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Ashish Malik *Editor*

Strategic Human Resource Management and Employment Relations

An International Perspective

Second Edition

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Editor

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*This book is dedicated to all my family
members and friends*

Foreword

I am pleased to present this timely book by Dr Ashish Malik for a variety of reasons. First, the content covered and approach adopted by the book is important and germane to managing people from a strategic perspective, especially in the present uncertain and complex business environment. Second, the book is written by a scholar who is well-informed and well-versed in the field. Dr Malik's continued focus on strategic human resource management (SHRM) research in an international context, covering high technology and knowledge-intensive services industries such as IT, telecom, healthcare, and business process outsourcing, has been interwoven in the content and its application in this research-based book. Third, the breadth of SHRM and employment relations (ER) issues covered in the book and the in-depth cases carefully curated from select countries provide critical insights useful for students, academics, and practitioners. Finally, it integrates the key learnings of how change and strategic thinking and HRM strategies can significantly impact people, businesses, and the societies in which we operate.

The book presents a collection of key SHRM and ER topics and focuses extensively on applying research and analysis using a case study-based learning approach. This blend of problem-based learning and participant-centred learning approaches from a wide range of global SHRM and ER issues is examined using a diverse collection of international case studies. The book has three parts. Part I consists of the core theoretical foundations of SHRM & ER, offering a focused research review of the critical theoretical approaches in HRM and ER. Part II also comprises chapters that focus on how, from a strategic perspective, leaders and managers may exercise strategic choices in their design and implementation of several HRM practices to achieve the desired goals of their business enterprise. Finally, Part III highlights complex SHRM and ER issues using real-life cases studies focusing on the content covered in the first two parts of the book. This part features a selection of contemporary research-based case studies from several developed, transitioning, and emerging markets, wherein each country's contextual environment adds to the complexity in undertaking analysis and problem-solving of the issues at hand. The book's unique problem- and case-based learning approach is ideal for engaging in higher-order learning suited for final-year or capstone courses in HRM programs. For the less prepared, the book offers the learners advice on how they can use these approaches. Overall, this book presents a well-positioned and exciting view of the businesses of managing people from a strategic perspective, incorporating a breadth

of examples from the author's research and contributors from several countries. I commend this effort and do not doubt that it will find a ready and receptive readership worldwide.

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Pawan Budhwar

Preface

The theoretical roots for the study of human resource management (HRM) in organisations had existed in the Western contexts for over a century when seminal ideas of influential management thinkers such as Taylor, Drucker and McGregor were prevalent. Earlier conceptualisations of work and employment adopted different (pluralist) emphases and focused on terms such as labour welfare, labour relations, personnel management and industrial relations, to name a few. One could argue that this view reflected contemporary developments in HRM, albeit with a different ideological and philosophical focus that has been in operation for several centuries. For example, in India, work practices were influenced by the ancient ideas of *Chanakya* (also referred to as *Kautilya*), whose pioneering work on *Arthashastra* was regarded as a treatise in the field of economics, politics, military strategy and governance. This seminal work had also developed ideas of organisation and administration in the fourth century BC. Indeed, one only needs to turn back and look at the practices of one of the world's oldest multinational corporations – the erstwhile East India Company, founded in the early 1600s in India by the British to pursue trade with the East Indies. Even though it ended up trading, on the whole, in the Indian subcontinent, its operations spanned across several borders.

Managing people in the colonial era was quite different from how we manage people today. Some might even ask, has the nature of capitalism or business goals changed in principle? If so, what might have caused the change? Were any of these changes triggered by people's aspirations of seeking better and humane conditions of work and employment? Or, due to changing political agendas, new legislation for protecting workers, changes in ideologies and other influences such as religion and industrial revolution? These questions bring to our mind the importance of changes in context and its distinctive and highly variable character.

While the immediate focus of HRM and employment relations (ER) is on managing people and work within an agreed framework of the employer-employee relationship and setting the rules for engaging people and governing their conditions of employment, HRM and ER is also influenced by multiple, direct and indirect factors. These include a range of factors, such as the influence of diverse stakeholders: the government, regulation, customers, employees, trade unions and other institutions. By learning the multiple and specific instances from different contexts, we may generate some general guidelines for understanding how we manage people and work.

The motivation to write a book that balances theoretical elegance with rich contextual insights of problems HR managers face is partly informed by a belief that is captured in Kurt Lewin's maxim, 'there is nothing so practical as a good theory', and George Box's aphorism in the study of statistics that 'all models are wrong, but some are useful'. Thus, the choice of case-based learning is appropriate for developing skills necessary for the complex nature of what the field of HRM and ER represents.

This book requires some introductory understanding or experience of the core concepts in the study and practice of HRM and ER and applying the common principles employed in the use of case-based teaching and learning. The book considers that an important source of learning HRM and ER is using a practice-based approach wherein cases from the real world can simulate thinking and action on complex HRM and ER problems. By using discussion and participant-focused learning approaches, which are essentially higher-order pedagogies, the book offers an unparalleled learning opportunity for embedding learning from a range of cases on various aspects of strategic HRM and ER, from local and global contexts, to develop a deeper understanding and refining of HR skills.

I hope the learners enjoy the cases from several cultural and industry contexts.

Ourimbah, Central Coast, NSW, Australia

Ashish Malik

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Part I

Theoretical Foundations of SHRM and ER



Introduction

Ashish Malik

Human Resource Management in Context

There are several learnings one can assimilate by studying how changes and differences in an organization's macroeconomic, legal, political, social, cultural, and technological context have an impact on managing people, or what we commonly refer to as human resource management and employment relations (HRM and ER). A significant case in point from the twenty-first century is the catastrophic impacts of the 2008 global financial crisis (GFC) and, more recently, the COVID-19 pandemic (Malik and Sanders 2021) in managing people in organizations. Recent research on the topic suggests that firms managing in a crisis employed multiple HRM approaches (Malik 2013, 2017; Malik and Sanders 2021; Pereira et al. 2021) and in different industry and national contexts (Malik 2017). Some scholars have argued that most of the responses in dealing with the pressures imposed by the GFC and COVID-19 have had long-term negative impacts on employees, wherein these impacts. While the discourse on the GFC was in part explained by a neoliberal orientation of people responsible for causing this crisis (Bolton and Houlihan 2007; Marchington and Kynighou 2012), there are other disruptions, such as COVID-19 and the use of artificial intelligence (AI) technologies in the field of HRM that is yielding mixed results for business and employees (Malik et al. 2020a, b, c, 2021a, b). The approach taken by this book is to embed learning using theoretical insights balanced with learning from case studies from different contexts. A case-based approach is critical in providing insights into applied disciplines such as HRM and ER to allow learners to engage in higher-order learning skills. To this end, this

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chapter begins with an overview of the case-based approach to learning, highlighting the conditions where such an approach is most effective. A facilitator of learning skills is also acknowledged as necessary in bringing the most out of the specific cases.

A Case-Based Approach to Learning Strategic HRM and ER

The use of case studies in teaching has historically been prevalent in law schools. However, several applied disciplines such as business studies, medicine, and education have since adopted case studies in their teaching (Merseth 1991). Though popularized by the Harvard Business and Law School, the case-based teaching method is now used as a common pedagogical (or rather an andragogical) approach in most business programs. There are several prescriptions in how this approach has evolved and how this should be applied to different geographical settings to accommodate the contextual demands of a given program or unit. Implementing a pure “Harvard style” participant-centered learning (PCL) approach using case studies is not always possible or practicable in all contexts because of the contextual factors such as class size, cohort characteristics, resources, and other institutional and curriculum-based constraints that often come into play. Therefore, a variation to the theme is necessary and a pragmatic choice to suit the contextual factors.

Applications of Case Studies

Case studies are typically used to develop students’ higher-order learning skills of analysis, synthesis, problem-solving, and decision-making. This is often done using limited, messy, and sometimes even conflicting information to conclude. One of the key advantages of case-based teaching is that it helps develop broader principles for dealing with a given problem, using specific scenarios and facts from “real-life” organizations. A case study without an issue, problem, rule-based analysis, or critical decision to be resolved does not serve any real purpose from an educational and learning standpoint (Ellet 2007). A well-developed teaching case study is different from a short, end-of-chapter case, as these latter categories often have little or too simplistic information and generally do not advance multiple skills for higher-order learning. This does not mean that short cases should not be used. They have a place and are illustrative. Short cases are also good to embed in adopting this pedagogical approach before introducing more extended and complex cases. They can and do develop relevant skills as per above, though to a limited extent. A good case study should have enough detail for the learner to make an informed decision, but at the same time, it should not be too long or straightforward that the learner loses interest because of the little challenge or excessive information that it offers. A good case study must provide a hook to engage the learner to continue to read and provides sufficient information to undertake problem-solving, analysis and evaluation, or, as the case may direct, but without making obvious, what the conclusions are (Ellet 2007).

As noted above, there are many issues to keep in mind before choosing case-based teaching. Briefly, these include:

- *Level of the course* – Typically, well-developed cases work better in postgraduate courses or the final year courses of undergraduate degrees.
- *Curriculum goals of the unit/program* – The learning goals of a course must support the need for higher-order learning, failing which, there might be issues of (mis)alignment to be dealt with.
- *Culture of case-based teaching at the institution* – This is an essential consideration for instructors to bear in mind, especially if there is little or no culture of case studies at an institution. In such scenarios, case-based teaching is unlikely to deliver the best results. The suggested path is to gradually introduce its application at a program level and have shorter and easier cases in the early stages of the program.
- *Profile of learners* – An understanding of the profile of the adult learners is vital as these profiles vary in each cohort. Typically, the same case can be taught differently to two very dissimilar (with no work experience versus extensive work experience) cohorts. For each cohort required of the facilitator of learning, the discussion leadership skills are vital in striking the right balance. The highly experienced cohort of learners can bring in their depth and breadth of learning to solve the same problem compared to learners with little or no experience.
- *Formative versus summative assessment of cases* – It is a good idea to balance formative and summative cases in a course as the former serves as a dry run for what is in store. The former also builds skills and confidence for using cases across a program or in a unit. The use of case studies in summative assessments is known to increase the learner's motivation. It is also recommended that there be a balance between the mix of cases in a course – for example, the number of summative cases in a module and their levels of complexity. Ideally, the learning should progress from simple to more complex cases. However, this may not be necessary if there is an already established culture of case-based learning at the institution.

Undertaking Case Analysis

Deciding on the adoption of case-based teaching is a key decision, and its implementation needs careful consideration. Depending on the purpose of adopting this pedagogical approach, which is usually driven by a course's requirements, its implementation can be adapted to suit the specific learning requirements of a course. As such, this may mean that the learners' skills, facilitators, and assessment strategies will need to be developed accordingly. There are a number of commonly used resources available to learners regarding "how to" analyze cases. Thinking clearly about what is stated or implied in the learning from a given case and its ordering by the instructor can really set the tone. On a first reading of the case, the reader must identify and develop a description of the everyday situations and occurrences in a

case study (e.g., problems, decisions, evaluations, rules, etc.), keeping in mind that there are many ways of dealing with each situation.

Additionally, in analyzing the case, attempts should be made to (1) characterize the situation or task at hand and (2) note the essential tasks/questions to be answered while keeping in mind that there may not necessarily be a single correct answer to the posed question. Typical tasks and situations in a case include problem-solving, decision-making, evaluation, rules application, etc. These require undertaking hypothesis generation or problem identification, establishing decision criteria, evaluation, building a chain of evidence, developing actionable plans, and reviewing possible alternatives to the original hypothesis (Ellet 2007: p.28).

Leading the Case Discussion

This is perhaps the most challenging part of the overall approach as its success depends on the learner and facilitator's institutional factors and skills. Implementing case-based learning is not easy, especially if there is no established culture of case-based teaching in an institution. Additionally, depending on the intended use of the case study, the facilitator can create an expansive or a restrictive learning experience for the participants. The key guiding principles in most case-based approaches are preparedness of the learner and the facilitator, participation by all in the class discussions (at an individual and where necessary, by design, at collaborative levels), having patience and avoiding jumping to conclusions too prematurely, fostering collaborative discussions, and developing an appreciation that there may not always be a single right answer. Such assumptions will facilitate the free flow of information, improve listening skills, allow participant contributions, and maintain a balance of opposing and sometimes even competing views. Such an approach requires facilitator and learners' attention to micro-skills of questioning and responding. The facilitator must also restrain from over participation and must not be biased or prompted by extensive self-participation. Keeping in mind the content covered in Part I and Part II of the book, Part III offers several long case studies from real-world organizations focusing on a range of HRM and ER. Although Parts I and II have a few end-of-chapter cases, the cases in Part III of the book presents an opportunity for learners to explore in greater detail the applied, complex, and diverse nature of the field. Christensen and Raynor's (2003) account of why hard-nosed managers should care about management theory in practice is an excellent read to get convinced of the value-add such an approach might offer.

Overview of the Book

The rest of the book is structured as follows. Chapter “[HRM and ER: A Strategic Perspective](#)” begins by explaining the key terms of strategy, HRM and strategic HR. It begins by highlighting that the study of strategic management offers numerous conceptualizations of the term *strategy* and that the study of strategic human

resource management and employment relations (SHRM and ER) must seek differentiation and adopt a pluralist approach. This chapter places heavy emphasis on developing a contextual understanding of how people management, strategy, and context interact to shape the multiple goals of SHRM and ER.

Chapter “[Strategic HRM and ER: Best Practice Versus Best Fit](#)” builds on the strategic management processes introduced in chapter “[HRM and ER: A Strategic Perspective](#).” In this chapter, a firm’s competitive environment is analyzed. Managers make informed choices concerning the nature and extent of their work and employment practices in line with a firm’s competitive positioning. The choices that managers exercise in designing and implementing HR practices need to be grounded in a firm’s strategic business environment. While this may sound logical, some schools of thought, such as the best-practice school, offer a much more prescriptive view.

In contrast to the best-practice school, the best-fit school adopts an “it depends” or a contingency-based approach. The best-fit approach has several variants outlining a range of contingency factors on which the design and implementation of HR practices depend. This chapter considers each of these two approaches and their popular variants and their impact on SHRM and ER theory and practice.

Chapter “[SHRM and ER: The Resource-Based View](#)” shifts the discussion from an “outside-in approach to strategy (Porter 2008) and HRM to an inside-out approach through the theoretical lens of the resource-based view of the firm (Barney 1991). In this approach, a firm’s resources and capabilities form the center of attention in deciding how firms achieve sustained competitive advantage. Employing the VRIO (valuable, rare, inimitable, and organization) framework, this chapter discusses not just which capabilities matter most but also how organizations can develop valuable, rare, inimitable, and organized capabilities in a way that prevents other firms from shaving away the value it has created.

Chapter “[Institutional Theory and SHRM](#)” provides an overview of institutional theory and how it applies to the study and practice of SHRM and ER. This chapter explores the contextual environment of a firm with a particular emphasis on the impact of institutional mechanisms in shaping the nature and extent of SHRM practices in an organization. Having explored the major contributors of SHRM schools of thought, this chapter offers a theoretical analysis of institutional theory. Boselie (2010) suggests that firms are affected by several circumstances – internal and external to their environment – which creates its unique context. In short, Boselie (2010) notes that a firm’s internal context, which includes aspects such as its history, socio-technical systems, structure, and set of administrative policies governs its daily workings. The unique ways of conducting its business or its cultural influences are also considered. DiMaggio and Powell (1983) noted two aspects of an organization’s external context. In line with Paauwe (2004), Boselie (2010: 23) note: “a firm’s market mechanisms and institutional mechanisms collectively shape its external context.” This chapter explores how, through human agency, strategic choices and degree of leeway can be changed and challenged through active and passive developmental approaches to bring about differentiation through HRM and ER practices.

Building on the above idea of strategic choices, chapter “[Strategic Choices Theory and SHRM and ER](#)” explores how managers implement HRM and ER strategies in a given institutional environment through the lens of strategic choice theory. The key theoretical insights from strategic choice theory are used to analyze the pluralist nature of ER strategies and how choice-making occurs in organizations. This chapter highlights that several stakeholders influence choice. We must not forget that strategy is not just the exclusive domain of management; even unions have strategies that can profoundly impact the nature of employment relationships and a range of employment outcomes. A strategic approach to employment relations (ER) describes a pluralist approach taken by managers, a longer-term, more thoughtful, and consistent approach to managing its workforce and employment relationships. In other words, ER strategy for managers in business, the public sector, and most other types of organizations is part of a firm’s strategy related to industrial/employment/employee relations. Depending on the context, it may be a subset of an organization’s HR strategy or separate to and in some cases may even dominate the HR strategy. While this may sound highly analytical, its development and implementation are also fraught with challenges. Also, in this chapter, as part of a firm’s growth strategies of internationalization, mergers and acquisitions (M&A), or some form of a network of interorganizational collaboration, we look at how these forms may impact a firm’s international HRM (IHRM) practices. The chapter highlights the differences between an IHRM approach as compared to domestic HRM. M&A as a strategic choice option and its impact in a cross-border context is briefly examined in this chapter.

Chapter “[SHRM and ER: Professionalism and Ethics](#)” examines whether a core set of HR competencies is necessary for HR practitioners to design and implement HR policy and practice choices successfully. The literature on this topic shares significant overlaps with the nature of key HR roles and competencies required by HR professionals in several countries. This module examines some of these dominant professional HRM and ER competency models. Related to professional competencies is the adherence to a set of ethical standards and professional code of conduct that HR practitioners and managers must demonstrate in their day-to-day decisions about managing people. This chapter highlights the challenges associated with the ethical dilemmas that HR practitioners are confronted with in dealing with the differences in their personal, professional, and organizational values and ethical frames.

Chapter “[Work Design and HR Planning: A Strategic Perspective](#)” highlights the importance and limits of operational and strategic approaches to HR planning. Following a careful and strategic approach to HR planning, organizations must focus on designing and implementing work systems that allow firms to manage the duality of organizational flexibility on one hand and employee commitment on the other. This chapter also explores strategic issues in recruitment and selection of employees and considers what happens to HRM practices when some firms adopt an internal versus an external orientation to attract and select people.

Chapter “[Strategic Performance and Commitment Management](#)” focuses on an important but controversial theme of the relationship between performance (at an individual or systems level) and HR practices. While there are several guidelines for

motivating people and groups for achieving high performance in an organizational setting, the literature on this topic is voluminous due to the multifaceted nature of performance. At a micro (individual) level performance, there is an established body of literature that highlights the importance of ability, motivation, and opportunity enhancing factors as key predictors of high individual performance levels. Boxall and Purcell (2011), for example, remind us of the classic performance rubric [$P = f(AMO)$], wherein “A” or ability, “M” or motivation, and “O” or an opportunity are vital factors in understanding how ability and motivation increases an individual’s performance. Line managers and supervisors play an important part in providing the opportunity for their staff to apply their workplace environment skills willingly. Managing performance at the systems or group level requires a much more sophisticated approach, given the multitude of systems-level internal and external factors that come into play. In this latter stream of research, several models of high-performance and high involvement work systems of HRM practices have been proposed in the literature. Some of these approaches assume the guise of universalistic prescriptions, while others fall under best-fit and other influences, such as the role of personality (Kelly et al. 2021) and contextual factors (Malik et al. 2021a).

Chapter “[Strategic Learning and Development](#)” focuses on a key aspect of an individual’s performance – employees’ ability. The role learning and skill development that play in building individual, organizational, and dynamic capabilities are examined here. Beginning with the theoretical foundations of why firms invest in individual-level training, the chapter explores the theoretical foundations of the human capital and neo-human capital theories. At an organizational systems level, studies of high-performance work practices (HPWPs) also highlight the importance of training and a presence of a learning culture in improving the performance of organizational processes and outputs. The RBV approach also highlights the importance of investing in certain types of skills, resources, and capabilities that align with its VRIO prescriptions to generate value and deliver high performance. Other theoretical influences that are also covered in this chapter focus on how HRD connects with organizational performance. Finally, a brief discussion on retaining talent through career planning and employee counselling is also offered.

Chapter “[Managing Employee Voice](#)” looks at the “O” in the AMO framework by reviewing the emerging terrain of direct and indirect forms of employee voice in dealing with routine and strategic work-related decisions (Boxall and Purcell 2011). From a strategic HRM and ER perspective, moving the discussion on an either-or approach to employee voice – i.e., direct or indirect voice – focuses on the extent to which employees have space for a genuine say over the decisions that affect their conditions work. Employees’ and managers’ ability to influence and bring about positive change, a key HRM competency covered in Chapter “[SHRM and ER: Professionalism and Ethics](#),” is further examined in the next chapter.

Chapter “[Strategic HRM and ER and Managing Change](#)” looks at all three aspects of the AMO framework in dealing with one of the most important HRM functions – managing change. Despite change being a natural process, why do most organizational change management initiatives fail? This chapter focuses on the

discussion, building on the extensive work undertaken by Nilakant and Ramnarayan. This chapter presents a framework for understanding and managing the key tasks of change and highlights the role of HRM in successfully managing and supporting change. Nilakant and Ramnarayan's framework of four common tasks of change and what an HR champion must do to design and execute change successfully is covered here. Finally, to manage change and taking a holistic and systems-level view of organization development as an outcome of change, this chapter briefly touches upon the importance of organizational development interventions in implementing change.

Chapter “[Strategic Compensation and Benefits Management](#)” focuses on the “M” or motivation in the AMO framework. In determining the nature and extent of rewards and benefits, HR managers must determine the basis for designing and implementing schemes for motivating employees. Although compensation and benefits are significant HRM practices, there are several key considerations to deliver on these practices from a strategic HRM perspective. These include the broader organizational context, the firm's operant business model, and some intra-firm dependencies such as culture, style, and orientation of senior leaders toward the employees and the firm's strategic goals. It is for this reason that compensation and benefits are considered a controversial and contested function. As such, HR practitioners should balance numerous tensions of equity and equality in administering pay and benefits. The decisions surrounding pay and benefits often trigger perceived inequity, injustice, and nepotism and invoke power and political behavior in organizations.

Chapter “[Special Topics in SHRM and ER](#)” the final chapter deals with some topical issues and trends in the field of strategic HRM. This chapter focuses on developments in the wider meso-level environment that causes firms to explore new ways of working. In times of such change, the HR practitioner has to perform a balancing act and restore the lost faith and credibility of the function. This is especially true in times of change and organizational crisis. To this end, a selection of the topical issues will be explored in brief. Analyzing the relationship between innovation and SHRM and ER, which focuses primarily on work, product, process and business model innovations, this chapter then discusses job crafting (Laker et al. [2020b](#)), presenteeism, art of influencing (Laker et al. [2020c](#)) and employee well-being and it might transform business, and individual outcomes are briefly covered in this chapter. A discussion of the related concept of organizational ambidexterity (OA) and its relationship with HRM and innovation outcomes, wherein firms can manage the duality of simultaneously balancing exploration and exploitation of learning for growth, is also provided. Increasing interest in public sector HRM provides an overview of how the neoliberal pressures in public service are increasingly challenging public service motivation ethos and the desire of public service people to commit their careers to this vital part of society. The key pressures leadership in the public service face in managing what has essentially been a professional bureaucracy will be explored. This chapter also deals with the emerging topic of green HRM, employee well-being, and HR offshoring. Despite the growing importance of HRM and ER function in organizations, there have been increasing offshoring and

outsourcing several routines and nonroutine HR functions. What might be the cause and can this replace local and context-specific delivery that HR and ER offer are also explored. Poor employee well-being, its incidence, causes, and how it affects the credibility of HR are explored in this concluding chapter.

Conclusion

The range of topics covered in the book will be a constant source of challenge and engage the learners to achieve higher-order learning. The narrative is deliberately kept brief to allow learners to engage with the literature independently as well as based on their interest in a particular topic. Through this book, it is hoped that the reader and participants in the case discussions will appreciate why context and choices matter and the important role human agency plays in the design and implementation of SHRM and ER practices in shaping performance and achieving a balance with the goals of social legitimacy and welfare.

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HRM and ER: A Strategic Perspective

Ashish Malik

Key Learning Outcomes

At the end of this chapter, you should be able to:

- *Define the terms of strategy, HRM and strategic HRM*
- *Describe the dominant approaches to strategy*
- *Identify the key goals of HRM*
- *Examine and analyze the relationship between strategy and HRM*
- *Analyze the key forces impacting an industry*

Introduction

This chapter begins by explaining the key terms of strategy, HRM and strategic HR. It highlights that the study of strategic management offers numerous conceptualizations of the term *strategy* and that the study of strategic human resource management and employment relations (SHRM and ER) must adopt a pluralist approach and place heavy emphasis on developing a contextual understanding of how people management, strategy, and context interact to shape the multiple goals of SHRM and ER. The commonly understood goals of HRM follow this. As noted earlier, a descriptive understanding is a precondition to analyzing how to manage people and work in organizations. Based on the description, we can seek to generate guiding principles from specific learnings. This approach requires collective learning experiences from a diverse set of circumstances and involves developing a thick

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description of what people and managers do at a workplace. Based on such an approach, we can seek answers to the *what*, *why*, and *how* of managing people in organizations.

Strategy

To begin with, a commonsense understanding of strategy in a business context, according to Cascio and Boudreau (2012: 2), is when a business can answer the following questions: “Why should customers buy from your company, as opposed to others? What do you do better than anyone else? What do you offer that is valuable, rare and difficult to imitate?”. De Wit and Meyer (1998) noted a conventional approach to strategy as a firm’s intention to achieve its objectives through well-defined plans to achieve alignment or fit between its goals, resources, and the wider business environment. Quite apart from the design and planning schools of strategy, Leopold and Harris (2009: 27) suggest, “Strategies are outcomes of human interpretations, conflicts, confusions, guesses, and rationalizations rather than clear pictures unambiguously traced out on a corporate engineer’s drawing board.” Others (Grant 2010: 58) note, “My key assumption is that the firm operates in the interests of the owners through maximizing their returns (profits), which implies maximizing the value of the firm,” whereas Leopold and Harris (2009: 15) also state: “To see work organizations as negotiated orders are to recognize that they involve continuously emergent patterns of activity and understanding that arise from the interplay of individual and group interests, ideas, initiatives and reactions – these interests and differences reflecting patterns of power and inequality applying in the society and the economy of which the organization is a part.”

