John Atkinson (1984) cited in Legge (1995a:146) and Hendry (1995:393) as an organizational structure to explain flexibility is examined. This model divides the organization into two broad segments, the *core* and the *periphery* in place of the traditional hierarchical structures. The core reflects the need for the organization to develop a permanent highly skilled group of employees

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with internal career paths. As a result, core employees experience a high degree of job security, and provision of training in firm specific skills and they reflect functional flexibility. In contrast, the peripheral workforce is associated with the organization's development of numerical flexibility. Their key function is to undertake daily routine activities that are important but not vital to the organization. The jobs are not career oriented and skills are general. Peripheral workforce is accommodated through part-time work and sub-contracting so that the organization achieves flexibility with minimal commitment or disruption. The focus of the flexible firm model is to closely match human resources with work demand and increase the efficiency of human resource utilization while dampening the effects of market volatility and uncertainty, thereby increasing organizational effectiveness (Brewster and colleagues, 2000). A conceptual analysis of the flexible workforce shows that a multi-skilled core workforce offers functional flexibility as employees are trained to undertake a range of tasks within the labour process as required by management while periphery workforce offers numerical capability in the form of temporary, part-time or casual employees. Handy (1989) suggests that the core-periphery workforce is likely to be the norm rather than the exception in the future.

The adoption of flexibility as part of the HRM strategy has several implications for both employers and employees. While flexible work patterns may be advantageous to the employers, employees are likely to be negatively affected by the unequal treatment in terms of pay and benefits, reduced career opportunities, limited training opportunities, breach of the psychological contract, increased job insecurity, and increased stress. The workforce becomes less uniform which is in direct conflict with the practice and philosophy of trade unions. Hendry (1995) argues that flexibility discriminates against particular groups of people, thus perpetuating social disadvantage. Such a situation is exacerbated by government legislation aimed at reducing trade union protection in the interest of a more flexible labour market at the macro-economic level.

Other scholars, however, have argued that flexibility can present some advantages for employees such as the introduction of flexi time. This is where one is able to chose hours that are compatible with their other responsibilities. The case of women who straddle between the home and workplace has been cited as a group that is likely to benefit from flexible work patterns and professionals who prefer to sell their specialist skills to multiple employers (Hendry, 1995; Brewster, 1998). Some writers have also suggested that some employees may achieve increased skills and enhanced job prospects through functional flexibility, although numerical flexibility may mean less job security and pressure to accept lower pay for some people.

Arguing on the effects of flexible work patterns on the collective employment relationship between employers and employees, Marlow (1997) observes that the bargaining leverage of trade unions is reduced as possession of a skill or talent is no longer exclusive as tasks are spread throughout the workforce thus reducing the power of specific crafts or professions. Flexibility

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also tends to reduce the physical numbers of core workforce as organizations depend more on numerical flexible labour. This implies redundancies and consequent fall in trade union membership and growth in unemployment. It is also expected that as organizations adopt more flexible HRM practices, traditional collective bargaining is likely to shift from pay increases to bargaining on issues related to exchange of wage increases for redundancies, so that in place of accepting flexibility contracts employees are offered pay increases, status and job security. However, according to Pinnington & Edwards (2000), where employees have resisted bargaining for change in their terms of employment, and acceptance of new labour practices, social, economic and political environments have offered employers the power to impose change in the face of union resistance. In addition, legislation to deregulate the labour market, combined with mass unemployment and a weak trade union movement have made flexibility more accessible to employers. In the past, though employers have always attempted to force flexibility, they have been hampered by government regulation and union regulation terms and conditions of unemployment (Armstrong, 1999). Marlow (1997) suggests that the resulting incompatibility can be resolved by adopting a dual system where issues of flexibility are achieved through the bargaining process and concession giving to avoid conflict.