Key Approaches

What does the above tell us about strategy? One thing is clear that there are several conceptualizations and each serves the theoretical emphasis it takes. For instance, Grant’s view is more unitarist than the latter statement by Leopold and Harris, which is consistent with a pluralist ideology. For instance, if one were to use a Marxist frame, then organizations are purposive entities, and they exist for generating a surplus through efficient allocation of resources. On the other hand, Boxall and Purcell (2011) bring an important consideration that organizations do not exist in a vacuum – they are embedded in the wider business, social and institutional environment in which they compete with other organizations to sell their products and services. This applies both to for-profit and not-for-profit firms, which in today’s free market environment compete for all types of resources – financial and nonfinancial. Hence, they have to differentiate and offer a customer value proposition that helps fill a market gap or creates a thus far unexplored market. While this may ensure survival in short to medium term, the journey for achieving a sustained competitive advantage is often challenging and requires a viable business model. By

achieving financial viability, firms can begin to embark on achieving sustained competitive advantage through continued refining of their business model and strengthening their core value proposition, especially if they see competitive rivalry and intensity is beginning to offer a similar or better value proposition in the same strategic milieu (Boxall and Purcell 2011; Malik and Rowley 2015).

Reviewing the voluminous terrain of strategy literature is not the focus here. Instead, a flavor of common classifications of strategy literature evident in the literature on HRM and ER is offered. Briefly, one popular classification of strategic management offered by Whittington (1993) classifies strategy approaches into two groups: an outside-in approach, under which strategy is primarily determined by the external environment, and, the second, an inside-out approach that challenges the underlying assumptions and the dominance of external environment and industry structure. This latter view focuses on the human, technological, social, and managerial characteristics of organizations, or what some scholars have termed as core competencies, of a firm (popularized by Prahalad and Hamel (1990)) for achieving competitive advantage. The focus is on acquiring competencies, capabilities, and resources that are *valuable*, *rare*, *inimitable*, and *organized* to create barriers for competitors to replicate a firm's customer/core value proposition (Barney 1991), as per this approach. This approach is the "resource-based view" (RBV) of a firm or a "stretch" view of strategy. This school of thought is covered in detail in the chapter titled "[SHRM and ER: The Resource-Based View](#)."

Within the outside-in approach, the structure–conduct–performance (SCP) paradigm is a dominant school of thought, wherein, in a given industry structure, a firm's performance depends on how the buyers and sellers in an industry behave. In line with this view, the development of the industry dynamics approaches advanced by Porter's competitive forces model evolved (Porter 1985, 1996). Institutions, too, have a significant influence on strategy. This approach to strategy is often labelled as the market-based view of strategy and sometimes referred to as the external-fit view of strategy. In line with this approach to strategy, the role of managers is to develop a better understanding of the competitive dynamics of the product markets that their firm wishes to operate in and analyze and understand the industry structure and the internal and external environmental factors that are affecting it. The logic in this approach is premised on the quality of rationality and analysis undertaken by managers in informing their strategic choices for achieving competitive advantage.

One of the key contributors of the *outside-in* approach, Michael Porter, who developed the *Five Forces* model, offers a valuable framework for analyzing industry structure and dynamics. In analyzing the wider environment, this framework is often used in conjunction with some popular environmental analysis tools such as the PESTLE (political, economic, social, technological, legal, and environmental) framework. A further understanding of the internal and external factors affecting an organization can utilize the SWOT (strengths, weaknesses, opportunities, and threats) analysis tool. In his *Five Forces* model, Porter (1985) highlights the influence of five forces on competitive dynamics in any industry. These forces are the bargaining power of buyers, bargaining power of suppliers, the threat of new

entrants, threat of substitutes, and rivalry among existing players. The impact of environmental forces on a firm's business cannot be understated.

Application Examples

Take the global movie rentals industry case, where Netflix changed the competitive dynamics through its investment in disruptive technologies. This affected the movie rental industry's structure, conduct, and performance in a relatively short period. One of the applications from the above set of analytical frameworks is that firms exercise choices based on their analysis and then, as Porter suggests, determine their basis for competing in the industry, e.g., whether they compete based on *cost leadership* or *differentiation*. These two generic decision points define the *competitive strategy* a firm may generally pursue. Because of the chosen competitive strategy, allocating resources and the way these resources are organized is a significant decision, and it is difficult to reverse such decisions without cost implications. Applying the concept of generic competitive strategies to the Australian retail shopping experience, one can see discernible differences in how the shopping experience is organized, for example, in BIG W and Kmart versus David Jones and Myers. While the former group appears to follow a cost-leadership strategy, the latter group focuses on differentiation in the products and the personalized service that one receives at David Jones and Myers. In addition, there are likely to be distinctive differences in the hiring and rewarding approaches in each of the above two retail outlet examples. For example, the latter group will likely employ a variable pay structure with some team-based rewards for staff to provide effective customer solutions than a standard industry award for rewarding them.

A related next step is the supporting functional activities that follow from the choice of a firm's business and competitive strategies. Boxall and Purcell (2011) note three distinctive levels of strategy: business strategy, which determines the business an organization wishes to be in; competitive strategy, which determines the basis of competing in the chosen sphere of business; and, finally, the entire value chain of functional strategies such as human resources, marketing, finance, technology, and how these functional strategies need to achieve fit with the chosen business and competitive strategies. This latter focus on functional strategies is a key focus of strategic HRM and ER. Before engaging with this issue further, defining HRM and mapping its relationship with strategy is pertinent.

Defining HRM

In line with the above observation, Boxall et al. (2007) classified the broader study of HRM into three subfields. The first subfield of *micro-HRM* focuses on the functional aspects of HRM (e.g., the employment life cycle, such as HR practices of HR planning, recruitment and selection, induction and socialization, training and development, performance management, rewards and remuneration, managing

employment relationships). The *international HRM* subfield deals with the management of people in global and multinational enterprises. Issues of local responsiveness or integration of the parent firm's global best practices at its subsidiary locations, better coordination, and control are among the critical areas of emphasis in managing people globally. Finally, the last subfield of HRM research adopts a strategic approach to HRM (or SHRM for short). This approach focuses on linkages between HRM practices with business strategy by designing an integrated set of high-performance work practices or systems (HPWP/HPWSs) for creating and realizing value through an organization's human capital pool and human capital management processes. Although the above three subfields are pretty distinct in their emphasis at a practice level, the overarching goals which they aim to serve has significant overlaps. Boxall and Purcell (2011), for example, identified several goals of HRM: economic goals, which focus on achieving a cost-effective HR resource model, one which offers enough organizational flexibility and creates human resource advantage through appropriate investment in skills and practices; sociopolitical goals, which focus on maintaining social legitimacy in its actions primarily as organizations operate in a social context; and the managerial prerogative in the form of power managers can exercise over labor. The above set of goals can exist on a continuum from a unitarist to a pluralist approach. Legge (1995), for instance, noted the distinction between "hard" HRM approaches focusing on the efficiency goals versus "soft" HRM approaches, focusing on the humane side of managing human resources. Strategic approaches to HRM should attempt to balance the needs of a diverse set of stakeholders and not focus on one stakeholder, i.e., the shareholders.

HRM and Strategy

The literature on SHRM focuses on linking a firm's business and competitive strategy with its HRM practices. While this may seem like a logical step to achieve alignment and fit, an organization's decision to pursue a given competitive strategy or the process of strategy making is far from simple; it involves exercising choices by managers. In most cases, these choices have constraints, as resources are limited and organizations, being political entities, have to balance the multiple and often competing interests of their internal and external stakeholders. It is in this backdrop of strategic decision-making and negotiation that strategies are shaped at different levels. This presents challenges for some of the more prescriptive schools of strategic HRM thought.

Depending on the strategic choices (Child 1972, 1997) that managers exercise, a firm's paths may vary. Typically, managers collect information about the environment and its structural conditions. They then evaluate and learn from it and further use such learning to inform their ability to refine choices (Child 1997). These choices then need to be carried out, and subsequently, the outcomes, at some stage, need to be evaluated (Child 1997). Managers faced a similar challenge during the GFC and, more recently, the current COVID-19 pandemic (Malik et al. 2019; Malik and Sanders 2021), which necessitated firms to exercise choices to sustain and stay

afloat in the face of significant adversity (Malik 2013, 2017; Malik et al. 2019), often leading to implementing significant changes to the value creation, and capture elements of HRM practices that support a firm's business model (Malik et al. 2018). For example, some firms may choose to grow organically, whereas others may decide to take a growth path of diversification through mergers and acquisitions or enter into joint-venture partnerships and so on. Depending on the choices made, the implications for SHRM will also vary. To be strategic, HRM has to embrace both a bottom-up and top-down communication approach or, in other words, inform and be informed by strategy. While the former assumes a much more proactive role HR leaders, wherein HR receives membership at the executive table, the latter, however, assumes a more reactive role for the HRM function, wherein it is more of an implementer of the choices made by the senior management or what some refer to as *the dominant coalition*. Of importance is maintaining the right balance between proactive and reactive approaches to achieve strategic integration and fit in terms of strategic choices that traverse the field of strategic HRM. Additionally, the new technological disruptions that the field of HRM are faced with the adoption of artificial intelligence (AI)-enabled applications for business efficiency and employee experience (Malik et al. 2020a, b, c; Malik et al. 2021) broadly are covered in the chapters on *best-practice versus the best-fit view of SHRM*, *resource-based view of the firm as applied to SHRM*, *strategic employment relations*, and the impact of *institutional perspectives in shaping SHRM*.

Critical Reflections

What appears from the preceding discussion is that the nature of conceptualization varies based on the theoretical background and worldviews that are examined. While consensus may not always be possible or desirable, what is critical to remember is that organizations are purposive entities and must organize work and activities in productive and sustainable ways. Over time, we have seen some prescriptions regarding the optimal ways of organizing work and motivating people to carry out productive tasks on a sustainable basis. The approaches will vary depending on the product and labor markets where goods and services are produced and consumed. Some guiding principles and tested approaches seem to work in certain contexts more effectively than others. Often firms that are more successful organize their production function and work that is different to their competitors. This idea reinforces the notion of a differentiation view of strategy in a manager's decision choice menu.

Illustrations and Skills Sandpit: Industry Analysis and Market Concentration

Several low-cost and legacy airline carriers can be seen as variants of a cost-leadership or differentiation strategy. The key point for managers is to choose based on their analysis of the competitive forces affecting a particular industry. By industry evolution, technological changes and the market positioning in some industries are more attractive than others. This was borne out in the consulting firm, AT Kearney's CR3 curve. AT Kearney studied the combined market share of the three largest companies (CR3) in an industry. Their analysis found that an "S" curve (typical of organizational life cycle curve, which goes through the stages of growth, fragmentation and shakeout, plateau and decline) could be plotted for all industries that are primarily in maturity and/or decline stage. Industries such as defense, beauty care, beverages, and tobacco industries, for example, had a CR3 of as high as 70%, whereas the banks and airline industry had a CR3 of between 20 and 30%. This analysis highlights the intensity of competition and rivalry that is present in the latter group of industries and that the profitability in the latter group, as a result, is meagre.

Concept Integration with Cases and Learning Activities

There is evidence of the application of the *competitive forces* model in the *HR planning at Dorian LPG* case study. The dominant focus of the case is HR planning in times of an organization witnessing high growth in a highly capital intensive industry. Like the airlines' industry, the case aptly illustrates how such an analysis can inform managerial thinking and decisions. To further explore the concept, complete the learning activity at the end of the chapter entitled *Analyzing the Fast-Food Industry*.

Conclusion

Although subject matter expertise and underpinning theories are essential for informing practice, such knowledge can be developed by contextualizing the learning through real-life examples and case studies from the real world. In line with our pedagogical choice of case-based learning stated earlier, applying various strategic HRM and ER concepts and relating to industry and national contexts offers a wide selection of case studies from the manufacturing to services sectors, both domestic and international settings. Further, the level of analysis varies from industry through organizational to the group and individual levels. Attention has also been paid to include cases from industry sectors that implement a range of HRM practices in the service sector from the lower end of the service complexity continuum to high-end complex services. Such differentiation in the choice of case studies included in this

collection allows us to understand the complexities of shaping strategic HRM and ER decisions and practices in diverse settings.

Glossary

HRM	Focuses on making decisions that relate to developing and implementing policies and practices for managing work and employment relationships for effectively and efficiently achieving the goals of an organization while also keeping in mind the needs of the employees.
Pluralist	Approach that acknowledges there is conflict in a workplace context and that both actors in the employment relationship – the employer and employee – are seen as seeking to maximize their interests. The overarching ideology of this approach is to engage and progressively manage and deal with conflict rather than ignoring or avoiding it.
Strategy	Can be defined as an organization's concerted effort to align the achievement of its goals in a given environment, often through differentiation.
Strategic choice	Is the extent to which a firm has leeway in making decisions from a strategic perspective.
Strategic HRM	Is a subfield of HRM that adopts an integrated and holistic approach to developing differentiated HRM policy choices and practices that can provide a firm with a distinctive source of sustained competitive advantage.
Strategic ER	Is an approach to employment relations (ER) employing a pluralist approach over a longer term more thoughtfully and consistently to manage the critical workforce and employment relationship demands placed by various stakeholders.
Unitary	Approach that focuses on promoting a common and unified set of values and ways of behaving in an organizational context for achieving its business goals. The overarching ideology of this approach is that goals can and must be achieved through employee commitment, and there is little or no scope for challenging this line of thinking. Often those who challenge are offered learning interventions or are considered exhibiting inappropriate values and behaviors and may face disciplinary action.

Key Questions and Learning Activities

Question 1. How might an organization's competitive strategy impact its functional HR strategy? Discuss.

Question 2. What are the key challenges in adopting a strategic approach to HRM?

Question 3. Is Porter's industry analysis framework sufficient for exercising strategic choices? Why? Why not?

Learning Activity 1: Analyzing the Fast-Food Industry

We would have bought a burger from McDonald's or KFC or a pizza from Domino's or Pizza Hut at some stage of our life. As Michael Porter noted, "The essence of formulating competitive strategy is relating a company to its environment. Though the relevant environment is inclusive, encompassing social and economic forces, the key aspect of the firm's environment is the industry or industries in which it competes. Thus, industry structure has a strong influence in defining the competitive rules of the game as well as strategies potentially available to the firm."

Based on the above example, your task is to analyze the fast-food industry in a country of your choice. You may find it helpful to read the summary of the Five Forces model by Porter (2008) in analyzing the industry dynamics that are critical to your understanding of the intensity of competition, overall profitability in a given industry, and thus crucial in formulating and implementing strategic choices. Using the above framework and based on your knowledge and experience, the task is to:

1. Begin by a specific definition of the fast-food industry in the geography of your choice. Then, explain the rationale of your choice.
2. Evaluate the strength of the five forces individually for the fast-food industry.
3. Answer what are the key HR considerations for operating in such an industry.
4. Make a judgement about how attractive an industry like this would be to invest \$5 million.

Defining what industry is vital for your analysis. It is wise to look at an industry from a *demand-based* perspective than a *supply-based* perspective. You may like to start by analyzing each of the critical forces and their sub-considerations in the provided space below for answering the allocated questions.

Porter's Five Forces Model

1. Barriers to entry
2. Bargaining power of suppliers
3. Intensity of rivalry
4. Bargaining power of customers/buyers
5. Threat of substitutes

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Strategic HRM and ER: Best Practice Versus Best Fit

Ashish Malik

Key Learning Outcomes

At the end of this chapter, you should be able to:

- *Differentiate between the best-practice and best-fit school of SHRM*
- *Identify the key types of fit in strategic HRM*
- *Evaluate the key tenets of best-fit and best-practice schools*
- *Apply the concepts of integration and fit to SHRM practices*

Introduction

Building on our understanding of key terms in chapter “[HRM and ER: A Strategic Perspective](#)”, this chapter dwells upon two of the most popular schools of thought in the study and practice of SHRM: the best-practice and best-fit schools. While analysing a firm’s business and industry environment allows the dominant coalition to make strategic choices about its business and competitive positioning, this choice also directly impacts how people are managed and organized. Even though this view has intuitive appeal and reinforces the importance of externalities, some schools of thought, such as the best-practice school, which adopts a *universalistic* approach, or, in other words, assumes a more prescriptive character in the design and implementation of SHRM and ER practices. The best-fit school, on the other hand, as the name suggests, adopts an “it depends” on the contextual factors approach. The best-fit approach considers numerous contingency factors that affect

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and shape the final set of HRM practices. A related topic evident in both these approaches is the concept of *integration* and *fit*. Integration between strategy and HRM practices is a critical skill that business leaders expect from HR leaders. Millmore (2007) noted several levels of integration and fit that operate in an organizational context. These include downstream strategic integration (also referred to as top-down integration), upstream strategic integration (also referred to as bottom-up integration), intra-functional integration (also referred to as horizontal integration or integration between various activities in a functional area) and inter-functional integration (which focuses on integration between various business functions, e.g. HR, marketing, legal and so on).

Best-Practice School of HRM

The universality of HR practices in all contexts is emphasized in the best-practice view of SHRM theories. The rationale followed by proponents of this approach is that there is *one best way* of achieving a highly effective and high-performing organization. Boxall and Purcell (2003: 61) suggested that the universalists highlight the need to “have top management support and commitment for certain key HR practices; undertake research on the cutting edge and successful HR practices; create awareness and commitment towards these successful HR practices; measure and monitor the progress of these practices; put in place mechanisms to reward managers for implementing the selected practices”. Other theorists have suggested that “All else being equal, the use of High-Performance Work Practices [HPWPs] and good internal fit should lead to positive outcomes for all types of firms” (Huselid 1995: 644). The work of Kaufman (2010: p. 289) provides a good critique of both the approaches – best-practice (BP) and best-fit (BF) – and notes where some of its variants such as HPWPs fit: “The key hypothesis of the BP model is that a set of HRM practices exist that universally lead to superior organizational performance. Thus, the BP and Universalistic perspectives are largely equivalent; this implies, in turn, that HPWPs are largely synonymous with “advanced” or “transformed” practices of the Universalistic model, such as employee involvement, extensive training, and self-managed teams.... In a BP world, the use of HPWPs dominates in all firms”. In a similar vein, Combs et al.’s (2006: 502) meta-analytic review of the field summarized: “Human resource practices that SHRM theorists consider performance enhancing are known as high-performance work practices (HPWPs). HPWPs include, for example, incentive compensation, training, employee participation, selectivity, and flexible work arrangements. SHRM theory asserts that these practices increase employees’ knowledge, skills, and abilities (KSAs), empower employees to leverage their KSAs for organizational benefit, and increase their motivation to do so. The result is greater job satisfaction, lower employee turnover, higher productivity, and better decision-making, all of which help improve organizational performance”.

What follows from the above is that BP theorists identify a set of HRM practices and mount a case for its universal use, irrespective of the context in which these

HRM practices are to be implemented. This approach can be linked back to the earlier scientific management approaches of Frederick Taylor. However, for the sake of brevity, here the discussion is confined to the most popular conceptualizations such as that of Pfeffer's model (1998a, b) of seven critical successful HR practices and Walton's (1985) control versus commitment model. Readers are advised to review some of the other variants of the approach under the umbrella of high commitment management (HCM) (e.g. Arthur (1992)), high involvement work systems (HIWS) (Lawler et al. 1998), high-performance work practices (HPWPs) or high-performance work systems (HPWSs) (e.g. Huselid (1995)) for a systems-level understanding of managerial control, commitment. Another popular conceptualization is the AMO (ability, motivation and opportunity) framework (Applebaum et al. 2000; Bailey 1993). The underlying logic of this framework is that investment in HRM practices can build employees' ability, motivation and opportunity at the workplace. Research in this stream has found support for investment in ability-, motivation- and opportunity-enhancing practices to positively impact knowledge integration, job satisfaction and firm performance (Lee et al. 2020; Malik et al. 2020). Pfeffer (1998a, b, 96), in his model of key HRM practices, stated, "Effective management of people can produce substantially enhanced economic performance" and that high-performance or successful organizations are characterized by the following set of seven HR practices: (1) employment security; (2) selective hiring of new personnel; (3) self-managed teams and decentralizations of decision-making; (4) comparatively high compensation contingent on organizational performance; (5) extensive training; (6) reduced status distinctions and barriers, including wage differences across levels; and (7) extensive sharing of financial and performance information throughout the organization, as the key drivers of high performance.

Walton's (1985) work is premised on the tenets of managerial control theory wherein he argues that in the strategic management of a firm's resources, its leaders have two strategic choices: follow a low-commitment or high-commitment HR policy choices. Depending on the choice implemented, the HR system will differ significantly in the set of values and management philosophy consistent with the approach. Furthermore, these choices will shape not only the firm's culture (e.g. follow either a rule-based or an empowerment-based culture), but it will also affect wider strategic choices in terms of the organization structure, technology use in work design and the final choice of a range of HR practices.

Combs et al. (2006) observed that the major emphases are on bringing to action the HRM-performance link by implementing a "bundle" of universally applicable practices. The proponents of this school further argue that HPWS or HPWPs not only lead to higher business performance, but they also result in better HR outcomes such as low employee turnover, high satisfaction by users of HR practices, better knowledge and skills, alignment and fit with goals and improved employee attitudes and behaviours. In line with this, many subsequent studies have come up with their own bundle of "magic lists" or "silver bullets". For example, Purcell et al. (2003) employed the classic performance eq. ($P = f(\text{AMO})$) and suggested a set of 11 inter-related HRM practices. They further highlight the critical role of line managers in ensuring these practices are implemented successfully. The above implies that

managers choose to implement and interpret some of these practices, which may or may not conform to what the HR leaders conceived of in their design.

Best-Fit School of HRM

Best-fit (BF) models of HRM rely on the logic of contingency theory. Such a conceptualization stems from the premise that high performance in organizations varies with context as each firm operates in a slightly different environment. Differences in context are argued to have a direct bearing on the way firms organize their production function. The basic assumption of the BF approach is that the high-performance and HR practices relationship is not linear; it is mediated and/or moderated by a set of contingency variables such as strategy, size, technology, regulation, market segment and so on. The research by Kelly et al. (2021) argues for the role of employee personality in achieving ability, motivation and opportunity outcomes in the presence of a set of HRM practices. The focus should be on achieving the most desired fit between these factors. BF theorists emphasize the importance of strategic alignment and fit between HR practices and the contextual factors, such that the better the integration and fit, the more likely a firm is to deliver high performance (Malik et al. 2018). The notion of integration and fit was introduced earlier in the chapter. Thus, it is essential to achieve *integration* and *fit* at various levels. Boxall and Purcell (2011) highlight the importance of fit at the following three levels: societal or institutional fit (this will be explored in greater detail in chapter “SHRM and ER: Institutional Theory”), industry fit and organizational fit. The latter two types of fit put constraints on managerial thinking, as evidenced through Porter’s industry analysis. Boxall and Purcell (2011) refer to specific table stakes that are necessary for a given industry if a firm has to survive. Similarly, studies of commitment and control highlight the impact that culture and managerial ideologies have on people and the types of people who need to be hired and integrated to support the desired cultures. This line of thinking is essential in implementing the HR practices of recruitment and selection and induction, and socialization for the desired person-organization fit.

As with the BP tradition, research in the BF stream is also voluminous and finds support for their thesis, though the problem is theoretical – parsimony – as the number of contextual variables to account for can be a considerable challenge. As noted earlier, fit manifests itself at numerous levels: strategic or vertical, internal or horizontal and external or institutional/contextual. Integration of the above different fits is considered necessary in the practical design and implementation of HR practices. Ichniowski et al. (1996), for example, argued for three levels of fit: *fit between innovative practices* so that the whole is greater than the sum of parts; *fit within a bundle of management practices*; and *achieving fit with the external environment*. Employing a differentiated workforce model approach (Becker et al. 2009), the authors argue that a different set of HRM practices may be a desirable way forwards for achieving what has been described as a configurational approach for different employee groups. Fombrun et al. (1984) noted the need for *internal strategic fit* and

delineated a set of strategic HR choices in recruitment, selection, training and development and rewards and remuneration, depending on the firm's strategic configurations. For example, training activities should be closely aligned and support an organization's strategic needs. Within the BF school, an additional set of contingency influences include the *business life cycle model* (Baird and Meshoulam 1988), wherein firm's HR practices must evolve in line with a firm's growth, maturity, stability and decline stages in a way that the emphasis of certain HRM practices will be high or low at each phase of an organization's growth. For instance, recruitment and selection will assume strategic importance during high growth and managing change and headcount during times of recession, even more so when the industry is experiencing a shake-out. Best-fit models draw extensively on Porter's (1985) classification of three generic *competitive strategies*: differentiation, cost reduction and focus. The seminal BF work in this area has been by Schuler and Jackson (1987), who argued that firms could pursue any of the three generic strategies as long as they concurrently also develop certain values and behaviours among employees to support each of the three generic competitive strategies of cost leadership (efficiency), differentiation (innovation) or focus. The chosen competitive strategy would have varying demands on the nature and extent of HRM practices and implemented value systems. For instance, when a cost-leadership strategy is adopted, training and skills development would not be very high on an organization's agenda. Instead, a control-oriented workflow design would be a key focus. Employing the classic "make" or "buy" decision as applied to study of HRM, and using Porter's set of generic strategies, Stewart and Brown (2009) advanced a model based on an organization's orientation towards its investment in labour – a make (or having an internal orientation) versus buy decision (or having an external orientation) on one axis and a firm's competitive strategy on the other. Such an approach yields different configurations of strategic HR choice menus for each of the two commonly used generic competitive strategies of cost leadership and differentiation.

Application Examples

While the above application of generic competitive strategy is widely employed in the literature, some researchers (DeSarbo et al. 2005: 49), in a similar vein, have employed Miles and Snow's (1978) classic framework of four groups of firms (prospectors, defenders, analysers and reactors) based on their strategic orientation. In analysing firms in an industry and how they might employ different SHRM and management practices, Miles and Snow (1978) noted that *prospectors* are leaders in their industry and are known to shape the direction of the product market and the speed at which the market changes. They do so by continuously launching new products and/or identifying new marketplace opportunities. Apple and Intel are prime examples of prospectors. In essence, these firms follow differentiation and innovation strategies. Therefore, the nature of strategic alignment HR practices have to achieve for this group of firms encourages innovation and risk-taking behaviours.

On the other hand, defenders try to prevent competitors from shaving away their gains by delivering on a secure and niche market area. An example of this type would be SAP from Germany who offers a specialized enterprise resource planning application. They offer a single software product that is highly stable and specialized. SAP focuses more on exploiting its competencies and strengths to the core, thereby achieving resource efficiency and reducing its service/product production costs. The opportunities for HR design here will be very different to the prospectors. HR wants to drive standardization and control over its established and proven best practices for most workgroups. Like the prospectors and defenders, the analysers cautiously and selectively enter only those markets that may offer potential. They may initiate product or market development but are “more likely to follow a second-but-better strategy”. Companies like Advanced Micronic Devices (AMD) and IBM would fall into this category. The first three categories would have a distinct advantage over the *reactor* firms, which, as the name suggests, are firms that will be slower than second movers, and their responses to changes in environmental conditions are unsynchronized and appear disjointed.

While there is a pattern of stability in HRM practices in most manufacturing firms, service industries are much more dynamic and change frequently. The nature and extent of change of HR responses in services are varied and highly differentiated. It depends on the nature of the markets served. Boxall (2003) developed a typology of HR strategic responses based on service sector firms’ competitive dynamics and market characteristics. Boxall developed a framework for identifying whether there are opportunities for implementing HPWPs in some industry segments more than others. Using Herzberg et al.’s (1998) classification of types of work systems in service industries – starting from highly control-oriented, Taylorist forms of service work organization through semi-controlled to high skills and highly autonomous structures – and overlaying such forms of work with Porter’s generic competitive strategies, the three types of markets are the mass service markets, a mix of mass markets and higher value-added segments or *slightly differentiated markets* and very significantly, if not, *differentiated markets*. The first type of service markets is often typical of what is seen in the fast-food and petrol stations segment of the service market. The second type of markets requires a slightly higher and complex level of skills, which is evident in nursing and aged care staff. Finally, in the highly differentiated markets, complex and higher-order learning and skills are required, such as that found in legal practices and software development firms. Boxall argues that the opportunity for implementing HPWPs in these latter two market segments is more significant than in the first. Boxall (2003) suggests that there are opportunities to implement HPWPs (including quality management approaches).

From the above analysis and discussion, the primacy of context is highlighted, and that there exists no single or universal solution that applies to all industries. Such is the nature of the complexity of HR decision-making that managers have to deal with. Not having a model approach to combat the dynamic environment may be unsettling for the novice or less prepared HR practitioner. Boxall and Purcell (2011) summarize that relative to BP (the universalistic school), BF (contingency

school) is a clear winner. However, they argue that this does not mean one should discount BP approaches. Instead, HR managers should use BP modules as guiding principles for developing HR solutions to suit their specific contexts.

Critical Reflections of the Best-Practice and Best-Fit Schools

Critique of Best-Practice Models

Critics of best-practice models (Marchington and Grugulis 2000; Kaufman 2010) challenge the universal application of these prescriptive lists of HR practices because organizational and business complexity must pay attention to contextual and environmental factors before we can expect a generic set of prescriptions. Further, it has been argued that the sophistication and sometimes the prohibitive costs of the excessively long list of these practices make their application possible only in large and diversified businesses. Finally, others have highlighted the need for investing in complementary capabilities, which is widely dealt with within the firm's resource-based view (Barney 1991) and will be covered in the next chapter.

Further, in the absence of any agreed definition or list of HRM best practices, there is little understanding of the "best" HRM practices and for whom do these universalist prescriptions apply. Some have argued that the best-practice school is grounded in a unitarist approach. It is also not very clear which practice is most important in creating strategic ambiguity (Purcell 1999). On a rational and logical front, this prescriptive approach does not consider influences of national cultures and the dynamic business environment. This school of thought also ignores the differences in HRM practices due to a firm's life cycle of development and evolution. Equally problematic is the notion of high-performance work practices or high-performance work systems and their impact on individual outcomes, as there have reported adverse impacts on employee well-being and health from some of these bundles of practices. A common critique is that performance comes at a human cost. Lepak and Snell (1999) argue that it is not clear which HR practices are interdependent and independent of management practices. It may be possible that some management practices indirectly influence HR practices in achieving high performance. Boxall and Purcell et al. (2003) conclude there is some merit in regarding these practices as general guidelines or general principles for labour management rather than as a prescriptive list of universally accepted practices for achieving high performance. There is also some disagreement on the agreed and enforceable standards if one were to implement these sets of HR best practices. While the HR professional bodies promote an ethical code of conduct as a guide for shaping HRM best practices, the membership of HR professionals into this community is voluntary and may not always result in any enforceable HRM standards. Furthermore, there are differences between HR professional bodies, and the emphases vary from one country to another.

Critique of Best-Fit Models

According to critics, researchers focusing on contingency and best-fit schools have a disproportionate focus on a top-down approach. For effective HRM, HR practices must align with the chosen competitive strategy. As covered in the earlier chapters, the notion of achieving a strong strategic, institutional societal and horizontal fit requires organizations to follow a pluralistic approach to strategy. Achieving fit is particularly relevant in multidivisional firms operating in more than one market and offering differentiated and segmented products and services. As Boxall and Purcell (2011) noted, organizations cannot be viewed as isolated entities – they are deeply entrenched in a society and its norms. The pressures imposed by institutions and other macro influences such as religion, culture, language and customer has expressed and latent need cannot be underestimated. The influence of contextual factors that are socially, economically and politically embedded was also evident during the global financial crisis, and the current COVID-19 pandemic, wherein firms implemented different sets of HRM practices to overcome the crises (Malik 2013, 2017; Malik et al. 2019; Malik and Sanders 2021). Boxall's (2003) classification of the three service markets is too simplistic. Take the case of, for example, an organization's learning and development function: will an organization invest negligible amounts in training if it belongs to Type 1 (mass service market segment) and more if it belongs to Type 3 (highly differentiated services), and if it does, what is the nature of knowledge and skills that will be developed in each? Will firms in a Type 1 market employ on hiring more from the external labour markets' low-skilled employees? Will they focus on developing people in-house for a Type 3 market? Would a high skills road be required for high-end products that are typical of a Type 3 market? Evidence of this is equivocal. Studies in the UK suggest the need for a high skills road for a differentiated product market is not always the case (Mason 2005). Similarly, differentiated product markets are not always associated with the use of a highly skilled workforce (Sung and Ashton 2005).

Illustrations and Skills Sandpit

Integration and fit between HRM practices and strategy are easily observable in several service sector firms, for example, in call centre firms, those focusing on simple and high volume transaction processing work, for example, selling internet connections or fundraising and competing based on the price of the service. These providers often rely on hiring youth and recent college graduates, paying a bit over the minimum clearing wage. Compare this to call centres that are offering complex services and solutions, for example, legal, medical and counselling services, who tend to employ medium to highly skilled and experienced resources, paying significantly above the minimum clearing wage and offering extensive training and benefits for dealing with the complex nature of service. Often the size of the enterprise may necessitate making significant investments in training and development infrastructure by call centre operators. This is evident in large call centres and consulting

firms such as IBM services, Accenture and Genpact where these firms invest significant extensive volumes of training to provide client-, domain- and industry-specific training to their employees. They also offer training modules in the areas of cultural integration for a better person-organization fit. Other forms of training include, for example, Six Sigma training and certification at Genpact, which is a widely acknowledged strength of this offshore outsourcing major for bringing about process improvements and service excellence.

Concept Integration with Cases and Learning Activities

Aspects of applying SHRM and ER best-practice and best-fit approaches are evident in the Dorian LPG's rapid fleet growth case study and to some extent in the Crisis and IHRM case study of a Greek MNC that decided to grow by expanding overseas. These cases highlight the need to maintain integration and fit between the parent firm's values and culture and HRM practices.

Conclusion

Overall, this chapter highlighted the two most common approaches to strategic HRM. Even though there is extensive support from meta-analytic studies exploring the HRM-performance link, Combs et al. (2006), in line with Boxall (2003), suggested differences between manufacturing and services sectors, in that the nature of HPWPs in each would be different due to the distinctiveness of various service work market segments. Therefore, the challenge for future inquiries is to uncover additional contextual variables that can be systematically analysed as part of the HPWP systems that consider both an organization's business environment and strategy.

Glossary

Best-practice HRM

School that advocates adopting a universally applicable set of HRM practices, which, if implemented collectively, can be a source of sustained performance for organizations.

Best-fit HRM

School that advocates that it is unwise to assume that a given set of HRM practices are universally applicable. Instead, this school highlights the importance of achieving alignment and fit between an organization's strategic choices and its broader internal and external contextual factors.

Context

Refers to an organization's internal and external environment.

Organizational fit	Concerning SHRM and ER refers to achieving integration and fit between an organization's SHRM and ER practices with its culture and values.
Strategic or vertical fit	Refers to achieving integration and fit between an organization's SHRM and ER practices with its competitive strategy.
Horizontal or internal fit	Refers to achieving integration and fit by developing and implementing SHRM and ER practices internally consistent and mutually reinforcing.

Key Questions and Learning Activities

Question 1. As an HR practitioner, how would you carry out a strategic analysis from an HR perspective?

Question 2. Analyse three influences on a firm's contextual environment. How are such influences likely to impact the strategic HR choices it may want to exercise?

Question 3. Identify three examples of poor horizontal fit in HRM. What might be the common reasons for it?

Learning Activity: Analysing the Integration and Fit in the Call Centre Industry

With the increasing use of communication technologies, several call centres have sprung up in different parts. A leading multinational company (MNC) has opened up subsidiaries and entered into a third-party contract with service providers in India and the Philippines for a range of call centre operations due to costs and skills arbitrage opportunities. Despite the economic rationale, this poses an exciting challenge for the MNC in managing its strategic fit and integration. This relates to differences between the subsidiary operation and in dealing with the third-party providers. Your task is to:

- Identify the key issues of integration and fit in each scenario
- Analyse the contextual conditions
- Analyse how might these issues be dealt with

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Further Study Resources

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SHRM and ER: The Resource-Based View

Ashish Malik

Key Learning Outcomes

At the end of this chapter, you should be able to:

- *Define the terms competencies, capabilities, and sustained competitive advantage*
- *Define the key elements of the VRIO framework*
- *Analyze how resources can be the basis for sustained competitive advantage*
- *Evaluate the role of SHRM practices in applying VRIO*

Introduction

The earlier chapters focused on an “outside-in” view of strategy as applied to SHRM and ER. In some ways, this approach brings balance to the literature on strategic management, which in the early stages of its development relied on rational, outside-in views of strategy. Therefore by including an inside-out approach to strategic analysis, an alternate and exciting avenue of investigation and analysis allow us to understand how a firm’s internal endowments can be leveraged for sustained competitive advantage. Labelled as the resource-based view (RBV) of a firm, this approach to managing people has its foundations in Penrose’s (1959) work. Penrose described a firm as an administrative structure and collection of resources put to productive use to achieve an organization’s production goals. Through their subjective interpretation of the firm’s strategic milieu, the senior management team decides the nature of (heterogeneous) resources they need to develop to achieve sustained

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competitive advantage. Penrose further argued that it is *how* a firm implements and organizes these bundles of resources and capabilities that forms the basis of an organization's competitive advantage, rather than relying on possessing value-creating resources and capabilities. The focus on resources and capabilities has also been popularized by the work of Prahalad and Hamel (1990). This chapter examines the resources and organizational capabilities that matter and how firms should organize resources to achieve sustained competitive advantage.

Managers are affected by the limits of their rationality and the challenges posed by asymmetrical market information about the nature and extent of competition. Through their subjective and partial interpretations, managers make choices and take decisions about how they may be able to remain competitive in a market. Firms that are successful achieve competitive parity or have a clear competitive advantage over their competitors. When they can do so over sustained periods, they have achieved sustained competitive advantage (SCA). The key focus of the RBV is to create SCA through investing in and organizing its resources and capabilities. These resources can be tangible (e.g., physical and financial) or intangible (organizational, patents, and skilled human resources). In managing people, we are most interested in how human resources management policy choices and organizational strategies help achieve SCA.

Resource-Based View of the Firm

The RBV, following Penrose's seminal work in the late 1950s, regained momentum in the 1980s when Wernerfelt (1984), Barney (1991), and Barney et al. (2011) developed the idea further and applied it to the field of strategy. The RBV's current conceptualization proposes a framework for analyzing how firms may achieve sustained competitive advantage. Using the VRIO (value, rarity, inimitability, and organization) framework proposed by Barney and Hesterly (2010), managers and researchers must answer the following four questions about a resource or capability before they can determine the competitive benefits such resources or capabilities may offer: the question of value, rarity, inimitability, and organization of resources to an organization's productive use (Barney 1991; Barney and Hesterly 2010).

Illustrations and Skills Sandpit

Applying the VRIO Framework in Practice

Analyzing elements of the framework, examples from practice are presented here to clarify its application. Regarding the first question on value-adding (V) resources, Barney and Hesterly (2010) suggest managers need to ask whether resources in question help overcome threats or exploit an opportunity; does it enhance a firm's competitive position in the market? By answering questions about whether a resource is valuable, one can examine the subsequent rarity and inimitability questions. Does a small group of competing firms control the resources? Consider a

range of rare resources (*R*). For example, owning *real estate near Sydney Opera House* is an example of how a physical resource will continue to be valuable and deliver rents on a sustained basis. However, such a resource is also rare and cannot be substituted in full. Similarly, take the example of an intangible resource: ESPN's "*X Games*" sports channel is rare, at least temporally, till other channels develop alternate media to compete in its position (Barney and Hesterly 2010). Even if other channels want to imitate (*I*) this channel, they might find it extremely hard to do so in a way that ESPN does. Barney and Hesterly (2010) cite the unsuccessful example of NBC with Gravity Games, which was not as successful as ESPN. From our own research of firms operating in the Indian IT industry, there are several examples of product development firms and how their resources have created barriers that are difficult to imitate (Malik and Rowley 2015; Malik et al. 2018, 2019). For example, at a large US MNC specializing in embedded chips and microprocessor design firm, this MNC requested several customization requests for its People Management ERP (enterprise resource planning) software module to the software company, such that any competitor wishing to copy it would render it a costly exercise. Further, the software may still not be fully transferable to the firm wishing to copy and adopt that software application.

Even though these seminal works have significantly impacted shaping the inside-out view of strategy, they are not free from its detractors. For example, Kor and Mahoney (2004) offer a rejoinder to Rugman and Verbeke (2002), who underestimated the contributions made by Penrose's original work from the late 1950s. They argue that Penrose offered enough clarity of how this approach can be a source of competitive advantage to firms. Penrose, for example, noted the following concerning creating value: "There is a close relation between the various kinds of resources with which a firm works and the development of the ideas, experience, and knowledge of its managers and entrepreneurs, and we have seen how changing experience and knowledge affect not only the productive services available from resources, but also 'demand' as seen by the firm. Unused productive services are, for the enterprising firm, at the same time a challenge to innovate, an incentive to expand, and a source of competitive advantage. They facilitate the introduction of new combinations of resources – innovation – within the firm (Penrose 1959, p. 85; emphasis added)."

Are there additional considerations of whether a resource hard to imitate or copy by competitors is also a critical consideration? Penrose argued that it is important for firms to acquire valuable resources and invest in maintaining them so they remain relevant over some time. Penrose stated in this regard (1959: 136–7), "In entering any new field, a firm must consider not only the rate of return it might expect on its new investment but also whether or not its resources are likely to be sufficient for the maintenance of the rate of investment that will be required to keep up with competitors' innovations and expansion in its existing fields as well as in the new one. Even when a firm enters a new field armed with a revolutionary innovation and is able to ward off competition with patent protection or other restrictive devices, it must expect that in time it will be overtaken if it fails to continue to develop its advantage." In this regard, imperfect inimitability can be achieved if the

firms without such resource face a considerable disadvantage in acquiring or developing it. This can be achieved by developing barriers to imitation through path dependence or unique historical conditions, causal ambiguity, social complexity, and protection via patents (Barney 1991; Barney and Hesterly 2010). In relation to the above, Penrose argued that “the services that resources will yield depend on the capacities of the men using them, but the development of the capacities of men is partly shaped by the resources men deal with. The two together create the special productive opportunity of a particular firm” (pp. 78–9).

Finally, the resource in question should be organized so that it cannot be easily copied or transferred to other organizations. Does the resource have context “stickiness”? It depends on how a firm’s organizational structure and design prevents imitation or creates barriers for it. Additionally, the intangible managerial and HR practices, management values, and philosophy are considered necessary in such resources. Finally, the extent to which a firm invests in developing higher-order capabilities (Barney 1991; Barney and Hesterly 2010) also ensures the resource remains a source of SCA. Penrose maintained the importance of tacit and firm-specific knowledge that managers in an organization would possess. Such knowledge, along with the collective shared experiences of other managers, is precious. As highlighted by Penrose (1959: 46), “Existing managerial personnel provide services that cannot be provided by personnel newly hired from outside the firm, not only because they make up the administrative organization which cannot be expanded except by their actions, but also because the experience they gain from working within the firm and with each other enables them to provide services that are uniquely valuable for the operations of the particular group with which they are associated.”

Critical Reflections

Even though the RBV has remained a popular approach within SHRM and strategic management literature, Priem and Butler (2001) identify several difficulties in the RBV, most of which share common concerns about the weak operationalization of its somewhat abstract constructs. First, do the authors even challenge whether RBV is a theory? This is especially the case as the empirical evidence is often hard to collate on the VRIO elements of the framework. Second, the independent (value and rarity) and dependent (SCA) variables are defined in terms of value, which creates problems in empirically assessing the logic of this approach. Third, as with any approach to assessing a system’s performance, one has to always deal with the performance black box, as there are often several internal and external factors affecting it. There is also some critique levelled at this approach regarding the excessive dependence on *internal* resources and a firm’s ability to deploy and use them. Fourth, limited attempts have been made to integrate the “inside-out” with “outside-in” approaches, as one can logically argue that firms also need to be cognizant of the external markets in relations to the goods and services they plan to offer. The literature on RBV suggests that this approach may be more applicable to older and established firms as they would have had specific path dependencies and organized their

Table 1 The VRIO framework and competitive advantage

Valuable?	Rare?	Costly to imitate?	Exploited by the organization?	Competitive implications	Strengths or weaknesses
No	–	–	No	Competitive disadvantage	Weakness
Yes	No	–		Competitive parity	Strength
Yes	Yes	No		Temporary competitive advantage	Strength and distinctive competence
Yes	Yes	Yes	Yes	Sustained competitive advantage	Strength and distinctive, sustainable competence

Source: Adapted from Barney and Hesterly (2010): 84, Tables 3 and 4

resources in a manner that offers rarity and uniqueness. Because of the social complexity, unique and historical path dependence, and stickiness of the context, it is challenging for others to understand through the RBV how rare, unique, and non-substitutable resources are developed in the first place or how and which HR practices need to be aligned for the development of certain capabilities in different contexts. Some have argued that excessive focus on core capabilities and competencies may potentially result in a firm developing core rigidities, which may make these firms more vulnerable in times of a dynamic and volatile environment (Leonard-Barton 1992). Finally, Priem and Butler (2001) argue that the RBV is tautological and needs more clarity and rework before it can be empirically tested.

The extent to which a resource or capability is valuable, rare, and inimitable will determine the extent of its competitive advantage as shown in Table 1.

Applying RBV to SHRM

However, as the focus is on applying RBV to HRM, Prahalad and Hamel's (1990) idea of a "core competence" is relevant. The authors note this as a set of skills and technologies representing a firm's ability to use them productively for current and future business needs. As a result, firms always choose where to invest and which resources they need to invest in.

Wright et al. (1994) differentiated between human capital (key quality of resources) from the approaches (specific HR practices) that are used in managing human capital to create value, rarity, inimitability, and non-substitutability. They argued that while human capital is critical, getting the right behaviors is vital. On the contrary, Lado and Wilson (1994) argue and highlight the need for a collective system of HR practices to be a source of uniqueness and inimitability. Building on these discourses, Boxall (1996) introduced the idea of human capital advantage (HCA), wherein firms, through effective approaches of human capital management (i.e., by recruiting and retaining people with high-value, tacit knowledge and skills)

and human process advantage (HPA) or superior social capital (i.e., by managing people in unique ways to secure their trust, cooperation, and commitment), achieve SCA. Notationally, they expressed human resource advantage (HRA) as a function of HCA and HPA or $HRA = f(HCA, HPA)$. Wright et al. (2001), building on Penrose, Wernerfelt (1984), and Rumlet's (1984) work, provide an excellent account of how the RBV can be applied to the study of SHRM. In their conceptualization, they argue for HR practices in building both the human capital and critical behaviors and relationships between the employees. Related to the above, Boxall and Purcell (2011) caution the problem of value appropriation thus generated through the deployment of resources within the organization. The underlying argument is that value and benefits accruing from the above may not always translate into higher profits due to the political processes of appropriation of value and profits by the dominant coalition of stakeholders, who created and captured value in the first place. This dominant coalition can also destroy the value created through the misappropriation of profits and value.

Conclusion

To conclude, while individual HR policies alone are less likely to generate SCA or superior value, a collective set of *HR systems* can along with the right pool of human capital and organizational capabilities. In the RBV of a firm, HCA and HPA collectively can be a source of SCA. To capture value, firms need to think of developing resource heterogeneity and barriers to imitation by focusing on timing, nature of learning, social complexity, and causal ambiguity. Finally, not all resources are equal in enabling a firm to build similar capabilities in its industry; some have the potential to generate distinctive value, while some resources can harm value creation and, indeed, some managerial actions of misappropriation of profits that lead to the destruction of value.

Glossary

Capabilities

Capabilities of an organization can be viewed as the organization's ability to utilize its resource base so that it effectively and efficiently delivers on its business objectives. In short, it is those set of activities that a firm does very well. For such capabilities to be a source of competitive advantage, a firm must utilize these better than other firms.

Competencies

Can be defined as a set of knowledge, skills, and abilities needed to perform a set of tasks successfully.

Sustained competitive advantage

Is a firm's ability to remain successful over a long period concerning its competitive peer group through its resource and capability endowments.

Key Questions and Learning Activities

Question 1. Competing at a professional level requires offering something that is distinctive, inimitable, and rare. Can you identify any aspects of your HR competency (competencies) and capability (capabilities) that provide you with an advantage? If so, how might you try and apply these to a business setting?

Question 2. Thinking about your organization's resources and capabilities, analyze and identify the resources that are rare, valuable, inimitable, and organized in a way that allows your firm a source of competitive advantage. What barriers do you think might preserve such an advantage?

Question 3. Thinking about your organization's resources and capabilities, analyze and identify the resources that are neither rare nor valuable and are organized in a way that allows imitation and is a cause of competitive parity or disadvantage. What investments or acquisition of new resources might offer your firm some competitive advantage?

Learning Activity: Applying the RBV to Disneyland

Using the VRIO framework, analyze the key resources that allow Disneyland Resorts a source of competitive advantage. Ensure you discuss each of the four elements of the *VRIO* framework.

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Institutional Theory and SHRM

Ashish Malik

Key Learning Outcomes

At the end of this chapter, you should be able to:

- *Analyze the impact of institutional mechanisms in shaping SHRM and ER practices*
- *Analyze the limits of institutional theory in developing differentiation*
- *Examine and analyze the relationship between the institutional fit and SHRM and ER*

Introduction

In addition to the leading schools of thought impacting the study of SHRM and ER, this chapter highlights the importance of institutions from a people management perspective. The impact of the contextual environment, especially the influence of institutional mechanisms in shaping the nature and extent of SHRM practices, is quite pervasive. This chapter begins by revisiting the importance of the broader external context and how various institutional mechanisms at work shape HRM practices. This requires a brief understanding of the core assumptions of institutional theory. Then, building on the author's recent research on India's information technology (IT) industry, a brief account is offered of how various institutional forces (Malik and Blumenfeld 2010; Malik 2013, 2015, 2017; Malik and Sanders

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2021) and actors in a system (Malik and Nilakant 2015) shaped the nature and extent of HRM practices and the IT industry's growth (Nilakant 2005).

Within the domain of SHRM, some argue that work design and management of people in workplaces are governed by strategic choices exercised by the dominant coalition of stakeholders (Gooderham et al. 1999). For example, the authors argue that institutional norms, rules, and structures can shape the final work and workplace practices. Still, others who have attempted to adopt an inclusive approach by integrating the two theoretical approaches of institutional theory and strategic choice theory argue for analyzing their combined impact (Child 1972, 1997) in shaping work and workplace practices (Arthur 1992; Holman et al. 2009; Hunter 2000). Noting the debates on best-practice and best-fit theories in the SHRM literature, Paauwe and Boselie (2003) propose that the field is ready for an alternate explanation, as HRM practices, inasmuch as internal strategic choices and context shape them, are also influenced by and embedded in a country's national institutional environment. Thus, many learnings from the tenets of institutional theory can be employed in furthering our understanding of SHRM and ER. Making a case for differences in institutional environments, say between the Anglo-Saxon nations such as the UK and US and Rhinish countries such as Germany, France, and the Netherlands, Paauwe and Boselie (2003) proposed the concept of new institutionalism and highlight how the institutional context shapes the nature and extent of practices between regions.