3.4.2 Workforce Flexibility and HRM Orientation

When flexibility is placed in the context of broader HRM initiatives, it can be concluded that the extent of the flexibilities sought and achieved depends on the HRM model practiced by an organization. An organization practicing soft HRM ideally would be expected to introduce flexibility that takes into consideration the consequences of human resource outcomes such as individual well-being, organizational effectiveness and societal well-being (Beer et al, 1984) and the often-cited values of commitment, quality, motivation, autonomy, employee involvement and empowerment (Storey, 1995). Functional flexibility appears to support soft HRM values such as adding value to human resources through training and retraining and job enrichment achieved by increasing scope for authority, responsibility and challenge. Legge (1995a) cites a large volume of evidence from surveys and case studies and concludes that firms practicing a soft HRM model would be expected to prefer functional flexibility rather than numerical flexibility.

Although theoretically, functional flexibility appears compatible with soft HRM, Legge casts some doubt of this happening in practice. She cites evidence indicating that functional flexibility is limited in firms exhibiting soft HRM initiatives because in addition to concerns about high training costs, employees were not interested or suited to some areas of work. Secondly flexibility compromised good quality work. Thirdly management and employees were interested and wanted to feel 'ownership' of certain work areas and skills. Although the functional flexibility sought may not be achieved, Legge (1995a) argues that the rhetoric surrounding it can have a positive culture- changing or at least working climate-changing effect.

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Numerical flexibility is more instrumental and calculative, hence more compatible with hard HRM initiatives of downsizing, delayering and organizational efficiency (Doe, 1994; Towers, 1996). Firms practicing hard HRM, tightly tie human resources to business strategy, performance is paramount and management is preoccupied with cost reduction (Hendry, 1995). It is more likely therefore, for such firms to adopt numerical flexibility when faced by change from its environment. This may take the form of reduction in full-time employees who are replaced by part-time and contractual employees. From this line of thought we can conclude that:

> Proposition 4: Organizations practicing soft HRM are more likely to introduce functional flexibility rather than numerical flexibility when faced with environmental change.

> Proposition 5: Organizations practicing hard HRM are more likely to introduce numerical flexibility rather than functional flexibility when faced with environmental change.

This theoretical reasoning, however, is challenged by evidence indicating that organizations practicing soft HRM may also introduce numerical flexibility to avoid making redundancies. Use of work-sharing practices involving a four-day week in National Westminister Bank (Emmott & Hutchinson, 1998) and the case of Hewlett Packard that allows workers to take every other Friday off without pay, thus reducing payroll expenses by ten percent and providing job security instead of laying off ten percent of the workforce (McNerney, 1996) are some examples. Other organizations would rather re-deploy excess workers in case of structural changes or offer employees an opportunity to train in transferable skills that can increase their employability in the external labour market.

Brewster, (1998), however, challenges the whole notion of flexibility as being at odds and contradictory to the HRM concept, which encourages high commitment, high performance and high competence as desirable values. He wonders how organizations can develop highly committed, energized and enthusiastic workforce when organization's commitment to them is limited. Consistent with this argument we can predict that:

> Proposition 6: Organizations faced with change will be receptive to workforce flexibility but the degree to which that flexibility will be numerical or functional is contingent upon whether the organization is practicing soft or hard HRM.

3.5 Industrial Relations

It is claimed that environmental change in organizations is posing considerable challenge to traditional industrial relations and trade unionism (Guest, 1991; Storey and Sisson, 1993). Graham & Bennett (1998) define industrial relations as all the rules, practices and conventions governing interactions between managements and their workforces, normally involving employee representations and bargaining. The industrial relations rules define the procedures for

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settling wage and conditions of work; resolving disputes and dealing with conflicts and implementing grievances and disciplinary processes. Armstrong (1999) describes industrial relations as involving the development, negotiation and application of formal systems, rules and procedures for collective bargaining, handling disputes and regulating employment. It also involves informal and formal interactions between managers, shop stewards and individual employees. In addition it covers bargaining structures, recognition and contractual agreements.