Importance of Context

Boselie (2010, p. 42) notes that "Context represents the set of facts or circumstances that surround the organization." He offers a further differentiation between internal and external contextual environment. In the main, Boselie argued that internal context includes an organization's unique historical paths and heritage and covers aspects such as the founder of the firm, the number of years since its establishment, and the nature of its work organization. As part of the work environment, the internal context focuses on the structure, how the production function is organized, its systems and procedures for managing workflow, and the prevailing culture among the workers. Concerning the external environmental context, DiMaggio and Powell (1983), Paauwe (2004), and Boselie (2010: 23) noted two mechanisms: *market* and *institutional mechanisms*. While the former focuses on developing an understanding of the nature and extent of competition in a given firm's product and/or service markets, the latter focuses on the nature of regulatory pressures, controls, and restrictions imposed by the environment. Such pressures also form the basis, albeit partially, on an organization's procedures, formal and informal norms, routines, and choices of expressed and unstated value systems. Building on the above external environment classification, Deephouse (1999) suggests firms differentiate between their *general* and *population* environments. While the former environment is akin to DiMaggio and Powell's (1983) market and institutional environment, the latter (*population environment*) focuses on the meso-level differences at an industry level,

similar to Porter’s model of a firm’s key competitors, suppliers, and other organizations that contribute directly or indirectly to its value chain. By explicating the contextual factors as per above, the following section focuses on key terms relevant in developing our understanding of institutional theory and how it might impact a firm’s HRM practices.

Types of Institutional Mechanisms

Building on the seminal work of Scott (1995), institutions are defined as (p. 33) “cognitive, normative, and regulative structures that provide stability and meaning to social behaviour. Institutions are transported by various carriers- cultures, structures, and routines- and they operate at multiple levels of jurisdiction.” Based on the above definition, the literature on institutional theory has three pillars: regulative, normative, and cognitive pillars that variously impact people and organizations in society (see Table 1 for details).

DiMaggio and Powell (1983) argue that both the market and institutional mechanisms have a homogenizing impact on a firm. As a result, its business and HR practices tend to assume isomorphic forms or a state that is close to an equilibrium state. The authors further argue that socioeconomic, institutional mechanisms shape “sameness” due to coercive, normative, and mimetic pressures the above institutional mechanisms have on firms (see Table 1) (DiMaggio and Powell 1983, 1991; Scott 1995). Finally, the nature of pressure imposed by these three mechanisms is briefly discussed. For example, *coercive mechanisms* come into force through political responses and dealing with organizational legitimacy issues.

Applying Institutional Mechanisms

The key institutions herein that impact include trade unions, government legislation, work councils, and so on. Several legislative and compliance approaches require businesses to behave and comply in a certain way or experience sanctions. For example, workplace health and safety legislation, HIPPA, and Sarbanes-Oxley Act compliance requirements are good examples of how the industry has adapted its business and HR practices to deal with *coercive mechanisms*. *Mimetic mechanisms* focus on firms adopting standardized HRM practices in times of business

Table 1 Institutional theory—key approaches

	Regulative	Normative	Cognitive
Mechanism	Coercive	Normative	Mimetic
Logic	Instrumentality	Appropriateness	Orthodoxy
Indicators	Rules, laws, sanctions	Certification	Prevalence
Basis of legitimacy	Legally sanctioned	Morally governed	Culturally supported
Nature of knowledge	Social realist		Social constructionist

Adapted from Scott (1995)

uncertainty. In such cases, typically, firms copy HR and other business practices of highly successful or leading firms in a market. As in the past, people in the IT procurement world would have said, “nobody got fired for buying an IBM computer system.” Many such examples are considered the gold standard in making certain decisions or following development protocols for certain products and services that become the industry’s norm, e.g., the Toyota Production System or GE’s application of Six Sigma and Lean Six Sigma for operational and process excellence. *Normative mechanisms* focus on what “we ought to do” and emanate from organizations such as professional and educational bodies. In line with the above, Paauwe and Boselie (2003) applied the above mechanisms to the study and practice of HRM and noted that the above influences of coercive mechanisms lead to establishing the rules of the land and compliance as a result of regulation and mimetic mechanisms lead to adopting HRM “blueprints” of best practices. Normative mechanisms will lead to “formalized professional education” and “homogeneity” of the HRM profession (Paauwe and Boselie 2003). It is not surprising to see a similarity in the core modules typical in an undergraduate or a postgraduate HRM degree. Recently, the Australian Human Resources Institute, Australia’s professional HR organization, launched its certification and articulation pathways for recognizing the competencies of HR practitioners by mapping these against their HR competency framework. The content similarity points to the isomorphic pressures, even though there may be some differences evident in how the delivery of such content occurs. Nevertheless, in the main, the core curriculum studied and the competencies expected of HR practitioners remain more or less the same—the above points to an increased level of homogenization of HRM practices and conduct by HR practitioners. Increasingly most HRM professional bodies who have developed a code of conduct or a competency framework for assessment and credentialing paint a similar picture.

Thus, while institutional isomorphism is very real in the business environment, it does not help us understand how *institutional isomorphism* or sameness can be a source of sustained competitive advantage. This is an important point as firms typically need a “space” for differentiation to offer value that can command rent on a sustained basis. Building on reducing the degree of sameness in an organization’s internal and external contextual environment, Boon et al. (2009) argue that the extent to which firms can manoeuvre and exercise strategic choice is dependent on the nature of the broader institutional environment.

Overcoming Institutional Isomorphism: The Case of the Indian IT Industry

The institutional environment can sometimes be too restrictive, or for some industries, as noted in the Indian IT industry (Malik and Nilakant 2015), it can be expansive or less restrictive. Malik and Nilakant (2015) and Nilakant (2005) argued that when the Indian IT industry was still finding its feet in the 1980s, establishing its identity, certain players from both the public and private sector convinced the Indian

government to liberalize the industry and allow several tax incentives to attract foreign direct investment. This would boost the country's foreign exchange reserves, which, in the late 1980s, were at their lowest level in the history of India's economic development following the postcolonial era. Certain individuals succeeded in changing the nation's *dominant logic* of self-reliance and convinced the key players in the government to allow several concessions and set up tax-free export processing zones for the Indian IT industry. This illustration shows that people, firms, and industries always have some degree of *leeway* in exercising strategic choices and the role of *human agency* in the exercise of managerial and leadership *choices* exists, even if there are adverse legislative and institutional conditions. The role of human agency was also noted in a recent study of how firms navigated and circumvented the adverse impacts of the global financial crisis in the Indian IT industry (Malik 2017). In this context, it can be argued that the degree of leeway to manoeuvre is higher in a growing market. *Institutional pressures*, Boon et al. (2009) argue, are often mediated by an organization's power, politics, cultural relationships, and forces of change. In any environmental setting, organizations can and cannot manipulate constraints and therefore expand or constrict the degree of leeway in exercising their strategic choices. In such cases, Boon et al. (2009) note three possible types of institutional fits: first is a *conformist fit*, wherein nothing much changes and firms succumb to institutional pressures and maintain a status quo simply because the human agency is passive or neutral. The second type is called an *innovative fit*, where, however, Boon et al. (2009) argue that by pursuing active developmental agentic choices, firms can expand their degree of leeway and implement innovative solutions even in a constrained institutional environment. This occurs when managers and employees leverage their human agency to actively look for solutions outside the box and convince the dominant stakeholders in various institutional bodies to change their dominant logic and allow for the emergence of a new and innovative fit. Such a fit was evident in the firms in the Indian IT industry, who, in a post-global crisis environment, went back to their clients and/or their parent firms to allow space and avenues to explore new business and services rather than making several employees redundant during the GFC. Details of such strategic choices are covered in the next chapter, where, in a similar vein, the strategic choice theory is examined in terms of its influences on HR and management practices. Finally, the third strategic fit, proposed by the authors, is a deviant fit, as a mechanism to raise a voice against the isomorphic institutional pressures. This is a common occurrence in the direct and indirect forms of employee voice evident in trade union bargaining and individual negotiations with the key stakeholders who may offer a greater degree of leeway and choice when active human agency is exercised. Through their research, Boon et al. (2009) demonstrated how, through human agency, the menu of strategic choices could be expanded, thus allowing additional leeway to deal with institutionally imposed constraints.

Critical Reflections

While the importance of contextual factors and the need for maintaining an institutional fit have been highlighted by several researchers, Boon et al. (2009) have found that excessive institutional pressure decreases the degree of differentiation a firm can have in its SHRM practices and consequently results in sub-optimal levels of performance. Further, not having the right balance between different institutional mechanisms may also result in a competitive disadvantage. Thus, there is a need to maintain an appropriate balance between institutional and competitive pressures and their interactions with the human agency to achieve a desired institutional fit.

Illustrations and Skills Sandpit

The role of *human agency* is critical in changing the dominant institutional logic. However, the strategic choice theory also points to the politically negotiated nature of strategic choices that are evident in business decisions. Thus, it becomes necessary for the HR practitioner for achieving an institutional fit that is creative. The following actions are critical in developing such a fit:

- Develop political acumen and skills to be able to successfully navigate through the political processes of institutional and resource-based decisions.
- Develop their leadership skills to challenge the status quo.
- Engage in lateral thinking for breaking the mold that prevails as a result of institutional isomorphism.

Concept Integration with Cases and Learning Activities

Aspects of the application of institutional theory are highlighted in three cases on *Crisis and IHRM*, *Recontextualizing Diversity: The German Case*, and *Patanjali: The Black Swan*. In these case studies, there is ample evidence of various institutional mechanisms at work and how the human agency employed in the case studies creates an opportunity for the business.

Conclusion

While institutional mechanisms have a pervasive impact in shaping the behavior of people and people in society through normative, cognitive, and mimetic mechanisms, from a strategic HRM point of view, the relationship between institutional theory and SHRM dominant schools, on the surface, seems to be at odds as firms seek legitimacy of their actions. As a result, firms often struggle to deliver differentiation through isomorphic institutional pressures, a core theme in strategic HRM literature. The examples used in this chapter highlight the importance of

interactions between context, human agency, and institutional environment to deliver three types of institutional fits. Two fits (deviant and innovative fit) can be a source of differentiation and sustained competitive advantage. The extent of this will vary in each context and depends on the quality of human agency in each organization's strategic milieu.

Glossary

Environmental fit	Refers to that fit when a firm aligns its business objectives to meet some aspects of the wider business and institutional environment.
General environment	Refers to that part of the business environment that focuses on the macroeconomic business environment affecting a firm's business.
Institutional fit	Is said to be in operation when a firm chooses to align its business and HR practices to any three institutional mechanisms.
Institutional mechanisms	Are the three commonly understood mechanisms of institutional pressures on businesses that emanate from legislation (coercive), professional or ethical norms (normative), and copying market best practices (mimetic).
Population environment	Refers to the external environment of a group of business organizations that belong to a particular population, e.g., an industry.

Key Questions and Learning Activities

Question 1. What are the concepts of leeway, strategic choice, and human agency as applied to the concepts covered in institutional theory. Explain.

Question 2. What are the key influences of various contextual factors in shaping HRM and ER practices in organizations?

Question 3. What are the different choices of fit typically available to HR practitioners and managers in overcoming institutional isomorphism?

Learning Activity: Applying Institutional Theory

Thinking of your current or past work organization, identify the three institutional mechanisms from institutional theory, and discuss how some or all of these mechanisms might be in operation at these organizations.

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Strategic Choice and SHRM and ER

Ashish Malik and Ralf Bebenroth

Key Learning Outcomes

At the end of this chapter, you should be able to:

- *Apply the concept of a strategic choice to the study and practice of SHRM and ER*
- *Identify the common strategic choice options and their impact on SHRM and ER*
- *Analyze the role of HRM and ER in post-merger integration*
- *Critically evaluate the contribution of SHRM in M & A contexts*

Introduction

While there are similarities in the concepts covered in the previous chapter on institutional theory and the role of human agency with the notion of strategic choice, strategic choice has not received a much broader treatment in the study of strategic human resource management. In line with the pluralist approach adopted in this book, this chapter examines concepts from strategic management literature and applies these to SHRM and ER. One must not forget that strategy is not just the exclusive domain of management; even unions and other forms of employee associations have strategies that can profoundly shape the nature and extent of employment relationships and a range of employment outcomes. Additionally, for firms to

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grow, they exercise strategic choices regarding their business, competitive and functional strategies. Additional strategic choices are available to firms to operate in new markets and seek growth through different strategic choices in each. While one dominant view in line with planning school of strategy is that firms and their leaders exercise strategic choices based on a systematic and rational analysis of their internal and external environments, another view from the organizational theory focuses on the theoretical lenses of sociology and social psychology (Child 1972, 1997). Another view focuses on heuristics, or rule of thumb (Guercini and Milanese 2020). The central idea of this latter view is that managers and leaders in organizations are biased and often rely on shortcuts while making strategic choices. In this respect, decisions by managers are essentially a dynamic and political *processes*. The role of human agency in navigating through the political processes is a powerful one as rationality sometimes gets challenged and people (leaders engaged in such process) may intentionally or not – not always act in the best interest for its stakeholders. The study of these processes must be context-specific as each organization has its unique historical path dependence and organizational learning processes that have been developed in response to its external environment over some time. Further, each organization will have its own intensity of political and power exchanges between the key and diverse stakeholders. Hence, by implication, firms offer some differentiation in any institutional environment. However, positively harnessing this for sustained competitive advantage is often a political process, and in some cases, such a process may not yield the most desirable results for the firm.

Firm Growth and Strategic Choices: Internationalization and Cross-Border Acquisitions

Strategic choices in the literature on strategic management focus on a menu of options firms can select from to pursue their growth strategies (Child 1972). This assumption stems from a view that firms are operating in a market-based economy and have to pursue a growth strategy to survive in the longer term. The literature, from an Anglo-Saxon context, highlights three distinctive forms of organization for pursuing growth: generic expansion (which may be in home country or across international borders, but is internal in its nature), mergers and acquisitions (involves growth through external additions), and a mix of both internal and external or a hybrid/network strategy (Contractor and Lorange 1988; Penrose 1959; Yip 1982 as cited in Peng and Heath 1996). The moment the strategic choice of expanding operations to international context is taken, a firm may have embarked on its path to becoming a multinational corporation (MNC). This decision has a large set of resourcing implications and the development of skills and resources that require a higher level of complexity than expected in a domestic context. The core activities of HRM, procure, allocate, and utilize, will require further considerations, such as managing home, host and other country's cultural and institutional influences, and the nature of resources. The nature of resources will also become diverse: the internationalizing firm will invariably employ some mix of parent country nationals,

host country nationals, and third-country nationals (Dowling 2008). Further, the firm might hire new managers who are already at the host country, also called self-initiated expatriates (Arseneault, 2020). Strategic management of these diverse groups of employees is always challenging (Schuler et al. 1993). The entire HRM function suddenly receives a major revamp in terms of its orientation. For example, procuring human resources will now involve sending organizationally assigned expatriates – the most common form of international assignments, which will require firms to invest in extensive cross-cultural training for sensitizing to the new cultural and national context of the host country. Apart from selecting expatriates, expatriates' familial needs such as accommodation, kids' education, and medical needs and ensuring the cultural assimilation and integration processes are smooth pose additional challenges for the HRM function (Cooke et al., 2019). The related topic of expatriate compensation requires a very different understanding of local tax laws and ways of maintaining parity with the current levels, and ensuring additional compensation is offered in the form of difficulty allowance and cost of living allowance in the host country to ensure employees feel they are treated fairly (Bader et al. 2017).

Similarly, the performance management needs to be contextualized to the local norms and should not be judged by the parent firm's headquarter situation (van Bakel, 2019), because some of these might not be culturally relevant and applicable in the host country. A fundamental debate in this decision is whether a firm wants to focus on global integration of its practices or accept locally responsive practices (Prahalad and Doz 1987). Others have looked at these issues as whether a firm wants to press for convergence of its HR and management best practices or does it want to allow divergence in the form of accepting the local host and third-country influences or a hybrid approach called cross-vergence in HRM practices and values (Ralston 2008). For example, in the case of global IT multinationals, Malik et al. (2021) identified that multiple configurations of cross-vergence or what they termed as multivergence pose even more significant challenges for HR practitioners.

Boxall and Purcell (2011) noted several differences in an MNC's strategic response from an HRM perspective. In brief, they argue that MNCs have the added task of coordinating the activities of subsidiary operations and other partners across its global value chain of production networks worldwide. This is a very demanding enterprise. It is inherent with social, political, cultural, and economic complexity, and firms are often presented with balancing the dualities of local responsiveness with global integration. A common issue that most large MNCs face today is the social legitimacy of their actions, as there are numerous instances wherein MNCs have been accused of putting profits over people and shying away from their global citizenship responsibilities. These developments have led to the formation of international corporate governance codes by MNCs to "fix" the problem, but the ground realities are far from what is being theorised. In the main, the short-term profit maximization agendas prevail, and MNCs do not shy away from implementing changes to (or more explicitly shifting) their production bases to economies where the labor cost and skills arbitrage offered is the highest. Some MNCs have also been accused of siphoning off profits through tax havens and not contributing to taxes in

the host countries from where they profit. Because of the above, one can imagine the complexity HRM role can witness through such a strategic choice. Thus, multiple influences are expected through such a decision shaping the nature and extent of strategic HRM and ER practices.

The second approach focuses on growth through a network of interorganizational collaborative relationships (Contractor and Lorange 1988). Depending on the strategic choice exercised, the nature and extent of a firm's SHRM and ER practices will vary significantly. Again, these networks of interorganizational collaborative relationships can be in a domestic or an international context. If it is in the latter, the degree of complexity will be much higher as it will involve different sets of relational and hierarchical market contracts to manage the performance of these networks. This will require a different set of relational skills to ensure a firm's production chain functions effectively. Finally, among key strategic choices for growth, mergers and acquisitions (M & A) are regarded as an important strategic choice available to grow and expand a firm's portfolio of products and services and/or to enter new markets (Bauer and Matzler 2014). For example, when firms exercise merger and acquisition as a strategic choice for growth, they need to be cautious of the purpose and benefits that such a decision will have on its growth (Haspeslagh and Jemison 1991) but also keep in mind, right from the start, how to manage the post-merger integration processes, especially if the merger and acquisition are cross-border in nature. Following on from Haspeslagh and Jemison's (1991) influential work on the commonly noted structures that result following an M & A activity, for example, absorption, preservation, symbiotic, and a subsidiary of a holding company, the authors suggest that the nature and extent of effort that will be required by bidder and target firms will vary depending on the preferred structure of the post-merger integration. Based on the preferred integration structure, the bidder firm will have to reconfigure and integrate its capabilities and competencies to fully realize the benefits it seeks to achieve from the M & A choice. The decisions are often irreversible and carry major resource allocation implications. Although bidder firms need to integrate their target firms successfully, there is sufficient literature indicating failures in a post-merger integration stage (Cartwright and Schoenberg 2006; Halebian and Finkelstein 1999; Tuch and O'Sullivan 2007). Among the commonly noted reasons for M & A failure include the absence of a cultural fit between the acquirer and the acquired (e.g., Graebner et al. 2017), impracticable expectations on the part of the buyer firm, the overconfidence of the buyer firm in handling the integration (Roll 1986), lack of trust between the bidder and the target, and finally poor post-merger integration capability of the bidder firm. In most M & A, there are significant people management issues at stake, right from the due diligence process to reducing stress and anxiety levels of employees at the target firm. This is particularly the case in enabling functions where there are high levels of skill and role relatedness. While the above discussion gives an idea of the impact of strategic choices on HRM and ER issues, the following section provides an overview of strategic choices about ER strategies.

Employment Relations Strategies

A strategic approach to employment relations encapsulates a pluralist approach adopted by a firm's managers. Such an approach adopts a longer-term view of the workforce's expectations and demands placed by various stakeholders. In other words, ER strategy in all businesses, public or private sector, is that part of an organization's strategy, which is related to industrial/employment/employee relations. Depending on the context, ER strategy of a firm may well be part of an organization's HR strategy or is separate from and/or even dominate a firm's HR strategy. Building on Child's (1972) strategic choice theory, Kochan et al. (1984) identified how a key actor in an industrial relation system – the employer – implements strategic choice adopting a pluralist framework typically associated with industrial study relations. One criticism of such a system is that it stresses the interests and role of unions and governments and focuses on strategy formulation rather than its content and outcomes. The authors further argue that *two conditions bind strategic choice*: “Strategic decisions can only occur where the parties have discretion over their decisions; that is, where environmental constraints do not severely curtail the parties' choice of alternatives” (p. 21). By discretion, Kochan et al. mean the ability to exercise *fully and freely* one's judgement. They provide examples such as how government policy can impose constraints over the extent of unionization, collective bargaining, or other market conditions, which then affects the pricing of products and services a firm can offer or indeed the appropriation of profits by senior management teams and/or its employees' remuneration decisions. The authors argue that the degree of discretion is a function of the nature of the goals pursued. For instance, there is scope for some leeway for parties if they formulate goals in an ambiguous style to be exposed to diverse understandings and offer them flexibility.

Kochan et al. (1984) further note that “Strategic decisions are those which *alter* the party's role or its relationships with other actors in the industrial relations system” (p. 22). Thus, in analyzing or developing an ER strategy, some of the critical factors that should be considered include the following: (a) *agency factors*, a concept popularized by the influential industrial relations framework developed by Dunlop, wherein agency (human agency) covers actors under your (or someone else's) control and is also influenced by an organization's assumptions and managerial values, and (b) *contextual factors*, which were covered earlier to include internal and external contextual factors, which create constraints and opportunities for organizations. The above two factors in shaping ER strategic choices are profound, as Kochan et al. highlight in their “industrial relations decisions matrix.” These decisions occur at various levels and how different actors in the industrial relations system are either affected by or can influence employment practices. As mentioned earlier, ER strategies are not limited to decisions flowing from business-level strategies. In numerous industry and national settings, even unions have strategies. Therefore, it would be unrealistic to assume that strategy is the exclusive domain of management. Unions and management strategies are generally viewed as competing with each other, though it can also be argued that the two complement each other and the main issue at hand is balancing the two. Based on the nature of agency

and contextual pressures in a given environment, the rules of employment relationships and decisions about employment are finally shaped.

Critical Reflections

In the preceding chapters, an account of different theoretical perspectives and dominant schools of SHRM and ER was presented. The diversity of schools and perspectives requires an evaluation and what the empirical evidence suggests in terms of its application to the real world. Numerous scholars have offered a systematic critique of the role and scope of HRM in modern society. Legge (2001) and Keenoy (1999) are excellent overviews of the dominant themes embedded in the HRM discourse, and the authors do an excellent job in delineating the rhetoric from reality and analyze the underlying assumptions of HRM. Quite apart from the ideological positions, the debate also focuses on definitional issues, goals of HRM, and the choice of SHRM models (e.g., Godard 2001 and Guest 2011).

In almost three decades of theorizing and empirical studies, while a large body of literature suggests that HRM has a substantial impact on business performance, the evidence is not unequivocal (Boselie et al. 2005; Combs et al. 2006; Guest 2011). Additionally, most research focuses on the *association* between HRM and performance rather than establishing any causation. While, intuitively, the best-fit approach seems like a superior approach to theorizing, the evidence nevertheless is much more substantial for universalistic prescriptions (Combs et al. 2006). One of the common issues in the critique of HRM revolves around the *ethicality of HRM* and its companion – industrial and employment relations. Scholars have called for progressing the field by employing more qualitative and longitudinal designs, minimizing single response bias in surveys by including a more comprehensive range of stakeholders, and undertaking multilevel research designs – namely, between managers and employees, respectively, and users of HRM practices.

There are several challenges related to the application of strategic choice theory in practice. First, the dynamics of cognition and information asymmetry limits the managers to fully comprehend and implement the nature of strategic choice menus available to them. Second, the menu of influences are broad, affecting, therefore, the limits of bounded rationality. Similarly, the intent of choices managers exercise may not be fully appreciated by the wide range of stakeholders, especially if the decision pertains to strategic activities such as mergers and acquisitions. In such situations, attempts to undermine the lack of empathy and interest toward the broader pool of stakeholders may render the acquisition an epic failure. The literature on this topic is peppered with examples of the failure of strategic choices.

Illustrations and Skills Sandpit

Strategic choices such as mergers and acquisitions often fail due to inattention to cultural integration between the bidder and the target firm, due diligence, choice of language strategies employed by the bidder at the target firm, and misalignment in

the target firm purpose of acquisition and its integration by the bidder. Even the target's expectation of a merger with a significant bidder may undermine the target firm employees. Attention must be paid to the above aspects to make the strategic choice a success. Unfortunately, firms often focus on one major group of stakeholder – the shareholders – and emphasize profit maximization goals by driving cost efficiencies without realizing the other bases for value creation and realization at target firms. In such events, value creation often results in value destruction. Allowing sufficient time for the bidder firm's managers to interact with the target firm's key employees and managers before optimization efforts are rolled out might be a better way to realize longer-term and sustained value creation and realization.

Several examples of M & A failures and strategic partnerships are affected due to culture and language (Makowski-Komura et al. 2020). Key among these include, for example, the M & A between New York Central Railroad Company and Pennsylvania Railroad (Jacobsen 2014). In the above case, past animosity and lack of cultural integration resulted in both firms filing for bankruptcies. Daimler (Mercedes-Benz) and Chrysler (USA) also encountered significant cultural and language problems by US employees integrating with the German ways of working. The AOL Time Warner merger also failed due to a poor mismatch between culture, leadership, and communication styles. Malik and Bebenroth (2017, 2018) note the importance of language strategies in such choices. Employing Haspeslagh and Jemison's (1991) seminal work on four integration structures following an M & A event, absorption, preservation, symbiotic, and a subsidiary of a holding company, Malik and Bebenroth (2017, 2018) developed language strategies for a non-English-speaking pair of bidder and target firms. The authors highlight different language strategies for each structure, such as common corporate communications, translation services, and other hybrid approaches.

Concept Integration with Cases and Learning Activities

The case study entitled *Japanese Cross Border M & A and German Target Employee Alienation Issues* by Bebenroth and Bartnik illustrates the unexpected outcomes for the bidder and target firms. Sometimes, it becomes an issue of managing expectations of both the parties and communicating the purpose of the acquisition. Managing subsequent issues of employee alienation and stress faced by the target firm employees, the authors ask pertinent questions regarding how autonomous should target firms be left after the M & A deal has gone through. The literature on post-merger integration contrasts the degree of autonomy with the degree of interdependence. The case demonstrates how the German firm target has a high degree of autonomy in its operations in the European market whereas the Asian market was entirely left for the Japanese firm to decide how they want to operate and leverage the acquisition.

Conclusion

This chapter brings to an end the multiple theoretical foundations that are generally applied to the study and practice of SHRM and ER. One could argue that the one best way or universalistic approaches are inherently problematic as context, institutions, human agency, and other contingency variables play a critical role in shaping the final HRM practices. While best-fit, RBV, institutional, and strategic choice approaches offer more hope and flexibility in their logic, one can argue that it is neither possible nor practicable to incorporate all the possible contingent variables in an organization's cognitive frame. The interrelationships and path dependencies establish a clear path for implementing the most appropriate HRM practices to support the HRM-performance link (Purcell 1999). Thus, the logic of a theory of practice, unfortunately, does not exist. What we do have, however, are many alternative approaches and explanations that need to be used in a phronetic manner even though we know that phronesis (or practical wisdom) is often hard to develop and requires the investigator to be also mindful of the vested interests and power and politics at play in any organizational context. The role of human agency in navigating and negotiating through this is a challenging enterprise but something we must endeavor and continue to explore and develop for the wider benefit of the field.

Glossary

Strategic choice

Is the extent to which a firm has leeway in making decisions from a strategic perspective.

Human agency

In an organizational context refers to the critical individuals tasked with exercising choices and making key decisions that may have an enduring impact on the scope and sustainability of an enterprise.

Post-merger integration (PMI)

Refers to the processes through which firms integrate the soft (people, culture, leadership, and language) and hard (such as strategy, M & A performance, and benefits realization) issues following the merger of a firm.

Language strategies

In a cross-border PMI context, firms may employ a range of language choices to make the integration process more successful. Firms may choose from adopting a common corporate language, such as English, where both the target and bidder firms are non-native language speakers, to a combination of home or host country languages. In some cases, translation services might be deployed as a practical and cost-effective language strategy.

Key Questions and Learning Activities

Question 1. How do strategic choices impact the nature and extent of HRM practices? Explain.

Question 2. What HRM skills are necessary for realizing value while exercising strategic choice about mergers and acquisitions?

Question 3. In an M & A context, is using a common language at the target firm by the bidder firm a better strategy for ensuring a successful post-merger integration? Discuss.

Learning Activity: Analyzing Language Issues in Post-merger Integration

Looking at the *Japanese Cross Border M & A and German Target Employee Alienation Issues* case study by Bebenroth and Bartnik, propose a language strategy that might be most relevant. Ensure you provide a reasoned answer for your choice.

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Professionalism and Ethics

Ashish Malik

Key Learning Outcomes

At the end of this chapter, you should be able to:

- *Differentiate between commonly used ethical frameworks*
- *Compare and contrast the core competencies required of an HR practitioner in different national contexts*
- *Explain the concept of moral intensity*
- *Analyze the sources of conflict and dilemmas that HR practitioners are confronted with from an ethical viewpoint*

Introduction

Up to this point, the preceding chapters have offered some major theoretical foundations of SHRM and ER. The profession of HR expects its community and practicing members to possess specific core HR competencies. In addition, HR managers must learn and follow a code of practice acceptable to the profession and society they operate in. Almost every country has its HR professional body though some nations have adopted or simply transferred the US or UK professional body competency models to their contexts to emulate global best practices. This chapter focuses on the HR practitioner – the competencies they need and the code of professional ethics they must apply in their day-to-day workings. Applied ethics such as HRM must be viewed and practiced as one that is built upon ethical foundations. The chapter

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begins with a discussion of the commonly understood HR competencies and their bases and then explores the role of values and ethics in the life of an HR practitioner.

HR Competencies and the HR Professional

One can argue that in order to perform HR activities effectively, HR managers or practitioners must develop the core HR domain knowledge and skills. Such a knowledge base is vital for the design and implementation of a range of HR practices. This specialism also gives, to some degree, legitimacy to the HR function and its practitioners. In light of the complexities of content and related contingency variables at play in the management of people in organizations, it would be fair to say that the profession has little room for less prepared, skilled, trained, and experienced handling complex HR and ER issues. A broad knowledge base and experience from different contexts of HR issues are vital, as is a deeper and narrow understanding of the sub-specialisms that exist within the broader domain of the HRM and ER knowledge base. In practice, though, job competencies generally operate in a very narrow space. For a broader conceptualization of competency, its measurement and management in HR space have been suggested by Losey (1999), who notes competency to be a total of an individual's intelligence, specialist education received in a field, relevant work experience in that field, understanding of ethical issues affecting that field, and specific interest(s) in a particular sub-specialization within a field of practice. This would suggest that there are distinctive sub-specializations within the field of HRM and ER that HR practitioners choose to specialize in. Notably among these would be specializations, such as a recruitment and selection specialist (which in the hiring industry is quite different from an in-house recruitment and selection role), training and development specialist, compensation and benefits administration, organizational development and change management, building high-performance teams and work organizations, industrial and employment relations advisor, a mentor, and so on. While most of these roles can be broadly grouped into HR specialist roles, there are opportunities also for HR practitioners to perform a generalist role. While larger organizations can afford both specialists and generalists, the latter role is generally found in small- to medium-sized organizations. Further, one can expect that parts of the HRM function or even the full function can now be totally outsourced in organizations, and much of the HRM assume an advisory role or are carried out by line managers in addition to their primary roles, with some support by HR managers.

HR Roles and Models

In addition to the competencies and roles noted above, researchers have classified HRM function into specific and somewhat broader classification schemas, such as performing an *administrative expert* role to a *strategic* and *change management*

agent role (Ulrich 1997). For example, Kramer et al. (2011) noted four key competencies essential for any HR professional. These are business competence (knowledge of the business); professional and technical knowledge (HRM and ER domain knowledge); integration competence (ability to integrate business, strategy, and people needs); and ability to manage change in organizations. Another widely adopted model of HR roles was developed by David Ulrich (1997). Popularly described as the *HR Champions Model*, Ulrich (1997) proposed four critical roles for HR practitioners: HR as an *administrative expert* (carrying out and implementing administrative people management policies including activities such as compliance and reporting for legislative and administrative purposes); an *employee champion* between the employer and employees as someone who can be the linking pin to articulate employee voice and understand their needs; a *change agent* for dealing with routine and nonroutine change events; and finally a *strategic business partner*, wherein HR practitioners not only are at the executive table to execute strategic decisions affecting people but they can also inform and shape the formulation of such decisions. Based on the developments in the field, different professional bodies have developed models of HR practice and conduct in their respective countries.

In Australia, for example, the Australian Human Resources Institute (AHRI), Australia's professional HR body, developed four key objectives and six key HR capabilities that HR professionals need for successfully performing in a range of roles. These are captured in AHRI's Model of Excellence – HR objectives and capabilities. The HR objectives of the institute are to contribute to a profitable and sustainable organization, increase workforce competency and engagement, develop excellence in people management, and create a dynamic and productive work environment. Similarly, AHRI expects certain behaviors from its professional members and a set of HR "I am" behaviors and the following competencies: "I know" and "I do" competencies. In the former group, these are being business-driven and strategic architect (similar to Ulrich's strategic business partner role), an expert practitioner (similar to Ulrich's administrative expert), and ethical and a credible activist (akin to Ulrich's employee champion), whereas the latter group of competencies include being a stakeholder mentor and coach (similar to Ulrich's employee champion role), a culture and change agent (similar to Ulrich's change agent), and a workplace and workforce designer (similar to Ulrich's administrative expert). Similar lists and objectives of varying degrees of emphasis can also be found in the other professional bodies from the Anglo-Saxon countries, e.g., in the USA, SHRM; the UK, CIPD; and New Zealand, the Human Resources Institute of New Zealand – HRINZ.

We can note similarities in the above models, especially in HR roles such as being a *change agent* and an *administrative expert* (e.g., payroll, recruitment, etc.). Despite the clarity that these professional body institutions offer to HR practitioners, the ground reality of its implementation is ambiguous. For example, as Legge (1978) noted, the following are the three common reasons why such ambiguity exists: limited power to influence HR practices and overlaps between line and HR functions; lack of clarity about who owns the success or failure of HR outcomes;

and whose interests are being served – whether the management or employees. The dominant view is that HR serves management more than the employee constituencies. There is a need to restore some balance in terms of power inequalities before seeing any meaningful changes. While there are encouraging signs of a strategic role HR plays in some organizations, widespread proliferation of this strategic role is not visible, and in the main, HR is often seen as the “implementer” of strategic decisions.

In a bid to understand the changing landscape in the field of HRM, in 2007, a Human Resource Competency Survey (HRCS) was undertaken covering nearly 10,000 survey respondents from the HR community from different regions around the globe to come up with the key competencies required by HR practitioners (Ulrich et al. 2007). The study found six key clusters of HR competencies that were essential for HR practitioners. The focus for HR practitioners is to become credible activists; operational executors; business allies; talent managers and organizational designers; culture and change agent stewards; and strategic architects. In line with previous studies, the survey posted significant similarities in the expected thrust areas of HR competencies. However, the researchers noted differences in emphasis in some competency groupings, reflecting the diverse contextual environments surveyed worldwide. The above research points primarily to a convergence thesis in the competency models of HRM. However, in terms of implementation, again, there were ambiguities, dualities, paradoxes, and tensions noted due to competing interests of different stakeholders, a view that was highlighted in the previous chapter. Therefore, it appears that the role of an “HR professional” at the coalface is often peppered with dilemmas and ethical tensions.

With the increasing use of technology and its applications in the domain of HR, we have seen the HR function transition from a simple electronic HRM (e-HRM), using computerized HR information systems, to more sophisticated use of artificial intelligence (AI) and blockchain technologies for automating as well as augmenting the various HR sub-functions (Malik et al. 2020a, b). Furthermore, the design and implementation of these activities have seen various applications emerge on multiple platforms that are being employed by businesses to drive HR effectiveness and workplace efficiencies (Malik et al. 2020c) as well as elevate talent’s experience, satisfaction, and well-being through the use of AI-enabled HR applications (Malik et al. 2021). Hence, the skills needed by HR practitioners to design and implement AI-enabled applications require new competencies such as *digital and data science literacy*, *tech-savviness*, and managing *ethical issues* related to *algorithmic learning and management* by such AI technologies. This is a growing area of concern as we are exposed to several biases that emerge through the use of such technologies to aid HR decisions.

Ethics and Professionalism

The focus here is not on reviewing knowledge of various ethical theories (e.g., deontological, teleological, stakeholder, and contingency theories) but to reinforce the issue of business ethics in routine and nonroutine business decisions, including abiding by the ethical code of conduct instituted by the professional body organizations in any HR practitioner's country as well as the ethical code of conduct of an organization. The key thesis of the deontological view is that ethics is all about following rules, whereas teleological ethics focuses on the greater good or the impact of the consequences on the affected people (hence is also referred to as consequentialist view). By its very meaning, virtue ethics focus on the character and virtues that people possess or need to be educated in to be ethical in their conduct. Stakeholder theory in the applied area of business ethics argues that managers and leaders need to consider the competing demands of different stakeholder groups to resolve societal, business, and individual ethical dilemmas. The underpinning logic of this perspective is that firms cannot survive without paying serious attention to the different stakeholder needs as such businesses should embrace the concept of fairness for all stakeholders rather than one. Often the neglect happens when a business supports one group – the shareholders over other stakeholder groups. If the practitioner is a member of the professional body, she/he may also have to consider his/her employing organization's code of ethics and values. This may or may not be in dissonance with the individual's ethical frame and moral intensity. In today's multifaceted, interrelated, interdependent, and inter-reliant business setting, managing people is a cerebrally challenging enterprise and often also a politically charged one. Often HR practitioners and managers are faced with ethical quandaries. Despite their professional skills and codes of conduct, the solutions to some problems are not always easy. Although there is evidence to suggest that being a professional would prevent such issues (Donaldson 2000), however through the complex overlaying of three possible (individual, organizational, and professional) value systems, decision-making and ethical actions can at times be challenging. One way to understand the multiple layers of relationship HRM has with ethics is to consider Fig. 1, wherein, at the first level, individuals must engage in critical thinking, an essential critical attribute for engaging in ethical conduct and decision-making. The focus then shifts to applying ethical reasoning and critical thinking to business and professional decisions. More narrowly, we have the presence of normative frameworks for engaging in critical thinking in an applied business and professional setting. This may mean applying normative critical thinking to HRM scenarios.

Within this space, practitioners are generally guided by, but are not restricted to, theoretical lenses other than professional codes of ethics. While the study of ethics allows us to recognize our moral values and how we should treat people, the integration of ethics in HRM has witnessed an intense debate within the academic community, wherein several questions were raised: for example, these range from “is HRM ethical?” to “Can HRM be ethical?”. Consider the use of terms resource management and use in HRM, as these raise questions of an ethical nature and point to an ethically deficient nature of HRM.

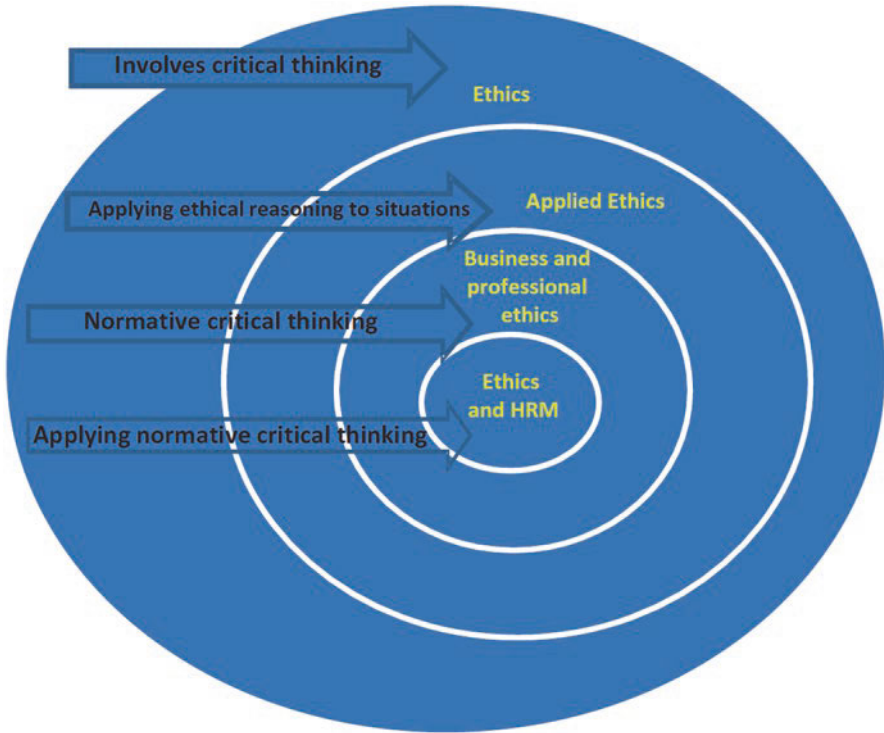


Fig. 1 Ethics and HRM

Critical Reflections

One might question, to what extent is contemporary thinking in the area of business ethics influenced by history? The idea that people can learn to behave ethically has its roots in the early thinking of Socrates, who argued that it is possible to teach people to do the “right thing.” Socrates further noted that people need to develop themselves in certain knowledge areas to behave ethically. Building on this idea, Aristotle noted that education regarding how to think critically is a first step in being ethical in one’s decisions as it is through critical thinking that one can develop the skills of *phronesis* (prudence or practical wisdom), which is an essential beginning for conducting oneself ethically. Additionally, people need to engage in introspection and reflect on their experiences and essential knowledge or educational grounding. It is not surprising then to see that several business schools are advocating in their educational programs, an element of ethics education. Current in the debate is the extent to which it occurs. Should we teach ethics as part of a program in a stand-alone course or embed and apply it across several units in a program. Additionally, recent research (Erlic 2014) has examined and found support for the idea that a person with formal training and education in ethics and philosophy is most suited to

teach business ethics in business education programs. Therefore, it is not surprising to see many business programs not teaching ethics as a standalone course.

Practitioners also need to differentiate between *morally* right or wrong from what is *legally* right or wrong. While the latter offers guidelines through legislation and established case law, the former requires engaging deeply in ethical reasoning and, by implication, critical thinking about what is right and wrong. Some might even argue that people have inert tendencies to behave in an ethical or unethical manner.

Illustrations and Skills Sandpit

There are many examples from practice one can think of that require moral reasoning in HR decisions. For example, you may like to reflect and examine the following question: is the use of drug testing ethical in selection processes? Another very widely reported unethical issue is that of sexual harassment at the workplace. O'Leary-Kelly and Bowes-Sperry (2001), for example, noted that many times people who get embroiled in this situation do not see it as a moral issue. Consequently, they do not engage in making moral judgements or establishing their moral intent in resolving the moral issue. As a result, they do not take moral actions. O'Leary-Kelly and Bowes-Sperry (2001) further argue that it is essential to build people's moral intensity before they can be expected to engage in moral judgements and decision-making. Moral intensity depends on some contextual and contingency factors. These include factors, such as in the case of sexual harassment. The authors found it was affected by the perpetrator's (the person engaging in sexual harassment) understanding of the magnitude of consequences; degree of social consensus; probability of the effects; temporal immediacy of actions; similarity of actor and target; and the concentration of responsibility of people in dealing with such events.

Concept Integration with Cases and Learning Activities

The case study *To Cyber-Vet or Not to Cyber-Vet: An Ethics Question for HRM* by Holland and Jeske investigates an increasingly topical area of cyber-vetting. What role do an organization's code of conduct and social media policy have on the practice of engaging in social media screening and background checks. The case introduces to the learner the associated complexities in developing an exhaustive policy that covers this issue and explores the need to pay attention and thoughtful consideration to who the stakeholders are and the kinds of data and sources to consider. The case study entitled *Patanjali: The Black Swan* by Shukla explores the related themes of context, ethics (albeit briefly), and leadership theory in examining how ethical it is to use symbols by leaders to frame their leadership persona.

Conclusion

The development of competency frameworks and codes of conduct, although it sets in place institutional isomorphism, a key question remains how can we ensure all HR practitioners conduct themselves ethically in a manner that satisfies the needs of the professional body and their employing organization. While it is certainly possible that the two can be achieved in some, if not all situations, a more crucial point is whether practitioners can engage in critical thinking in mid-career? Can we teach critical thinking to someone at a later stage in life? Can ethics be taught? These are some of the questions the field is confronted with. Plato put forth a similar question to Socrates: “Can you tell me, Socrates, whether arete is something that can be taught? Or is it not taught, but acquired by practice? Or is it neither acquired by practice nor learnt, but does it arise in people by natural aptitude or in some other way?” (Plato and Meno, 70a 1–4). The literature presents competing views on whether ethics can be taught (see, for instance, studies by Boyd 1982 and Martin 1982). A key point to remember is that most HR strategies evolve due to ongoing negotiation and political processes between various stakeholders and how managers (including HR managers) interpret the circumstances around them. Ethical considerations must be kept in mind in such processes.

Glossary

Business ethics	Is a branch of ethics requiring ethical reasoning and critical thinking skills of employees and managers to apply it to a range of business situations, decisions, and practices, which have an ethical component (the rightness or wrongness).
Stakeholder theory	Asserts that firms must follow a longer-term strategy that considers balancing the vested interests of a wider group of stakeholders in a business. Such an approach necessarily has to rely upon ethical reasoning and for managers and leaders to engage in critical thinking in making business decisions.
Shareholder theory	Asserts that the primary role of managers is to maximize the wealth for their shareholders.

Key Questions and Learning Activities

Question 1. What does the term business ethics mean as applied to the study and practice of HRM and ER. Explain.

Question 2. What are the ethical dilemmas for each of the HRM practices noted below? Identify how would you resolve the identified ethical dilemmas in each of the following HRM practices: performance management, training and development, and workplace change?

Question 3. Comment on the effectiveness of using a professional code of conduct by HR professional body organizations. In your view, do members of these institutions view it as a requirement for upholding professional ethics or an unnecessary impost?

Learning Activity: Statistical Discrimination in Hiring

Consider the situation when employers discriminate people in hiring based on the applicants' characteristics such as being a smoker or belonging to a particular geographical area or other demographic characteristics, e.g., height, weight, and personal preferences that are not usually covered by human rights legislation. Analyze the above using relevant ethical theories.

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Part II

HR Profession and Design and Implementation of Strategic HRM and ER Practices



Work Design and HR Planning: A Strategic Perspective

Ashish Malik

Key Learning Outcomes

At the end of this chapter, you should be able to:

- *Define the terms HR planning and work design from a strategic perspective*
- *Describe the dominant approaches to HR planning*
- *Evaluate the effectiveness of commonly used analytical HR planning techniques*

Introduction

The second part of the book focuses on the strategic application of functional HRM and ER practices. This chapter focuses on two critical preliminary HRM practices, work design and human resource planning, which are core elements of an individual's employment life cycle and trigger recruitment and selection. Appropriate work design choices must suit the business needs to decide how to plan the resourcing of people needed for the jobs they have to perform. The nature of work design ranges from a 'control-oriented' to a 'commitment-oriented' continuum. As a result, firms can decide and plan for how they can balance organizational flexibility and autonomy goals with control, a key consideration for HR managers. Following a discussion on strategic HR planning and work design, this chapter briefly considers the strategic approaches to recruitment and selection.

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Strategic Human Resource Planning

HR planning has been defined as having the right number of people, at the right place and right time, with the right set of knowledge, skills and abilities. From a strategic HR planning perspective, one must also focus on the broader environmental and strategic context in which strategic HR planning exercise occurs. HR practitioners, at a macro level, should be sensitized to the prevailing labour market conditions, especially in high growth and volatile industries such as mining, software development and health services, as there is a constant competition for attracting and retaining talent in all aspects of the employment life cycle (e.g. HR planning, attracting, selecting, training, rewarding and managing the performance). Strack et al. (2008) noted the top five challenges for Australian HRM practitioners: managing talent, demographics, change and cultural transformation, leadership development and transforming HR into a strategic business partner. While these challenges have also prevailed in previous and subsequent studies, this study provides a macro-level background and understanding of the challenges and sets the tone for HR planning and work design. In addition, HR managers need to take into account other trends in their planning for human resourcing – industry characteristics and trends; nature of internal and external labour markets; nature of job content and its scope; and sorts of skills and employee aspirations – and determine the ‘gap’ from both an employee and organizational perspective. HR planning also requires attention to legislation, industry and professional requirements (e.g. some jobs require continued professional development and training).

At a meso (organizational)-level, HR practitioners need to consider organizational influences, such as labour costs as a percentage of the overall production cost, firm’s competitive strategy (e.g. whether it is following a cost leadership or differentiation or some other combination), its organization’s life cycle stage, management culture, values and orientation towards the people it employs. Orientation towards labour is an important consideration as it informs the classic ‘make versus buy’ decision. Additionally, with the changing workforce demographics, wherein an increasing number of employees are Generation Y workers and will continue to be so for a while, developing an appreciation of their motivations, values and beliefs may result in their successful attraction and retention. This was borne out in a recent study on Generation Y expatriates *or as the authors* termed as *Yopatriates* (Pereira et al. 2017). Demographic differences are vital, and HR should consider aspects such as employee career aspirations, retention and engagement tools, which may be different from managing baby boomers and Generation X employees.

Millmore et al. (2007) argue that strategic HR forecasting and planning must employ a reliable and holistic database to understand the strategic, operational and process-level issues fully. From a strategic perspective, HR planners should analyse and forecast a detailed plan regarding the current workforce profile and match it with future requirements based on strategic plans and projected flows of employees in terms of increases or decreases in numbers at various levels and roles. HR forecasting can lead to one of the three outcomes: reductions in a given area(s), expansion of workforce in existing or new roles or maintaining a status quo. Such

forecasting often relies on a combination of quantitative and/or qualitative techniques. HR planners consider several helpful data points from an operational perspective: determine past, current and future workforce movements in an organization. HR planners must also engage and consult with senior leaders, line managers and business development leads to get a sense of where the organization might be heading in short to medium term. Once such an understanding is gained, they can look at process-level issues of planning for the subsequent attraction, retention and/or talent management campaigns. Larger and multidivisional firms have elaborate computerized HR information systems (CHRIS) that can churn out a number of analytical reports on various aspects of its workforce's quality and other profiles. HR analytics now is much advanced than what it used to be, and HR and line managers can 'slice and dice' different analytical reports from their CHRIS. In fact, businesses are now employing more sophisticated technologies, such as artificial intelligence (AI) and blockchain, for automating and augmenting the various tasks and functional aspects of HR (Malik et al. 2020a, b). Furthermore, through effective deployment of these technologies, changes have been made to employees' work design, as many routine and repetitive tasks are being gradually replaced by automation and AI-enabled applications to drive efficiencies at work, and depending on the quality of AI, it has an impact on employee's satisfaction (Malik et al. 2020c; Nguyen and Malik 2021). This is also evident in the talent acquisition functions of HR (Upadhyay and Khandelwal 2018), where bots and intelligent AI applications are assisting in the recruitment and selection activities (McColl and Michelotti 2019), driving not only efficiencies but also the prospective talent's experience with the organization (Malik et al. 2021). An overview of the more traditional forms of analysis that can be undertaken is discussed next. For a deeper understanding of the use of AI technologies, review recent research on this topic (McColl and Michelotti 2019; Malik et al. 2020c, 2021; Upadhyay and Khandelwal 2018).

HR Analytics for Planning

Illustrations and Skills Sandpit from the Mobile Telephony Industry

HR planners should know the nature and extent of key competencies and capabilities an organization has where the major competency and skill gaps lie from a strategic HR perspective. This can and should inform talent management strategies. For example, in a mature mobile telephony industry, the technology infrastructure is generic. The point of differentiation lies in the competencies possessed by sales and service and advertising teams for enhancing the overall customer experience. Additionally, the skills of pricing the phone plans can be a crucial skill for the industry. Thus, customer-centricity may become a critical competency for all job roles that involve direct or indirect interaction with the customer. HR planners would need to forge partnerships with line managers in these functional areas to identify the key pain points at every point of customer interaction which may adversely impact the quality of customer service experience. However, if the industry is undergoing a shift in the technology platforms and moving to the next curve, this may

surge in either upskilling existing technical talent or developing an aggressive talent hunt programme. For keeping up with the ‘pulse’ of the employee composition, its supply and potential demand, HR planners need to engage in dynamic modelling of current skills with the actual number of people using data points such as past trends of employee turnover rates. For example, this can be calculated for each year using the following or a similar formula:

- Annual employee turnover rate = Total number of people leaving in a year/the total number of people in an organization *100.