From the above definitions, it appears that a major part of industrial relations is concerned with trade unions and collective bargaining procedures. The more analytical writers have made a conceptual difference between industrial relations and human resource management. Purcell (1991) argues that organizations practicing HRM have been described as unitarist, implying that managers and employees share a common vision and strive to avoid differences of interest between them. The most defining characteristic of organizations that have adopted HRM is the shift away from collectivist to individualist values (Legge, 1991; Brewster, 2000) and the effort to minimize the potential for conflict within the organization. Pinnington & Edwards, (2000) argue that HRM assumes the interests of managers and those of the workforce are congruent. As such, the absence of conflict renders the usefulness of trade unions invalid. However, the absence of trade unions in an organization is not always associated with HRM adoption. It is possible for some organizations to remain non-union without practicing HRM, suggesting that the personnel policies being pursued are effective (Storey and Sisson, 1993). While assertions have been made that HRM and industrial relations are incompatible, evidence suggests that the two can co-exist so long as HRM initiatives involve conventional areas such as communication and training. However, as Guest (1991), argues, attempts to introduce functional flexibility and job redesign, actions that may affect the employment contract and job security, are likely to be challenged by trade unions. The notion of high quality management and practices that enhance employee commitment to the organization, have been claimed to diminish commitment to trade unions (Guest, 1995b).

In support of the supremacy of management in the HRM-industrial relations conflict, Anthony and colleagues (1996) argue that it is management's responsibility to protect the company's interests. This protection may take the form of resisting unionization if it is viewed as interfering with management's right to manage. As such, management can take the strategy of union suppression or union substitution. Union suppression includes a variety of legal or illegal opposition tactics, while union substitution entails progressive and proactive human resource management policies designed to reduce the desire for a union. These may include high wages and complaint resolution systems, both of which are likely to reduce the need for a trade union as a protective device against the arbitrary behaviour of management (Pinnington & Edwards, 2000). In addition, HRM requires the capacity to think strategically and effectively manage policies. HRM policies must be well integrated and reinforced by line management practice to

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avoid giving grounds for union organizing. HRM thrives on employee commitment to organizational values and mission both of which may be viewed by trade unions as a betrayal on the part of the workers.

As already noted, HRM adoption in organizations is manifested in the practice of its underlying values and philosophy reflected in a unitarist and individualist strategy that assumes no difference of interest between employees and management. Evidence from case studies by Storey (1992) indicate that unions are being by-passed in the development of HRM initiatives. This sidelining is not necessarily a calculated action but an unintended consequence of adopting HRM. Where organizations pursue a soft HRM practice, the employee's need for union recognition is reduced as the good employee relations associated with soft models are encouraged. It is thought that the soft HRM aspects of employee development, involvement and participation would render the desire for a union unnecessary (Legge, 1995b). However, there is no empirical evidence to support the extent to which non-unionized organizations practice soft HRM style policies. Guest (1989) points out that non-unionism is not equivalent to soft HRM but could be a consequence of opportunistic and authoritarian management styles that intimidate unionism. Hard HRM on the other hand fuels the desire for trade union recognition. Efficiency-enhancing policies and tight controls are perceived as threatening by employees hence the need to seek protection of their interests through trade unions and collective action. Where unions exist under hard HRM, the responses to environmental change may be either to collaborate or oppose hard HRM policies such as downsizing, performance related pay (PRP) or flexible work patterns. Thus:

> Proposition 7: Organizations practicing soft HRM policies encounter less confrontation with trade unions than those practicing hard HRM.

3.5.1 Industrial Relations and Pay

Issues of pay are central to industrial relations. Performance Related Pay (PRP) is one type of remuneration scheme that links the assessment of individual performance to pay. It is a system in which an individual's salary is dependent on appraisal or merit rating. Although it was originally applied to managers, under HRM it is linked to the assessment of performance against pre-determined criteria for all workers (Armstrong, 1999). One of the most significant effects of PRP is the weakening of trade union power in organizations. In assessing the impact of PRP on trade unions, Kessler and Purcell (1992) report that PRP is more than simply sending messages to individual employees about organizational values. The scheme involves a fundamental restructuring of the employment relationship that can result in greater managerial control over employees. It is a system that isolates the individual from the work group and forces the personalized design and evaluation of work. PRP focuses on the individual's worth and talents and the contribution made to the business, thus cutting the power of trade unions in traditional

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collective bargaining role. This de-linking of the trade union from pay determination is likely to result in the decline of the instrumental value of union membership because pay is determined through individual performance rather than collective bargaining. This may further have the effect of fragmenting collective interests, generating rivalry and eroding the basis for collective bargaining (Pinnington & Edwards, 2000). Research evidence shows that employees may perceive individualized pay as indicating lack of management support for collective bargaining negotiation and this may discourage union membership (Kessler & Purcell, 1992). In addition, if employees are satisfied with PRP schemes, the incentive to join trade unions is reduced, which may lead to trade union collapse.