Additionally, data points on expansion or contraction/retranchment plans, age-grade, grade/skills and age-skills matrices can be used for developing a granulated understanding of the required skill composition in different roles. Other metrics that are useful in HR planning include focusing on the average revenue contributions per employee, the average cost per full-time staff equivalent (direct and indirect costs) and projected (anticipated) retirement numbers, the mix of standard (e.g. permanent) and non-standard (e.g. fixed-term and casual) employment. Ratios such as the proportion of core (revenue earning) and non-core (support and enabling functions) and employee utilization rates are additional metrics that can inform people’s resourcing. Finally, to manage the flows within an organization, HR planners can focus on metrics such as the completed length of service profiles in different occupational categories for undertaking a career progression analysis at different levels to inform their compensation and retention plans. Thus, HR planning is a much more integrated HRM practice and informs almost all HR employment life cycle practices.

Workforce Flexibility

While the above set of HR metrics and analysis yields valuable and rich insights to aid HR decision-making, there is an increasing focus on maintaining workforce flexibility (Atkinson 1984). Firms respond to changes in macro-economic environments (e.g. social, political, technological and labour market) by implementing different forms of workforce flexibility. These include adopting numerical, functional, financial and temporal flexibility. While there is an intuitive appeal of workforce flexibility, many researchers have criticized the approach and noted it as a form of neoliberal market managerialism. Although these contracts constitute a small percentage of the total workforce in an economy, the worrying trend is that it is gradually increasing, and its incidence is spreading across all employment levels. In addition, there is an increasing trend in zero-hour contracts, and their proliferation now extends to all levels of the workforce (managerial, professional, technical and manual). There has almost been a doubling, in percentage terms, of zero-hour contracts between 2004 and 2011 (Van Wanrooy et al. 2013). Unfortunately, much of the focus has been on ‘organizational’ flexibility, and somewhat limited focus exists on ‘employee’ flexibility (Bal and Jansen 2016; Bauman 2000). The latter focus will bring in a balance to a strategic and managerial approach to achieving flexibility. While several approaches have been implemented to accommodate employee

flexibility in the form of work-life balance programmes (Fleetwood 2007; Tomlinson 2007) and smart working options (Malik et al. 2016), the issue at hand is the uniform access of flexible working options by employees. Indeed, this is primarily an issue for minority groups of employees, such as access to work-life balance benefits by Muslim migrant women (Ali et al. 2017).

Work Design

Typically, employers can adopt an internal (make/invest in) or an external (buy/outsource) orientation in meeting their workforce resourcing needs. The need for achieving a strategic and horizontal fit to align their HR planning and work design approaches with their chosen competitive strategy is critical (Stewart and Brown 2009). In designing work, HR practitioners must not forget the AMO rubric introduced earlier in chapters ‘Introduction’ and ‘HRM and ER: A Strategic Perspective’. To this end, work design principles should *motivate* (M) employees and meet the organizational goals. Such designs are often associated with balancing employee commitment with the managerial prerogative of workflow control and maintaining an efficient structure. Today, most work designs in the manufacturing sector still reflect scientific management principles with their deep underpinnings in the scientific school of management. It would not be incorrect to say that several low-end and less complex service works such as that evident in call centre and transaction processing work also adopt a modified Taylorist approach. One word that summarizes this school of work design is control.

Illustrations and Skills Sandpit from the IT and Business Process Outsourcing (BPO) Industry

Call Centre Industry

Many call centres have been classified as work design centres of excessive control. Phrases like ‘an assembly line in the head’ (Taylor and Bain 1999) and ‘entrapped by the electronic Panopticon’ (Bain and Taylor 2000) typify the nature of excessive control evident in work design in call centres. Part of the problem lies in the lack of trust by clients in the service providers that they set up contracts with across borders. As a result, the client dictates the nature and extent of the scripted message, the number of calls an agent has to do typically and the precision and time in which these have to be delivered; all these exemplify the nature of excessive control in what is essentially a twenty-first-century service job. The HR developer has to hire people who can perform in this environment, design their training to support such precise and predictable performance levels and develop systems for capturing performance tracking for meeting the clients’ expectations in line with the contract’s service-level agreements.

The human relations approach offered some respite for workers. This movement propagated the idea of a flexible and team- and empowerment-based design for gaining employee commitment, but this idea was not as widespread as Taylor’s scientific management. There is ample evidence in the literature, which suggests

that designing work that is motivating (intrinsically and extrinsically) and providing employees with the freedom and opportunity to exercise leeway and choice in structuring their work will most likely lead to greater satisfaction, retention and long-term commitment. Typically firms design their work somewhere on a continuum of control and commitment, wherein the commitment end typically results in greater job satisfaction. If a firm follows a cost-leadership strategy, it is likely to focus on a control-oriented design, especially if it also has an external orientation towards its employees. There are numerous adverse impacts noted of control-oriented designs. These include stress, anxiety and an overall decline in employee well-being.

High-End Software Development and Design Industry

Attracting highly skilled and specialist talent for the high-end software product development and design firms requires a different work design for retaining and motivating knowledge workers who are likely to deliver their discretionary and best performance. Work designs for the software development industry require empowerment-based designs to allow employees the freedom and autonomy they need to take calculated risks for proposing new and better solutions to their existing products. Managers will need to allow flexibility and trust their employees to complete their work tasks in an environment that makes them most productive. Some IT firms, such as Google, allow up to 1 full day for employees to engage in creative and new product development projects. The work design for this group of workers will necessarily require a mix of intrinsic and extrinsic rewards. For example, many product development firms reward people monetarily for lodging patent applications and celebrate their success with peers through recognition certification programmes and by even allowing employees to lodge patent applications in their name.

Strategic Recruitment and Selection

Recruitment has a positive valence as it involves attracting and adding potential candidates to a pool of talent. On the other hand, selection has a negative valence as it acts as a sieve for sifting through the talent pool thus created. These two processes are triggered once the organization understands the nature and extent of its resourcing requirements from its HR planning exercise. Therefore, organizations need to adopt a systematic and strategic approach to ensure each resourcing decision adds value to the strategic needs of the business. In addition, they must tap into the suitable types of labour markets for their needs.

From a strategic point of view, the focus shifts to person-organization, person-context and person-job fit when it comes to selection. The applicant's personality and skills attributes are key areas to assess. Organizations can employ several 'sifting' and 'sieving' approaches to choose from a pool of applicants. Depending on the nature of the role, these include assessment centres employing a range of psychometric tests, realistic job previews, referrals, work portfolios, job knowledge tests, integrity tests, situational interviews, etc. Some firms employ values-based testing to assess person-organization and person-context fit. Although the most popular, the least effective predictor of person-job fit is the job interview. A controversial area in recent discourse is a drug testing and an extensive set of medical tests before hiring.

The issue of the ethicality of these approaches is causing much debate. Therefore, maintaining a strategic focus is critical in ensuring a combination of ‘good’ selection practices to minimize the likelihood of a poor decision. Poor decisions are often costly, and hiring the wrong person may have significant impacts such as work disruptions, demotivation of other employees and negatively affecting the organizational citizenship of others. In the highly regulated society that we live in, there are high costs of separation that an organization may have to bear to get rid of an employee and then start the process again.

Further Illustrations and Skills Sandpit from IT and Software Services Industry

Firms may develop their campaigns or outsource the entire process to large recruitment firms such as Adecco and Right Talent. Several firms follow differentiated campaigns for recruiting different categories of employees. These are often implemented in ‘employer of choice’ branding campaigns or expressions of interest through their online jobs portal to generate the right pool of applicants for future client opportunities. For example, Infosys Technologies, a large global IT major, receives more than a million applications for its annual hiring of between 10,000 and 15,000 engineers. So, messaging matters a lot for applicants, as does the orientation – internal versus external – that an organization has. Stewart and Brown (2009) argue that HR practitioners should design advertising communications that meet an organization’s strategic needs. For example, hiring for long-term and internal orientation requires more realistic messaging than for short-term hiring with an external orientation and focused hiring, requiring employing idealistic messaging.

Critical Reflections

One of the significant critiques of HR planning is the durability of HR plans. By the time one completes the analytical process and modelling for future needs, the market or the environment changes, and most plans require subsequent revisions. Sometimes, changes to the key stakeholders and leadership might also bring new perspectives on the resourcing models. These may be radical, departing from an internal to an external orientation in a firm’s resourcing approach. A related challenge in HR planning and other sub-functions is that of achieving integration and fit. While this may seem logical and highly desirable, even the best laid out plans are open to interpretation and power dynamics between HR and line managers. It is easy to observe the performance impact of inadequate HR plans in service sector firms, as often service sector firms have a more significant adverse impact on business due to delayed resourcing.

The use of AI-enabled applications in the domain of HRM is causing a major disruption to the traditional ways in which HR planning, work design and recruitment and selection were undertaken. Reimagining work and tasks are necessitated for the more predictable and routine forms of work. A case in point is the decline in contact or call centre work with the increasing use of digitalized workforce. Robotics

process automation and intelligent virtual assistants gradually take over significant parts of the transaction processing tasks of a call centre agent. The notion of control by leaders and managers over the tasks of individuals is gradually replaced by algorithmic control by AI-enabled applications.

Concept Integration with Cases and Learning Activities

The case study *Dorian LPG’s Rapid Fleet Growth: A Story of Maritime HR Planning and People Management* by Progoulaki and Tasoulis highlights the critical role of HR planning in times of a major expansion phase in a firm’s life cycle. This contingency or best-fit approach to HR practices was also covered earlier in chapter ‘[Strategic HRM and ER: Best Practice Versus Best Fit](#)’ of the book. The case provides a valuable account of how business strategy informs people management practices in a large firm experiencing rapid fleet expansion. The case also provides an opportunity to analyse internal fit in managing a culturally and professionally diverse employee base. Other strategic HRM practices and their interrelationships with HR planning are also covered in this case study.

Conclusion

Getting the right people with the right skills on time is vital for the uninterrupted performance of a firm’s production function. In some more people-intensive industries, such as in the services industry, performance of HR planning, impacts of recruitment and selection practices have a profound impact on a firm’s bottom line. In the longer term, for gaining sustained levels of commitment from its employees, firms need to ensure they offer a job value proposition that is appealing to the new entrants and their existing employees. Strong employer branding exercises and developing a parallel set of the talent pool will ensure a steady talent supply. However, to achieve job, organization, culture and people fit, the HR practitioner will need to combine hard and soft approaches for optimal results.

Glossary

Employer of choice branding	Refers to a set of targeted activities to attract applicants and retain existing employees to an organization by offering a set of employer job value propositions
Person-environment fit	Refers to the degree of alignment of a person’s attitude and personal attributes to the broader work environment and their job
Person-job fit	Refers, respectively, to the extent to which the preferred candidate’s profile aligns with the requirements of the offered job

Selection	Is the process of shortlisting from a pool of suitable applicants, the most appropriate candidate for a given job
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Key Questions and Learning Activities

Question 1. What are the main options available to the line and HR managers when they discover a mismatch between the job and organization fit with their hired person?

Question 2. What are the three advantages each of a person-job fit and person-organization fit?

Question 3. What are the three disadvantages each of a person-job fit and person-organization fit?

Learning Activity: Job Crafting and Job Design at Neutral Spaces

Recent interest points to how leading companies innovate through remote work designs (Laker et al. 2020a). Similarly, other innovations in work design in working at places other than your home or usual workplace, i.e. your office, have led to new workspaces such as co-working spaces and Smart Work Hubs (see, e.g. Malik et al. 2016). For retaining talent, some organizations have even started to embrace the concept of job crafting, which allows employees the opportunity and leeway to add and structure new activities and tasks to their current work (Laker et al. 2020b). Such an approach is typically driven by the employee with support from their immediate line manager. Laker and colleagues identified three forms of job crafting: task, relational and cognitive. Depending on the arrangements, one or more forms of this approach can mutually be agreed upon between employees and managers. Laker and colleagues further developed a four-point framework: have the permission to job craft; provide a psychological safety net to employees; allowing greater control and trust for employees; and giving them the capacity to successfully do job crafting, such that they do not take on any excessive workload.

1. Would there be differences in productivity, employee's experience and satisfaction for people who are allowed the opportunity to work at these alternate workspaces as compared to those who work at their usual place of work and home offices?
2. What are the implications of such a design in the employer of choice campaigns and balancing work and life?
3. Would you benefit from job crafting? Why/why not?

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Strategic Performance and Commitment Management

Ashish Malik

Key Learning Outcomes

At the end of this chapter, you should be able to:

- *Analyse the key elements impacting individual-level performance*
- *Analyse the key elements impacting systems-level performance*
- *Evaluate the effectiveness of performance management systems*
- *Explain the causes of poor performance at the individual and systems level*

Introduction

A quick way to ascertain how well the organization's performance management system is working from a strategic perspective is to ask multiple employees their understanding of the organization's strategy, its goals, key performance indicators and how employees think they are contributing to the same (Boselie 2010). Next, verify this understanding with the senior management team. One would most likely find gaps in understanding of expected and actual performance. There are many reasons for this. Performance is a multifaceted and multi-level concept and thus needs attention, at least, at two very distinct levels: a micro level (individual level) and a meso-level (organizational systems level) and how high performance is achieved at each level. At a meso-level, a firm may be seeking improvements in performance through a bundle of HRM practices of its business model (Kelly et al. 2021; Lee et al. 2020; Malik et al. 2018), its product and processes (Malik et al.

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2017, 2019a) in normal times or in times of a crisis (Malik 2013, 2017; Malik et al. 2019b; Malik and Sanders 2021). Of course, many have attempted to unlock the performance ‘black box’ from multiple disciplinary perspectives including from an HR perspective. With an increasing interest and sophistication in research designs, which focus on multi-level and multi-respondent explanations of performance, there is some comfort in agreeing that a combination of certain HR and management practices can contribute to sustained levels of organizational-level performance (Boxall and Purcell 2011).

Individual-Level Performance Management

Typically, performance management is a cyclical process, which involves determining, first of all, the performance expectations of a role. This is followed by setting and planning an individual’s goals, providing the individual with learning and development support where necessary, monitoring their progress and providing ongoing feedback through formal and informal means regarding their actual performance against the expected performance. Performance management in ‘HR speak’ comprises numerous factors that can improve the performance of a system. In the preceding chapters, the performance rubric, $P = f(AMO)$, was introduced, wherein ‘A’ stands for ability, ‘M’ for motivation and ‘O’ for the opportunity. It is worth remembering that individual-level performance requires the presence of all three factors for achieving high performance. Hiring people with relevant knowledge, skills and ability is a key foundation for expecting people to perform well in a given role. HR managers should also focus on combining intrinsic and extrinsic motivational approaches to offer satisfying and motivating jobs for employees and hope to improve their performance. Line managers and supervisors play an important part in providing the environment or ‘opportunity’ for their staff to remain motivated and apply their abilities to the fullest, as was borne out in a study of employees in Hong Kong’s clothing industries, which are dominated by family business owners (Lee et al. 2020). The explanations for contextual factors were highlighted in an in-depth study of performance management practices at two Indian pharmaceutical multinational corporations: one following modern and atomistic approaches to managing performance in a modern pharma firm and the other employing an ancient, holistic and indigenous approach of *Ayurveda* (India’s traditional system of healing and living life) for managing holistic well-being of individuals as a proxy for performance (Malik et al. 2021a). There were remarkable differences noted between these two cases from the same industry, highlighting contextual factors affecting the design and implementation of performance management practices at an individual and organizational performance level. These differences emanated in the contextually grounded nature of some indigenous practices in one versus emulating modern and Western best practice for managing performance.

From a strategic perspective, the basic tenets of the goal-setting theory are highly relevant here (Locke and Latham 1990). This theory suggests directing employee’s attention to goals, regulating the effort, increasing their persistence and encouraging

the development of plans to achieve the goals. The goals should be set at the right (stretch) level to motivate employees to aspire to achieve higher, and that such goals should be quantifiable and precise. HR practitioners and line managers are responsible for delivering on these counts if they are expecting the best out of their employees. The focus here is not to get into different performance management systems such as the MBO, rating scales, Six Sigma or 360-degree multi-rater feedback; it is more around understanding guiding principles that have worked well in managing performance. An equally relevant consideration here is *distributive justice*. Managers and HR leaders must ensure that employee perceptions about rewards and their appropriation are fair. The role of line managers and supervisors is hugely critical in clearly communicating the expectations. Where necessary, offer support through training and development and/or a nurturing environment to improve the performance of individual contributors. Equally important is adopting an integrated approach to HRM practices and ensuring a horizontal fit between HRM practices. For example, recruitment and selection practices should be supported by employee development and motivational support from managers. The notion of internal fit was also covered in Chapter ‘[Strategic HRM and ER: Best Practice Versus Best Fit](#)’.

Illustrations and Skills Sandpit

Some large and successful firms have put in place forced distribution systems and Six Sigma or even Lean Six Sigma as a means to precisely measure and ensure high levels of performance. This is achieved by removing the root cause of variation in a performance system. Such approaches often rely on giving very clear, prompt and transparent feedback to performers and non-performers. General Electric (GE), Motorola and several other US firms and, more recently, offshore contact centres and business process outsourcing firms of large multinationals in India are using these approaches. Aspects of performance metrics and problem-solving approach to managing individual performance are in line with the basic tenets of goal-setting theory, and GE, for example, follows a forced distribution system wherein it distributes scores in a 10% (below average), 70% (potentials) and 20% (high performers) distribution. Looking after the 20% and pushing as many people towards the upper end of the 70% range is a key focus. The remaining 10% are asked to either buckle up or look elsewhere.

As with any HR performance management system, the challenge lies in its implementation. Nevertheless, sometimes, even the design of a performance management system is not free from flaws. For example, not having clear performance measures for goals and expectations and inadequate communication and training on what the various range of scores means are often core flaws in the design. Shields (2007) notes that there are some key considerations in designing an effective performance management system. These include, for example, the following: ensuring that the system is valid, reliable and cost-effective and has perceived fairness by its users. Managers and leaders must therefore address each of the above elements for an effective performance management system. They need to know what it takes to

consistently apply the design to avoid perceived inequity and poor implementation problems. Excessive focus on unrealistic ‘stretch’ goals may lead to unintended consequences such as poor performance and adverse outcomes such as dysfunctional employee turnover, poor employee well-being, stress and fatigue. Most good performance management systems aim to increase their employees’ job satisfaction and organizational commitment. As such, efforts must be made to offer a combination of intrinsic and extrinsic rewards to achieve job satisfaction and maintain affiliation with an organization (Shields 2007).

Additionally, employers must also avoid any breaches in the psychological contract of their employees through issues of poor design and implementation. Shields (2007) further notes that the most common culprits here are lack of consistency, the perceived or felt unfairness of the system and poor distributive and procedural justice. All of these factors affect an employee’s motivation and attitudes towards the job and the firm, which subsequently affects the behaviour of employees and their discretionary performance.

Organizational-Level Performance in HRM Systems

Several interrelated factors must be considered for achieving high levels of organizational and systems performance through HRM practices. For example, these include creating and managing the desired culture that supports performance expectations, providing the relevant structural elements such as a sound performance management design and other mutually reinforcing HR practices and finally ensuring ‘integration and fit’ with the firm’s competitive strategy. Key questions for the HR managers to think about are as follows: To what extent are there complementarities between HR and other management functions? Are HRM practices mutually fitting and reinforcing – in other words, achieving an internal or horizontal fit? Are they applied consistently across the organization? Attending to these questions may result in a better fit as per the best-fit school, covered earlier in Chapter ‘[Strategic HRM and ER: Best Practice Versus Best Fit](#)’.

While adopting best-fit thinking yields better alignment, we nevertheless see several studies of high-performance work practices or systems tend to adopt a universalist approach. Typically, studies in this group are akin to studies of best-practice models wherein a certain bundle of HRM and perhaps management practices, if implemented collectively, are likely to impact the performance of a system positively. Careful selection of a ‘set’ of HRM practices must be implemented collectively, and if issues of fit and integration are also attended to, such an approach is most likely to lead to sustained levels of performance. Firms must identify a set of complementary capabilities that help create mutually reinforcing systems for achieving high levels of systems-level performance. Therefore, the focus is on identifying the ‘right’ sets of mutually reinforcing practices to support coherence and fit at a system, practice and competency level. The difficulty in such an approach is that several contingencies need to be considered for each organization in selecting the right bundle. Some studies highlight the degree of change in performance when

firms use high-performance work practices. For example, Huselid (1995: 667) noted that ‘a 1% standard deviation increase in such practices is associated with a 7.05% decrease in labour turnover and, on a per-employee basis 27,044 US\$ more in sales and 18,641 US\$ and 3,814 US\$ more in market value and profits respectively’. West et al.’s (2002) study of hospitals in the UK found a strong correlation between teamwork, learning and development and performance appraisals on patient mortality. Although the literature is voluminous on choices about the bundles of available HRM practices, these choices depend on the purpose of each organization and its approach to achieving its goals.

More importantly, these choices depend on the line manager’s discretion and employees’ attitudes and behaviours in the chain of links between the management’s espoused goals and high organizational performance. This argument is well-articulated in Wright and Nishii’s model (2004, as cited in Boxall and Purcell 2011). Intended HR practices (from senior management) lead to actual HR practices (i.e. as enacted by managers), which then leads to a perception of HR practices by the employees and invokes employee responses (attitudes and behaviour), which may/may not then lead to organizational performance. There are opportunities for leakages in the above causal chain at one or more points; therefore, implementation of HPWS may not always result in optimal performance. This line of thinking highlights the gaps between the espoused intentions and actual actions, and performance outcomes will vary, often due to a lack of real buy-in by employees due to their perception of managers’ intent in implementing these practices.

Critical Reflections

While there are several individual- and systems-level approaches to choose from, there are problems in achieving transparency, consistency, validity and reliability in the measures employed for both of the above levels. Additionally, the multidisciplinary orientation of different approaches and contextual conditions in which such studies were designed provides little basis for uniform comparison and its application to other contexts. Finally, the field of managing performance also suffers from the performance black box problem. This implies that several other factors may explain the anticipated and unanticipated drivers of performance at individual, organizational and system levels.

Part of the problem also occurs because of the interpretation and enactment of espoused meanings by managers and employees. There appears to be an increasing consensus that performance can be affected by how employees perceive the way their managers implement these HPWS, which then has an impact on the effectiveness of these practices on business performance. With the advent of artificial intelligence (AI)-based performance management applications, many firms are adopting a variety of AI-enabled HR applications for increasing different aspects of performance. These include the overall effectiveness of the performance management systems by automating and augmenting aspects of goal setting, tracking and giving and seeking feedback using AI applications and then employing HR analytics to inform

subsequent career development discussions or undertaking specific learning and development activities (Malik et al. 2020a, b, c, 2021a, b; Nguyen and Malik 2021). Several bots, virtual assistants and AI-enabled employee engagement platforms that firms concurrently employ also increase the employees' experience of such applications.

Concept Integration with Cases and Learning Activities

The case study entitled *Appraisal at Systel Technologies* by Manimala, Desai and Agarwal highlights several problems associated with designing and implementing performance appraisal systems in a significant IT multinational undergoing change. The case study highlights various issues involved in the design and implementation of the performance management system.

The case also provides a detailed description of the rationale and process of designing and implementing a key performance area (KPA)-based rating system of performance appraisal and offers an opportunity to appreciate its merits and demerits compared to those of other systems. It is also evident from the case that employees expect some tangible outcomes from the appraisal in increments, promotions, etc. When such links are established, objectivity and fairness are likely to re-emerge as major concerns.

Additional two case studies on this topic are in the new edition of this text. The case study, 'Nurses' intention turnover and improving patient satisfaction', by Silvia De Simone covers aspects of managing adverse and unintended performance outcomes. Similarly, the case study, 'Performance Management Systems at V-Pharmel', by Professor Arup Varma explores relevant issues on performance management.

Conclusion

Overall the performance-HRM link, though on a strong footing, with many studies pointing to its positive association with performance, requires further research from under-researched geographical contexts, especially from emerging markets, which can further test the evidence base. Also, scholars are beginning to challenge whether it is possible to sustain the tested frameworks in today's neoliberal and managerial approaches. This burning question is logical as there are signs of weakness in the dominant capitalist logic with declining employee well-being and health outcomes, especially when firms continue to implement high-performance work designs and do not effectively balance the demands such practices place on their human resources.

Glossary

High-performance work practices	Refers to a 'set' or a 'bundle' of HRM practices, which, when implemented collectively, can be the source of sustained competitive
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	<p>advantage. Even though there is extensive research on this topic, the consensus is far from being reached regarding the ‘set’ or ‘bundle’ of HRM practices that are central to high performance.</p>
Performance appraisal	<p>Refers to a process that involves planning, observing, measuring and evaluating an individual’s performance against a set of performance expectations using set criteria.</p>
Performance management	<p>Refers to a holistic process that focuses on linking an individual’s goals to an organization’s overall strategic direction and scope. The process involves goal setting, development, reward, appraisal and ongoing mentoring and coaching using formal and informal mechanisms, including single and multi-rater feedback systems such as 360-degree feedback systems.</p>

Key Questions and Learning Activities

- Question 1.** From your study of organizational behaviour, critically evaluate the contribution of any two theories that are relevant to the study and practice of performance management.
- Question 2.** Critically evaluate the contribution of HRM-performance link in the broader literature on SHRM and ER.
- Question 3.** Compare performance appraisal systems from multisource performance feedback approaches.

Learning Activity: Daily Performance Monitoring at XYZ Call Centre

At XYZ Call Centre in SomewhereLand country, several call centre agents are considering quitting en masse due to the incessant pressure that calls barging and micro-managing brings for them daily. For example, call centre agents’ length of the call, tone of the call and the quality of the product information disseminated form part of such daily monitoring. The performance of the process is evaluated on several rating scale parameters. Managers at XYZ Call Centre highlighted that their daily and excessive monitoring is part of the clients’ contractual requirements. They have to identify errors and provide a Six Sigma process report weekly to the clients with details of corrective action taken. The organization currently has an annual employee turnover of 80%, and its hiring managers are always fulfilling new hire demands.

If you were the HR manager at XYZ Call Centre, what solution(s) would you propose to rectify this situation?

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Strategic Learning and Development

Ashish Malik

Key Learning Outcomes

At the end of this chapter, you should be able to:

- *Review critical theoretical bases of learning and development*
- *Analyse the dominant drivers of internal career orientations of individuals*
- *Examine and analyse the relationship between strategy and learning and development*
- *Analyse the critical drivers of training*

Introduction

Exploring the AMO model, this chapter focuses on building ‘A’ – or the ability of employees. From a strategic HRM perspective, this chapter examines the role that training, learning and skill development can play in developing individual and organizational capabilities necessary for achieving sustained competitive advantage. The theoretical underpinnings of this vital activity span across the fields of economics, strategy, public policy and other disciplinary domains. The focus in this chapter will be on skills development in an organizational context, encompassing three distinctive levels: individual, group/team and organizational development. The chapter begins by analysing the theoretical foundations that explain why firms invest in training and offers an overview of the factors that shape an organization’s decision to invest in training. A critical strategic question focusing on the differentiation firms employ explored in this chapter is ‘why some firms invest more in training

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than others even if they are competing in the same product markets?'. In addressing human capability and development issues in an organization, the HR developers must also consider employees' personal development and career needs. This is especially true for key roles, given that talent is scarce. There are invariably some tensions between a talent's internal career orientations (or career anchors; see, e.g. Schein (1996, 2006)) and the external organization's career path.

Managing Employee Learning and Development: Theoretical Foundations

On the broader education and training institutional infrastructure, there are tensions about who is responsible for creating 'industry-ready' workers? Is it the individual, organization or state? Game theorists (Finegold 1992) have modelled these scenarios and argue that the weakest stakeholder group loses. Another theory that traverses all three levels is the human capital theory (Becker 1964), which suggests that investment in human capital is vital for improved wages and increased productivity. The underlying logic of this theory is that high levels of skills and knowledge enable people to perform better in their jobs, which ultimately raise their productivity. Thus, increases in productivity and higher-order skills are rewarded in the form of higher wages. Another hypothesis this theory examines is whether firms should invest in generic and transferable skills or only firm-specific and by implementing non-transferable skills (Becker 1964). The theory argues that firms will not invest in generic and transferable skills as these are also of equal value to other employers. At the same time, investment in technical and non-transferable (or firm-specific) skills training is logical as the firm can recover the costs of such training during an employee's tenure and such skills will make the employee more productive in their current job. A variant of this theory, the Neo-Human Capital theory, focuses on investment in training to overcome changes in technology (Acemoglu and Pischke 1998; Bartel and Lichtenberg 1987). The neo-human capital theorists argue that firms will invest in generic and transferable skills because of the *information asymmetry* when hiring new employees.

Further, the theory postulates that the demand for highly skilled employees will decline with a firm's experience in using a given technology; hence with each event of new production, managerial or process technologies, firms can expect a spike in investment in learning. Interestingly, most studies of high-performance work systems (HPWS) invariably feature training and development as a critical element in the bundle (Ashton and Sung 2002). Similarly, even the RBV models highlight the importance of investing in firm-specific skills, resources and capabilities to make the resources valuable, rare and inimitable by the firm's immediate competitors because of how they are organized in the production function (Barney 1991; Wright et al. 1994).

Given the numerous theoretical explanations of why firms invest in training, one theme that emanates very clearly in the above theories is to improve the performance or productivity of a system. This bears a resemblance to Swanson's (2001)

conceptualization of human resource development (HRD) and its role in an organizational context. Swanson (2001) argued that for HRD to survive, the *performance paradigm* should prevail over the *learning paradigm*. Building on research that was undertaken in the UK, Smith and Hayton (1999) analysed the factors affecting the provision of enterprise training in Australia. While several other theorizations have since been undertaken in the context of many countries and industries, in the main, the key factors affecting a firm's decision to invest in training can be summarized into two groups: *internal organizational influences* and *external contextual influences*. While the former group includes factors such as workplace change, product or process change, enterprise size, industry type, the introduction of quality management systems and new technology, the latter group includes factors such as client specifications, government regulation and inadequacies of the educational systems (Malik 2009; Malik and Nilakant 2011; Oseghale et al. 2018; Smith et al. 2004; Ashton and Sung 2002, 2006). From a strategic HRD perspective, Malik (2009) and Pereira and Malik (2015) found that firms that invested more significant amounts in training and development were also firms operating in a medium- to higher-level product market segment in the IT industry. While this would suggest high-end product markets demand greater training inputs, it is not always true as even relatively less complex or low-end product and service markets have allocated greater investments in training, especially if the industry is growing fast and is witnessing high levels of employee turnover. This may also be the case because of contextual factors such as inadequacies in the educational infrastructure to produce a market-ready workforce, high growth rates witnessed by the industry and dynamism in a firm's products and service offerings. This trend has been borne out in the study of large IT firms delivering in both simple and complex levels of service delivery. Training in these organizations has played a strategic role in not only keeping the overall workflow steady but also in the longer term; through sustained investments in learning and development infrastructure, these firms were able to offer a lower unitized cost of training and hence contribute to a firm's bottom line (Malik 2017).

Career Development

As HR developers, apart from focusing on skills development for core roles in an organization, they are also tasked with retaining key talent. This brings to our attention the topic of managing an individual's career aspirations. From a strategic perspective, HR developers must consider the business and competitive strategy before making extensive investments in learning and development and offering employees career paths (Lloyd 2005; Stewart and Brown 2009). There is an ongoing debate regarding whose responsibility it is to invest in an individual's learning and career development needs. Schein's (1996) work on career anchor theory is relevant here as he focuses on first understanding the individual's internal career anchors before offering them a career path in an organization. According to Schein, career anchors are a configuration of aptitudes, intentions and beliefs that help in directing,

limiting, stabilizing and assimilating an employee's careers goals. The theory argues that people's career anchors (internal career orientations) take time to get stabilized (up to the first 5 years of their working lives), and following this, these anchors stabilize and generally do not change over time. According to the theory, people have up to two dominant career anchors from the following list of anchors: *managerial competence, technical and functional competence, pure challenge, creativity, service/dedication, security, autonomy and lifestyle*. Some further research suggests that career anchors may change over an individual's working life due to major shocks or contextual changes. From a strategic HR perspective, organizations are better placed to identify and place individuals in career paths that match their dominant career anchors rather than placing people in careers that they are not anchored in. Classic examples of mismatch include people who want to pursue *technical* excellence in their respective disciplines are offered to take on a specialist management role. This creates an internal cognitive dissonance in the minds of such individuals who are more anchored in technical excellence as they do not have excellent people management skills, nor are they interested in it. Eventually, this will lead to dissatisfaction at work and may lead to voluntary turnover. Read the following case study of managing careers in a multinational firm operating in the UK.

Careers Case Study

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A European subsidiary of a US multinational company operating in the UK has historically endeavoured to attract, retain and develop employees identified as critical to the success of the local operation. The organization operates in the ICT sector, offering cloud-computing technologies, and employs over 1500 staff. However, there are a number of issues currently impacting on careers in the organization. This case study presents responses from the organizations' annual employee climate survey. Such responses articulate a sense of belonging and alignment in what employees perceived and identified as being 'their' organization. Social identity theory (SIT) developed by Tajfel and Turner (1986) is a useful framework to understand this context. SIT underpins much of the literature surrounding the concept of identity. This involves the self-categorization of individuals into various social categories. An individual's profession has more relevance to careers than their organizations, as mobility across organizations is more likely than mobility across professions. Hence, professional identification fosters a belief that an individual's career will be rewarded by the profession, which in turn leads to a higher level of career satisfaction.

Employees highlight the organization as being an open and culturally welcoming environment, and it is apparent that employees feel a strong sense of 'pride' working for such a company. As John, a line-level employee, articulated:

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There's a great work ethic here and a desire to advance and to take on more people and ensure our careers are growing here.

There are obvious feelings of community consistent with a well-developed organizational culture. While it is important for employees to identify with their organization, there is the potential for negative effects on careers, which the HRD function needs to be conscious of. Overall however, there is a general positive orientation towards the organization with many employees indicating that working for the organization enhanced their career prospects and made them very attractive propositions to other organizations, thus increasing the pride they feel when discussing working for the organization. Indeed one operator, Anne, says that the only way they would leave is if the organization let them go:

I have no intention of leaving. I'd only leave if they made me go. I like it here. I wouldn't work in a 24/7 culture if I didn't like my job.

The dominant culture in the organization is similar to that of the host US multinational where a high-performance work culture prevails. The performance culture has played a role in influencing how employees view their careers with employees accepting that while career success in the organization is determined by both ability and passion, there is a certain amount of box-ticking. As David, a supervisor, noted:

I think ability and [being] passionate are the two words. You need to have a passion for the organization to succeed, for the business, for the products. And there is a certain amount of box ticking that goes on definitely but I do think that they are looking for somebody who goes that extra bit, that has that passion, drive, ambition and ability as well.

The emphasis on reaching goals and targets is viewed as critically important towards career success. Reaching targets and branding yourself to the right people is deemed necessary to get promoted. There exists a degree of cynicism around how employees should raise their profile in order to be perceived as talented, indicating that playing the game was more important to be seen as talented rather than actually being talented. According to Sara:

It's more about branding yourself with you manager and then eventually...if you want to go to another department maybe your manager can say a good word for you but its really branding yourself to senior management.

The organization is somewhat of an anomaly in that its attrition rates are considerably higher than its competitors despite it being seen as an attractive employer from a career development point of view. There is a perception that the organizations' historical core products are bankrolling the development of

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newer products and this might lead to capability issues in the future if new employees join and leave within 2–3 years, thereby taking their knowledge and innovative ways of exploring problems elsewhere. Attracting new staff in certain organizational functions is challenging, so the focus is upskilling existing employees.

In order to improve the high rate of employee attrition, the organization is looking at formalizing an organization career system. Organizational career systems are collections of policies, priorities and actions that organizations use to manage the flow of their members into, through and out of the organizations over time. Essentially they relate to the set of HR policies and practices and management actions that are used to direct employees during their employment. One thing to note is that changes in the external environment and an organization's strategy often cause employers to change the supposedly objective nature of the employment relationship and the subsequent composition of career systems.

A key issue for individual careers in the organization is the nature of the performance management process. The organization use individualized development plans that are cocreated by a manager and the employee to assign specific roles and responsibilities to employees who are perceived to be talented or have potential. The role of the manager is vital here – they are expected to set clear guidelines and a specific timeframe and provide coaching to the employee to help them fulfil their developmental objectives. While it is the individual employee's responsibility to manage their career, a manager who requests such a plan without authentic coaching renders it an administrative exercise rather than a developmental process. With some employees reporting being on individualized development plans for up to 5 years, it has become apparent that not all managers are willing or able to engage in coaching as Silvio articulates:

The company gives you lots of tools and opportunities to develop such as training, etc., but maybe what you need is a consultant, maybe HR to tell you, what is useful for you, what you need to follow a real career path.

Without such supports the risk is that employees will prioritize managing their own brand without necessarily engaging in strategic thinking and decision-making, which is best enabled by mentoring and coaching. Referring to the need to engage in self-directed learning and development activities, Luis, a supervisor, mentioned:

One of the not so good things that I didn't get a chance to mention is high turnover, I've had 7–10 managers over the last 10 years and that inhibits my ability to progress. You're constantly trying to impress, should I put some time and effort into impressing this person? How long will they last? So it's a case of anything I've done development wise I've done myself.

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It is clear that there are employee undertaking value shifts, in particular with regard to the need to think differently about learning and development. In such a rapidly changing environment, employees tended to believe that they needed to evaluate current job and career options and take a more proactive approach to their career development and employability. The need for employees to take responsibility for their own development and initiate learning and development needs is paramount. The perception amongst employees is that, increasingly, only firm-specific skills are provided to facilitate development within the organization and advanced generic transferable skills had to be sourced by themselves. Many employees report taking self-financed external training and development opportunities including night courses and part-time college courses.

Interviews with individual employees suggests that those who pursued these external training and development opportunities have recognized their skills gaps, accepted that change is future oriented and also want to ensure that they broaden their knowledge so that they will be employable elsewhere if need be. As evidenced above, the organization cannot be relied upon to provide opportunities for self-development unless actively pursued by the individual.

This presents the organization with a potential dilemma. Employees are likely to view organization provided learning and development programmes as significantly less marketable than those provided in other ways. This raises the question of whether the organization should provide formal learning and development activities that contribute to the development of generic competencies. The organization needs to recognize the value of learning experiences to the individual and construct conditions that enable and encourage self-direction.

Individual employees also have to consider the extent to which they practice agency to improve their careers. The traditional hierarchical career management framework, within which long-term career planning was possible, is gradually being abandoned by both organizations and individuals. This case emphasizes the role of the individual in career management, and the need for organizations to adjust their career system to new patterns of employment. The engagement of employees is important in this respect. Employees who report being engaged at work demonstrate greater workplace performance, and engaged workers possess personal resources, including optimism, self-efficacy, self-esteem, resilience and an active coping style that help them to control and impact upon their work environment successfully and to achieve career success. Both managers and the HRD function are in a critical position to increase or decrease engagement because they deal issues such as accountability, work processes, compensation, recognition and career opportunities. From a career development perspective, there is often a mismatch between the expectations of employees and the roles offered by the organization. Therefore,

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processes should be put in place to check that the career goals of employees are clearly understood and job roles are defined with as close an alignment to career aspirations as possible.

Possible Questions

1. How can organizations balance the provision of learning and development activities with individual career development needs?
2. What can be done to encourage individuals to take more responsibility for their career development?
3. Is SHRD compatible with individual career aspirations?

Critical Reflections

Although there is an increasing body of literature that supports the linkages between competitive strategy and a firm's orientation towards training, even firms operating in the low to medium end of the complexity of services continuum report equivocal results in terms of the volume and diversity of training. The policy debate on the political economy of skills literature argues that we can aim for a high-wage economy by adopting a high skills route. However, this argument has yielded mixed results. Much of the debate here only focuses on the supply side economics rather than the demand side. The focus should be on creating jobs so investment in high skills can find its application in relevant jobs. Although scholars have touted the adoption of high-performance work organization designs as a way to deal with this, Lloyd and Payne (2006) argue that the underlying assumptions of this approach or its variants have not been given the necessary scrutiny. For example, even in workplaces where such designs have implemented, the nature of capitalism has not changed. The dominant focus is still on adopting a post-Fordist approach where standardizing jobs and deskilling roles is widespread. How then would one expect the change in demand for higher-end skills and consequently high wages? Can the government interfere? Do institutions play a role in regulating employment in high and low skills jobs? This question was examined in the Vocational Education and Training sector in European and UK firms. While regulation can help in the form of 'license to skill' and practice, the results in the European fitness industry were varied, and it highlights the strength of institutions and the extent to which they collaborated with the industry matters most in achieving high wages through the high skills logic (Lloyd and Payne 2017). Blumenfeld and Malik's (2017) critical analysis of human capital formation in Australasia's vocational education and training (VET) sector using a neoliberalism lens argues that several drastic changes led to funding cuts scope of such training has left gaps in the VET sector. The sector is now a bit disjointed to deliver the industry's ongoing vocational skills and education needs.

Illustrations and Skills Sandpit

The provision of skills, training and development based on the competitive strategy has been widely noted in many industry sectors. For example, in retail, the quality of skills at a discount store versus premium solutions store varies such that employees in the latter setting would require a range of interpersonal, solutions development and project management skills. Similarly, skills needed in mass service environments such as low-end high volume outbound sales transaction service call centres, compared to complex solutions-based call centres such as those offering legal or medical process outsourcing services, require employees in the latter group to have high-end skills and the need for specialist training.

Concept Integration with Cases and Learning Activities

The book has two case studies that cover aspects of individual development from a career perspective and a change management perspective. The previous case study by Carbery explored the compatibility of careers within the broader umbrella of strategic approaches to learning and development. It also allows the learners to discuss and explore an ongoing debate – whose responsibility is it to develop employees' careers? The case study by De Simone et al. entitled *Managing Change and Employee Wellbeing in an Italian School* explores how employee wellbeing outcomes are affected in times of change and how training becomes a critical factor in overcoming anxieties in a change management process. Any change initiative always has an element of learning that is involved in a change process. The two are inextricably linked and interdependent. The above would suggest that managing change has implications for learning and development practitioners.

Conclusion

Overall, learning and development is a vital function in the armoury of HRM and has been noted to have a direct and indirect impact on business and individual levels of performance. This practice can impact and, in some ways, even shape an organization's strategic choices for operating in specific markets. There is ample evidence of its strategic approach in the high technology services industry. Increasingly with the emphasis shifting towards innovation, changes in a firm's portfolio of products and services require new skills and newer ways of working, all of which have implications for the HRD department of a firm.

Glossary

Career development	Is a planned and systematic approach to identifying, assessing and formulating a suitable career path for an employee based on their aspirations and goals while keeping in mind the needs and contextual conditions of the wider organization.
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Development	Has a longer-term time orientation than training and focuses on realizing an individual's potential for future roles.
Human capital	Refers to those individual skills, competencies, knowledge and human endowments that firms use productively for deriving economic value from individuals. Human capital stock in a society or an organization can be developed through education, training and development.
Learning	Is a relatively permanent change in one's behaviour has been an all-time classic definition. What follows from the above definition is that behaviour change should be supported by learning and development inputs.
Training	Refers to the development of skills and knowledge that are germane to an individual's immediate job requirements. Training typically has a short-term time orientation and can focus on either firm-specific or generic skills training.

Key Questions and Learning Activities

Question 1. In times of uncertainty, whose responsibility is it for developing an individual employee's career? What approach and skills would be most beneficial for individuals to have in such times?

Question 2. What are the key external factors that may impact the skills formation process in an organization?

Question 3. Are institutions and government interventions of increasing the quality and quantity of human capital stock an answer to better wages? Why? Why not?

Learning Activity

As much as learning is an individual process, other team members' willingness to share their knowledge and skills is also influenced by other team members' willingness to share their knowledge and skills. This is especially true in team-based work environments. The research on factors that motivate employees to share their knowledge in a face-to-face and online mode is well established (Nguyen et al. 2019, 2021a, b; Nguyen and Malik 2020). HRM practices that enhance the ability, motivation and opportunity of employees have been noted as critical influences on employees' knowledge sharing behaviours as well as for integrating knowledge into an organization's productive routines (Lee et al. 2020; Malik and Nilakant 2016; Malik et al. 2020). The antecedents of knowledge sharing are at an individual, social, organizational and technological levels, such as self-efficacy, personality style, presence of intrinsic and extrinsic rewards, interpersonal trust, leadership style and ease of technology use for online knowledge sharing which are some of the critical factors that affect an individual's motivation to share their common and specialist knowledge with others in an organization.

Applying your knowledge of HRM practices and other work experience, how can one effectively manage the nature and extent of knowledge sharing, especially where members have the deep technical knowledge and exhibit behavioural skills and expertise that others can benefit from?

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Managing Employee Voice

Ashish Malik

Key Learning Outcomes

At the end of this chapter, you should be able to:

- *Define the terms employee voice and direct and indirect employee voice*
- *Identify the reasons for differences in employee voice across geographical boundaries*
- *Understand the theoretical basis for employee voice and employee participation*
- *Evaluate the contribution of employee voice*

Introduction

This chapter deals with the “O” in the AMO framework covered in chapters “[HRM and ER: A Strategic Perspective](#)” and “[Strategic HRM and ER: Best Practice Versus Best Fit](#)”. While employees may have the necessary skills and motivation to apply those skills to productive tasks, sometimes, the workplace environment poses conditions where employees cannot have a meaningful say in the key aspects and conditions affecting their employment. This chapter explores the idea of providing employees with a voice for creating a healthy workplace environment. The presence of a pluralist approach to managing employment relations is not only necessary for the healthy working of an enterprise; it is increasingly becoming much more widespread. A little conflict is always desirable as it allows discourse and dialogue on competing issues and affects a wide range of stakeholders. Allowing employees

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voice in matters that affect their employment conditions and quality of work-life is increasingly becoming a key consideration for employees to join an organization. In other words, it is a key element of job value proposition in several employer-of-choice campaigns. Potential applicants develop insights into the real workings of their organization through messaging – idealistic or realistic – so that they will have a say in the conditions of their work. In some well-known campaigns, messages can be direct or implied. For example, what is the nature of work climate and culture that one can expect to find at the tech giant Google? What would you expect a Googler to do in their typical day? How much freedom and autonomy would they expect to carry out their routine and nonroutine work tasks? How much fun do they have in the day? In answering these questions, the messaging approach would provide insights for potential applicants in their decision-making.

In most cases, the messages are somewhere on a continuum from idealistic to realistic. Nevertheless, these subtle forms of messaging that employers provide through their recruitment campaigns give potential applicants an inkling into the kind of work-life an employee can expect. Information and messaging about the extent of employee voice are key aspects of an employer's recruitment perspective, but there are other aspects to explore once an applicant decides to commence employment at a workplace.

The industrial revolution had strengthened the role of trade unions in providing employees with indirect, and sometimes the only, voice platform for settling the terms and conditions of their employment. Employees can exercise voice at an individual level or through a collective. There are forms of voice that are direct, for example, forms of voice that individuals exercise through a range of workplace participation mechanisms. Individual voice will likely require some form of support through a senior person or an individual who may have strong bargaining powers. Indirect and collective forms of voice often take trade unions or other formal and informal employee representative groups. Therefore, managing employee voice is a vital aspect of work-life today, as it was earlier, and it provides employees with all possible opportunities to have *their say* in matters affecting their employment (Boxall and Purcell 2011). This chapter outlines the nature and extent of employee voice mechanisms prevalent in workplaces today and evaluates the main forms and significance in HRM. From a strategic perspective, regardless of the nature of employee voice mechanisms – direct or indirect voice – the central matter is the degree to which employees should have a say over the decisions that affect their employment.

The Terrain of Employee Voice

Employee voice has been in existence for more than a century, though its nature and extent has changed tremendously. Almost 60 years ago, the premier journal in our field, *Human Resource Management*, in its second issue published in 1962, had an article highlighting that “listening is good business” for managing people. Marking the 50th anniversary of the *Human Resource Management* journal in 2011, a special

issue was dedicated to the topic of *employee voice*. This issue captures the variety and the changing contours of employee voice in the last half-century or so. Among other influences, the issue covered the impact of technology, society's attitudes and industrial democracy on the nature and extent of employee voice. Earlier work on individual-level employee voice has been influenced by the work of Hirschman (1970), who developed the exit-voice-loyalty (EVL) framework in which dissatisfied employees express their *voice* in the form of *exiting* (leaving/quitting) or by complaining. While the framework was prevalent during the peak of the trade unions movement, alternate forms of employee voice, especially more direct forms of employee voice, have increased in recent times. By building *loyalty* among employees, this framework argues that employers can reduce the incidence of voice. Loyalty has been described in the framework as a reason for not voicing one's concerns. Following this work, Gehlbach (2006) attempted to extend this framework by including the notion of *employee silence*. Gehlbach (2006) viewed employee silence as a dynamic contingent upon the degree of bargaining power between the employee and the employer. *Silence* typically manifests as *apathy* (wherein an employee accepts the status quo and accepts the work conditions due to the power imbalance) and *enforced silence* (typically occurs when there is no real opportunity for employees to express their voice – directly or indirectly – or when management elects to suppress employee voice).

While apathetic employees demonstrate loyalty essentially by remaining silent, however, in the latter case of enforced silence, employees have no constructive mechanisms for raising their voice. This situation has the potential to cause *harm* through the *neglect* of employees. Such occurrences are increasingly seen in a neo-liberal approach to management in today's times. Sustained levels of *silence* can lead to serious psychological harm and lead to adverse well-being outcomes such as stress, anxiety, depression and poor resilience. Benson (2000: 453) argues that "for some commentators independent unions are the only source of genuine voice". Millward et al. (2000) note that employee voice has several channels, for example, indirect voice (through trade unions), other indirect forms of voice (such as through participation mechanisms such as joint consultative committees and work councils) and direct voice mechanisms such as by raising task-related voices directly with one's manager, upward problem-solving and by making complaints. For example, direct voice can be exercised in unfair and inequitable treatment of employees using employee involvement and participation programmes. The roots of these latter direct voice mechanisms can be traced back to the human relations movement, the Japanese total quality management approaches of employee involvement and other employee participation programmes. The extent of participation depends on what the contextual conditions offer and how the institutional environment and labour management relations are at a workplace. The higher the degree of mutual trust, the more likely one is expected to witness well-developed employee voice mechanisms. Marchington and Wilkinson (2005: 401) advanced the idea of an "escalator of participation" of individual employees' direct participation. People freely share information (typically top-down) to briefings at the lowest level of the escalator and communications about matters that affect work issues. At the next level,

consultation focuses on interacting between managers and employees, wherein inputs are sought from both parties. The higher levels of the escalator of participation relate to codetermination, where both parties collectively make decisions. Finally, the last stage focuses on control or self-control, wherein individuals and teams control their decision-making.

Impact of Employee Voice

The literature on the impacts of direct and indirect voice mechanisms is voluminous and highlights a range of employee and employer outcomes. For example, organizations that have well-developed mechanisms for employee voice have noted a reduction in employee turnover rates, increased levels of employee involvement and commitment, enhanced employee well-being, developing a sense of belonging, greater levels of engagement and improved productivity (Batt et al. 2002; Hirschman 1970; Freeman and Medoff 1984; Marchington and Grugulis 2000). Thus, both employees and employers have a role to play in making a genuine contribution through employee voice mechanisms.