Marlow (1997) suggests that the possible outcome of introducing performance related pay schemes is that role of trade unions may change from one of an active bargaining partner to support for employees during appeals and overall monitoring of the administration of the performance related pay scheme. This view is supported by Heery (1997) who found that unions faced with performance related pay policies, decided to collaborate with management and succeeded in drawing PRP policies within the scope of collective bargaining. Other cases, however, indicated rejection of negotiations with unions over PRP, thus eroding union power in matters of pay. Some research findings have also indicated the co-existence of PRP and collective bargaining indicating that PRP may be a by-product of other management intentions such as meeting objectives, new communication systems and achievement of productivity targets (Kessler,1995). However, Cascio (1998) suggests that whether PRP is a cause or effect of union weakness will vary according to organizational circumstances. Legge (1995a) observes that the union's weak position is compounded by the composition of union members, who in the majority of cases are unskilled and semi-skilled workers who are vulnerable to the effects of economic recession and technology changes. Legge argues further that, though unions may oppose hard style HRM policies, it is difficult to challenge them successfully as they are masked by the rhetoric of soft HRM values of quality and commitment. For example, flexible working hours are presented as offering convenience and mobility for the employee while actually removing job security and reducing pay. From the foregoing it can be proposed that:

> Proposition 8: When faced with change, management will implement hard HRM policies such as performance related pay with or without union agreement.

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4.0.   CONCLUSION

The primary purpose of this paper is to demonstrate that HRM strategic responses to change are influenced by the HRM orientation practiced by an organization. In reviewing the literature on HRM, it is acknowledged that the HRM concept poses more questions than answers both as a practice and as an academic field. Sparrow & Marchington (eds), (1998); Legge (1995a) and others provide a critical analysis of the current status of HRM and the main issue of concern is whether HRM is in crisis. In addition, they suggest that while all do not agree on the extent to which HRM can be said to be a coherent theory, no alternative concept has been found to challenge the central ideas of HRM such as strategic integration, individualism, line management ownership of HRM, high commitment and high performance. It is these aspects of HRM that have generated challenges for the employment relationship. It appears therefore that HRM does not only pose major challenges for the employer-employee relationship, but also to the competence and ability of management to sustain quality employee and organizational performance.

From this study we make some observations and draw several conclusions. First, scholars seem to agree that HRM is a product of change and is influenced by the environment and the consequent business strategic decisions made by organizations. In support, Hendry, (1995) and Pinnington and Edwards, (2001) provide an extended exposition of the driving forces of HRM. Secondly, we observe that turbulence experienced in the environment has an irreversible effect on the patterns of work and the employment relationship. Thirdly, it appears that organizations will adopt either soft or hard HRM depending on the nature of their business strategic choices. Hence, HRM orientation is not a permanent status but one that alternates according to the perceived changes in the environment. Fourthly, it is proposed that organizations facing change will be receptive to workforce flexibility but the degree and type of that flexibility is contingent upon the HRM orientation practiced. Lastly we note that organizations practicing soft HRM encounter less confrontation with trade unions compared to those that practice hard HRM.

While theoretically it is possible to see the application of the soft and hard HRM orientations, the boundaries between them become rather blurred in practice as the HRM rhetoric of organizations may be soft when in fact the reality is hard. This is an issue of concern to many scholars (Legge, 1995a; 1995b and Truss, 1997; 1999) and is cited as a limitation in the HRM research. A research recommendation that can be drawn from this paper is an investigation into the linkages among environmental factors, business strategic responses and HRM actions. These have not been exhaustively explained in the current available research. Another area arising from this study is the adoption and implementation of the HRM concept in developing countries especially with the advent of globalization. This arises from the fact that most available research has focused on industrialized countries such that little is known about the status of HRM in

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developing countries. It is apparent, therefore, that the HRM concept, though recent, has become a pervasive idea that is gaining wide credence with both practitioners and scholars.

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