Another popular framework for understanding employee voice and managing employment relations using a pluralist frame is proposed by John Budd (2004). Budd argues for a need to have industrial democracy at the workplace. In a democratic industrial society, firms seek industrial democracy by balancing *equity-voice-efficiency*. First, by fair treatment of employees, we can achieve *equity* in, for example, the distribution of rewards and administration of HR/ER practices. This debate is rooted in the political economy literature. Second, the opportunity to provide your say in decisions that affect your employment, i.e. through *voice* or having freedom of speech and indirect worker participation through unions, is vital in industrial democracy. Finally, to attain economic gains or *efficiency* by producing goods and services in a competitive environment and servicing the needs of all stakeholders (including shareholders), employers can ensure there is a proper balance between *equity*, *voice* and *efficiency*. Budd argues that, unlike equity and efficiency, *voice* cannot be achieved unilaterally.

Critical Reflections

In what is essentially a liberal market environment, where policymakers and employers promote the idea of free trade, having strong *equity and voice* is unlikely as the focus is mainly going to be on increasing efficiency. It is not surprising that the International Labour Organization's idea of allowing decent work for all (Budd 2004) is unlikely as the unions are getting weaker with a lower density of membership. Furthermore, the nature of equity allowed by free markets is only restricted to minimum enforced standards of a small safety net for employees. The pro-market sentiment offers limited protections such as job security to employees as employers seek greater flexibility for their workforce mix and the conditions that govern the

same. In a bid to address the situation, Budd (2004) has argued for an increased role of introducing ethics into the discussion and whether consequentialist approaches to understanding ethics is enough or one should embrace more the ideas of virtue ethics as a means of restoring some balance. The sharpest conflicts are between efficiency on one hand and voice and equity on the other in the current system.

Illustrations and Skills Sandpit

What is also apparent is that several managers have started to adopt a hybrid approach wherein aspects of both direct and indirect voice mechanisms implemented collectively seem to deliver better outcomes for both the employer and employees. While there are no magic formulas for an ideal combination, a lot depends on the work culture, degree of trust and willingness between the parties for a genuine employee voice. Therefore, a stepped approach, similar to the escalator of participation, can be gradually introduced to build, over time, trust and hybrid forms of employee voice that are most effective for a given context.

Concept Integration with Cases and Learning Activities

The following case study provides a short scenario of conflict at the workplace. The case explores how conflictual situations hurt the well-being of employees. Unfortunately, this is a much too common situation in several high-pressure roles typically found in the financial services industry.

Conflict in the Workplace and Need for Well-Being (A)

Dr. Vidya S. Athota and Dr. Stephen Treloar, University of Notre Dame, Australia

Work Design at a Sydney Office

The workers at head office traditionally get along quite well, but tempers have become a little frayed, and outbursts of anger have emerged in recent times. On the fourth floor, there is a team of around 80 people, comprising journalists, sub-editors, office support personnel and clerical support people. It is an open plan style of office layout with extensive use made of approximately 2-metre-high partitions with various nests of work stations in combinations of four to six workstations per unit.

It is an old building in Sydney's CBD, and the windows face west. Senior executive staff are on the sixth floor and have more modern office facilities, including air conditioners with individual and separate control settings for each office. While the entire fourth floor has so-called climate control ducted air conditioning system, it is over 20 years old and probably in need of

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updating. Due to the limited budget, preference was not given for updating air conditioners. The environment at the workplace was not up to the standard.

The conflict has escalated between small groups of staff members on this floor who claim, “the air conditioning is too cold”; conversely, others complain “the air conditioning is too hot”. Outbursts have included “I can’t work in this bloody heat any longer” and “people keep changing the temperature setting on the control and should leave it alone!”. Furthermore, some of the staff members come from different parts of the world, including the USA, UK, China, India and Japan. Some of the staff members wanted warm, and some others preferred cold air conditioning. One of the staff members suggested that the weather in his home country was warm and so he likes to have warm air conditioning while working. Another staff member mentioned that he was from Edinburgh and preferred cold air conditioning. These conflict preferences caused uneasiness and promoted some uncomfortableness among some staff members.

This long-standing and ongoing problem is eroding an otherwise harmonious workplace on the fourth floor. However, complaints seem to have intensified since rumours were emerging about possible redundancies at the head office due to the growth of digital media and its threat over traditional print media. The office kitchen became a central place for discussing these rumours. Some staff members using their lunchtime discussing possible redundancies. Some senior members of the company are open to redundancies. The senior members thought it would be easy for them to get a job in other places based on their seniority, and redundancy was a win-win deal for them. Some non-senior staff members were started to look for jobs in other companies and unable to give complete attention to workplace activities. The negative attitude of these staff members was quite noticeable.

Moreover, union representations have been made claiming the business operates outside the legislation relating to workplace health and safety. There has even been “talk of work stoppages (strikes)” to be called at “no to little notice”. The frustration of the staff members was reaching to its peak. Negative emotions of the staff members produced negative attitudes towards work commitment. Union representatives called for an emergency meeting to discuss the situation. Request for the union membership was dramatically increased. The majority of the staff joined in union to protect their jobs and any other consequences of redundancy. Meanwhile, overall productivity was dramatically decreased in the company. The staff members were visibly not unhappy and showed no commitment to work-related activities.

On the fifth floor of the same business, another workplace issue has arisen. The 50 workers who work on this floor are involved in pre-press layout, artwork and photography of the same newspaper group covering all regional newspapers in the group. The manager for the department has a reputation of being “old school” and routinely yells and raises his voice in angst against workers. He has also been known to use colourful language at times in

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making a point. He meets the criteria for bullying at the workplace. He goes on heavy on the staff who come from Asian countries. It appears to be the manager assumes that immigrant staff members do not speak against their authorities. It seems like the manager taking advantage of this opportunity. He also meets the criteria for racial discrimination. The morale was low among the majority of the staff members – some of the staff members openly talking about leaving the company. Absenteeism has noticeably increased, and there are reports that a claim for bullying and harassment will shortly be lodged with the Fair Work Commission (the legislative arm of the Australian industrial relations authority). An increasing number of staff are either arriving late for work or taking breaks longer than their allocated time. The department manager prides himself on his “third-generation Australian heritage” and at times expressed views that might be considered racist, especially against those from certain Asian countries. Some observers note that there seems to be “one rule for Aussies, and another rule for Asians”. The department manager has banned the cooking (heating) of brought-from-home Asian dishes in the adjoining lunchroom due to the “pungent smell they emit”.

Furthermore, Asian staff members felt that they were disadvantaged in promotion opportunities. One of the staff members was working for 10 years in the same company without a promotion even though many Aussie staff members were promoted to senior levels. Staff members from Asian backgrounds were exhibited withdrawn behaviours in several workplace situations. They have come to terms with that – their career being negatively impacted. Aussie staff members were able to see that discrimination was taking place in the company. Overall, it was apparent that productivity was affected due to the lack of active role of all the staff members at the company. Overall, most of the staff members’ emotional well-being was at its peak and far from happiness at work.

Finally, the offices were lavishly furnished on the executive sixth floor, with quality carpet, artwork, indoor plants and superior air conditioning with separate control panels for the ten different offices and reception areas. Three years earlier, 18 senior executives were working in the business, located on this floor. With the downturn in business across print media business, the executive staff has been reduced down to just ten executive people. While all remaining executives are relatively well paid, there is now an unwritten “rule” that executives are virtually on call, 24 h a day in the event of an emergency, or “breaking news story”. Executives are now working an average of 60 h per week, and as they are equipped with laptops and mobile phones, they are expected to be “contactable” as required. The boundaries of work-life balance dramatically decreased. Some executives were working hard during the weekends. This has put tremendous pressure on their families. A small number of executives feel anxious and continue to think about work-related things during weekends. The average age of executives is 55, and there are signs of

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burn-out beginning to appear with some of the more senior executives. The well-being and happiness of the executives were not at its best. The business owner is an Australian living in London, and this newspaper group is one of the many for which he owns. It is now only marginally profitable. Despite all the existing problems, there were no specific policies to promote organizational health, safety and well-being.

Questions of the Case Study

1. What is occurring in this case? And identify the parties affected by events reported in the case.
2. What are the general responsibilities of parties for workplace health, well-being and safety in the workplace? How might these be addressed in the case?
3. What steps should be taken to address any undesirable phenomena?
4. What steps should be taken in promoting fairness in promotion opportunities?
5. What are the risk management exposures revealed in the case? Furthermore, how might these be addressed?

Conclusion

The three competing concepts of *equity*, *efficiency* and *voice* need to be managed and balanced in an employment relationship. The effectiveness of implementing employee voice depends on whether there is true intent or voice is deployed as a managerial add-on. If it is the latter, then it has the potential to become a fad and a means of gaining control over employees. The organization will, in such instances, find it hard to win over the trust and buy-in of its employees – both of which are critical in gaining employee commitment and managing organizational change. Some might even argue that achieving balance in these competing goals is not possible in a laissez-faire market environment and a relatively weak institutional set of labour protection standards. Free markets demand efficiency, and weak labour standards reduce equity, which will harm employee voice.

Glossary

Employee voice	Refers to the conditions where employees are allowed to have a meaningful say in matters affecting their terms and conditions of employment. This may be through individual or collective mechanisms and can also be direct or indirect.
Industrial democracy	Refers to an idea rooted in the political economy literature and argues that workers should further their emancipation and involvement in workplace decisions that impact their employment conditions.
Trade unions	Represent a lawful and institutionalized form of employee representation to bargain the rights and responsibilities of

	employees towards their organization. They can operate at a worksite level through the industry to a national level and sometimes may have a wider role than setting the terms and conditions of employment. For example, several trade unions in the services industry also provide a platform for skills and professional development and other benefits to their members.
Work councils	Refers to another form of institutionalized employee representative council that seeks to protect the conditions of employment of workers in an organizational setting.

Key Questions and Learning Activities

- Question 1.** To what extent is employee voice an important consideration in your decision to work at an organization? Discuss.
- Question 2.** If given a chance, would you undertake a role of employee participation representative and engage in collaborative decision-making? Provide a brief rationale for your choice.
- Question 3.** Trade unions are losing their might, and more hybrid forms of employee voice will be needed in future to provide sustainable conditions of employment that offer decent work. Discuss the above statement.

Learning Activity: Conflict in the Workplace and Need for Well-Being (B) *Dr Stephen Treloar and Dr Vidya S. Athota, University of Notre Dame* **The Insurance Arm of a Leading Australian Bank**

My name is Stephen Treloar. Sometimes I get approached to provide executive coaching direct to employees of companies and organizations who make contact with me (rather than being contracted by an employer) – this was the case with Jennifer. Jennifer was personally financing her own executive coaching, unlike the norm where the employer finances executive coaching. The bank owned and operated its own insurance company as part of its widening of services to its customers; while the insurance company operated under its insurance name brand, it was staffed by employees of the bank who were “seconded” to work exclusively for the insurance company but under separate employment arrangements. The bank aimed to promote high-performance work practices. However, in reality, not enough resources were provided to the staff members.

Jennifer was the newly appointed claim manager and was second in command in the business unit. She reported to the general manager (of the insurance company) and had six direct reports. Jennifer was personally responsible for considering and approving all claims, with claims over one million dollars

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being referred to the general manager for sign-off approval. The insurance company was a relatively new arm of the bank in having traded for less than 5 years. The company management did not conduct a personality assessment if Jennifer was suited for the job. Instead, they assumed that Jennifer would be able to perform the high demand job.

Jennifer needed assistance in handling a situation that was having dire consequences on her health, well-being and happiness in the job. During a burdensome period for insurance claims (an odd number of bushfires had caused widespread damage), Jennifer reported she had been working 7 days per week for the past 4 consecutive months and was tired and weary! Based on the nature of the job, Jennifer needed to pay attention to all details in the application. This required all her personal and family time to spend on reading the applications and assessing them. As a result, the boundaries between work-life balance were significantly decreased. She has been preoccupied with her weekends and the majority of evenings with work-related issues. During these stressful times, she did not realize the severity of emotional well-being.

Furthermore, Jennifer brings her stress and anxiety-related issues to the workplace. Fellow staff members started to observe this in Jennifer. It was clear that Jennifer's health was going to be affected. She was the delegated officer to assess and approve (or disapprove) claims and was overwhelmed with her employer's workload and expectations. Jennifer clearly understood the consequences of disapproving (or reducing the value of claims) on claimants, for whatever reason, but has also been driven to ensure the insurance business remained profitable with claims only approved according to the insurance company's strict conditions underwriter under its agreement.¹

Jennifer was on an annual salary of \$80,000 (plus super) and had been promoted from within the insurance company, taking over from her predecessor, who had suddenly left the company due to ill health. This was a significant promotion for Jennifer, and she wanted to do a great job and be recognized for her efforts and didn't mind doing "whatever it takes". Her first appointment into a management role was formerly a claims officer for the same company, on an annual salary of \$55,000 (plus super). There was no provision for overtime, nor was there any "time off in lieu" provided for in her new role. In her former role, she was employed under an Enterprise Agreement while in her management role was employed under a Contract of Employment. There were certain promises made about the possibility of performance bonuses in her new role, but these were not explicitly included in her Contract of Employment. She was hopeful this might be amended once she had "proven herself". No bonuses had been offered or paid, nor had she been offered any time off instead of other inducement or recognition for her service.

Jennifer was almost 12 months into her new role and was happy with being promoted to the job. However, when the bushfire season hit, she was deluged with work and, as earlier reported, was working 7 days per week for the past 4

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consecutive months. She was exhausted physically, mentally and emotionally. Moreover, the pressure from work somewhat confused her thinking, and she had forgotten entirely an important family reunion celebrating her parents' 40th wedding anniversary. Jennifer was planning to arrive late in the afternoon on a Sunday after attending work that day but had "somehow" completely overlooked the occasion, despite having an entry in her diary. This caused a great deal of consternation with her immediate family, whom (wrongly assumed) she failed to recognize the importance of the occasion. Given the nature of her provider, Jennifer was able to access a housing loan of just 1.5% PA enabling her and her partner to purchase a unit in the burgeoning Sydney market. She was also able to exceed the normal borrowing ratio of the loan given in recognition of the nature of her employment.² The downside was she felt "trapped" in so much as committed to a mortgage through her employer, knowing that if she left her current employment, she would struggle financially to either replace the loan with another loan provider or at the very least pay a much higher interest rate if she continued the loan through her current employer.

When asked, "had she spoken to her Supervisor about her dilemma?", Jennifer responded, "she had" but "...the General Manager was not very responsive to her concerns or need". The general manager described her as "old school" quoting that "...young people moving into management had to earn their stripes". She felt "trapped" and concerned about the effect long hours were having on the personal relationship with her partner. Jennifer's partner was demonstrating annoyance and frustration with her high work levels and time away from home; he was becoming increasingly "snappy and short" – beginning to show signs which resent the situation of long absences away at work. Jennifer felt uncomfortable and frightened that her relationship might be entering a "rocky ground". At home, Jennifer was preoccupied with these unpleasant thoughts and experiences. The bank and its independently operated insurance arm adopted a culture of "high-performance work practices" with promotion and the payment of bonuses heavily weighted to performance. The insurance company arm had met or exceeded all its growth KPIs for new customers and premiums since Jennifer took up the role, for which the general manager seemed to have taken most of the credit. While there was a "blow-out" in expected claims due to the unprecedented number of recent widespread bushfires, these were mostly covered under its own underwriter risk management protection policy. In short, the insurance company appeared to be going very well, although the general manager did not provide any positive feedback of accomplishments. This also led to unhappiness for Jennifer and her team, affecting their motivation, enthusiasm and physical and medical well-being. Jennifer was becoming very unpopular with her direct reports as she allocated increased workloads to each staff member. The absentee rates from her direct reports were running at over 15%, and she had "heard by the grapevine" that one of the employees (although unsure which one) was

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planning to report oppressive work conditions to WorkCover.³ Jennifer's well-being started to be negatively impacted by workplace challenges.

Questions of the Case Study

1. Which of the parties are affected by events reported in the case? Identify.
2. What are the issues of concern for each of the affected parties?
3. What are the general responsibilities of parties for workplace health, well-being and safety in the workplace? How might these be addressed in the case?
4. What are the risk management exposures revealed in the case? Furthermore, how might these be addressed?
5. What advice would you provide to Jennifer?

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Managing Change and HRM

Ashish Malik

Key Learning Outcomes

At the end of this chapter, you should be able to:

- *Analyse the key barriers to change*
- *Describe the four tasks of managing change*
- *Examine and analyse the relationship between managing change and HRM practices*
- *Identify the key competencies needed by an HR practitioner in managing change*

Introduction

Managing Organizational Change

Managing change has aspects of the AMO framework covered in the previous chapters. The literature on managing change highlights that most change management initiatives fail. Nearly one in three fails. This would suggest that the designers and implementers of change must be doing something wrong, leading to such a poor performance track record of change management initiatives. It is not surprising then that several HR professional body organizations worldwide have recognized change management as one of the most critical tasks and a key competency for HR practitioners to master. There is an acknowledgement also in the literature that managing change requires higher-order skills and that it is a strategic activity, often involving senior leadership's commitment. Change is not like taking a cookbook approach,

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wherein, by simply implementing a prescriptive “list of things to use”, one can deliver a successful dish. The importance of managing change cannot be emphasized enough in a post-global financial crisis era or even in the current pandemic when most organizations are reeling under severe financial, social, economic and technological changes, which has an impact on people management practices (Malik 2013, 2017; Malik and Sanders 2021). Firms have to manage different types of changes such as structural changes followed by changes to its business model (Malik et al. 2017, 2018, 2019) and work design (Laker et al. 2020a, b) and managerial (Laker et al. 2020c) and technological change due to the introduction of disruptive technologies such as artificial intelligence and blockchain in the domain of HRM practices (Malik et al. 2020a, b, c, 2021; Nguyen and Malik 2021).

In today’s dynamic environment, strategic HRM practices under the best-practice approach are unlikely to deliver the solutions for dealing with the dynamic challenges businesses face. The importance of context is emphasized here again, and value can be realized by adopting a best-fit and an institutionally grounded approach. The importance of strategic choices exercised by the human agency is vital in delivering on the most realistic changes in a dynamic environment (Malik 2017). HR practitioners need to appreciate what is required before delivering on the change agenda and must carefully manage the transition and transformation processes. Given the high rates of failure and costs associated with change management programmes, HR practitioners must develop change management capabilities. Although there are numerous prescriptions for managing change, Nilakant and Ramnarayan offer a tested framework for understanding the key tasks of change and managing the change process. Employing Nilakant and Ramnarayan’s framework (2006), Malik (2016) proposed a set of HR strategies in managing change in the Indian IT industry. The key tasks of managing change were overlaid with the role HRM can play at various stages of the change management process. This is presented in Table 1.

Nilakant and Ramnarayan (2006) argue that the critical reason for ineffective change management outcomes is an organizational and individual property called *inertia*. Inertia is present in all human beings and organizations as it is manifest in their customs. Therefore, the first barrier to overcoming change is to be cognizant that inertia is natural and subsists. Nilakant and Ramnarayan (2006) outline three steps that are critical in managing change. They further state that change is not about restructuring or downsizing; it is about *changing people’s mindsets*. Changing *mindsets* is problematic because people and organizations display inertia. This is one of the reasons why change management is regarded as a higher-order cognitive and relational skill. Their framework lists four common tasks of change for leaders and HR champions to successfully design and execute. Broadly, these tasks are as follows: *create an awareness of the need to change*; *create motivation or willingness to bring about change*; *develop supporting capabilities*; and *build capacity and knowledge to deal with change*.

Changing mindsets is not easy as they are made up of routines enmeshed in values, assumptions and beliefs. Schein identified two opposing forces in action in any change situation: learning anxiety (which blocks change) and survival anxiety

Table 1 Change management and key HR tasks

Change management: four tasks	HRM: key tasks
Appreciating change	Communicating the need
	Information dissemination about market trends
	System of knowledge sharing (e.g. performance metrics)
	Develop a shared understanding of market needs
Mobilizing support	Identify and develop managers who believe in the change
	Communicate the change widely and frequently (key behaviours and measures of success)
	Empowerment via job redesign
	Manage employee voice
	Employee and stakeholder involvement in change initiatives (e.g. redesign rewards and quality management schemes)
Executing change	Transparent implementation of positive reinforcement via rewards and benefits (e.g. gain sharing schemes)
	Capture and communicate benefits realized from changes
	Transparent performance measurement and management
	The critical role played by HRD/learning and development for equipping people with the skills to carry out the change
Building change capability	Institutionalize the changes made
	Reward changed behaviours
	Monitoring through performance management systems
	T & D for ongoing change management capabilities at different levels

(which facilitates change). Nilakant and Ramnarayan (2006) argue that for change to occur, *survival anxiety* must exceed *learning anxiety*. Reducing learning anxiety is a better way to change people, which was long stated in the seminal work of Kurt Lewin's approach to change and organizational development. Lewin emphasized that it is easier to bring about change by weakening the forces of stability than by weakening the forces of change and that both these forces of change exist inside every organization. HR should take a proactive role in designing and managing the implementation process. HR can perform the critical change management roles identified by Nilakant and Ramnarayan (2006) to manage change successfully.

These roles are as follows:

Appreciating change – This involves a deeper understanding of the business environment and how it impacts the business model. Why is there a need to change?

Mobilizing support – This involves creating a strong working coalition within the organization to ensure employees' commitment and senior management in managing change.

Executing change – Improving enabling capabilities and bringing in key resources that will assist in executing the change and demonstrating the benefits accruing from the change initiative. The timeframes for executing change should be realistic, and the change management team should celebrate small wins and remove any conflicting messages.

Building change capability – This involves not only institutionalizing the key changes made but also taking steps to ensure that the organization does not falter to the old ways and routines due to inertia.

HRM tasks needed for the management of four change tasks are stated in Table 1.

Change management initiatives can operate at different levels and involve interventions at each level. An earlier approach that gave birth to the modern-day change management approaches is the foundational field of organizational development (OD). OD interventions operate, in the main, at three levels: individual, group/team and organizational systems level. An intervention in the OD sense is a series of planned steps that are implemented to improve the effectiveness of a given system. Thus, the focus could be on improving individual, group, team or organizational effectiveness, taking one or several initiatives. Unfortunately, while most change interventions aim to improve the performance of a process, teams/groups or organizational systems, we often ignore some of the individual-level interventions at our peril, which could potentially impact the other two levels noted above.

Critical Reflections

One of the common problems in managing change is the inability to overcome inertia due to a lack of understanding of cognitive, volitional and action barriers. In addition to this, managers and leaders want to retain their legitimacy and thus often indulge in political behaviour and exercise their dispositional power in ensuring their positions are safeguarded. Much of the critique often focuses on a lack of a holistic understanding of the key tasks of change and the interrelationships between them. All four tasks, or for that matter, any set of successful change management bullet lists, should be collectively implemented for an enduring and successful change outcome. Inadequate and ineffective communication during the change management process can also undermine the entire initiative as people tend to become sceptical about the change project. To this end, celebrating small wins and, where necessary, rewarding the right behaviours (or indeed actively discouraging inappropriate behaviours), which is also often ignored, could go a long way in cementing the success of a change management initiative.

Illustrations and Skills Sandpit

The following real-life case study explores an OD consulting assignment at an organization in India. A bidder firm (the company acquiring stake) acquired a small target (the acquired firm), serving in a specialist niche technology market. A new CEO was brought in by the group bidder firm's management to manage the post-acquisition phase.

Read this short case on how a CEO can have an adverse impact on effectiveness:

A CEO Shoots the System

Author: *Joseph George, PhD, Workplace Catalysts Inc, Bangalore, India*

Hiring a New CEO

A larger business acquired a small-scale Indian engineering unit in a southern Indian state from Western India. In order to make the acquisition changes successful, a new CEO was hired externally from a large organization. This CEO would potentially assume neutral ground as there are no vested interests of the incoming CEO in either the target or the bidder firm. However, upon selection, the CEO was eager to leave a mark and thought of it as his swan song. As the first indication of this position, the CEO invited an OD consultant for a change facilitation assignment on the recommendation of another CEO from their group company.

About the Organization

Here are some initial points of attention based on which the consultant suggested OD consulting for the problem at hand. The acquired unit had a patent for porous membrane technology, with minimal maintenance required for the product. The bidder firm valued the innovation, as the membrane served cooling purposes without compressor gas-based cooling. It appears that the potential of this patent was not effectively understood by the target firm, despite the potential and value it offered to its clients. Its original client base included marquee clients whose brand capital was not effectively marketed and operationalized by the target firm. The business operations of this engineering firm included operations such as fabrication of sheet metal, assembly and erection of pumps, motors and air duct sections with a supply of steady recyclable water at client utilities such as office buildings and manufacturing shop floors and warehouses. The value proposition was replacing stale air-conditioned air with fresh air-cooled supply at ambient temperatures suitable for employees and customers at any work or commercial space. E-commerce warehouses, automotive factories and shop floors found such installations highly energy-efficient and appropriate for people at the workplace. The opportunity to contribute to environmentally friendly technology was inviting.

The New CEO and His Assessment

The new CEO was selected from a publically listed company whose strength was in large project implementations in the energy and environment industry sectors. In initial contact meetings to scope out the pressing issues and probable paths ahead, the incoming CEO described the workforce as dis-oriented from the marketplace. He felt they needed handholding in the change, as he would spearhead the marketing of the concept leveraging his strengths. In the meantime, the original promotor of this target firm was allowed to ease out of the day-to-day operations. However, his trusted aide from the manufacturing division was given an extension of employment until the acquiring company stabilized their operations in the target (acquired) unit.

(continued)

The salesforce of the target firm was scattered over the country and positioned somewhat closer to client locations in all major Indian cities. The sales team represented a mix of highly experienced and less experienced employees. However, during the transition and acquisition phase, the project team lost their key implementers as they quit for greener pastures overseas. So, a decision was taken by the incoming CEO to replace the projects' wing with a person who had experience in the services industry but also had a strong service orientation and post-sales maintenance and installation care experience.

All said and done, the consultant offered the incoming CEO and his think tank, which is comprised of the R & D partner from the acquirer group and another CEO confidante from another group business unit, a step through details of the process of his proposed OD consultation approach. All three agreed on the OD consultant's suggested approach.

For organizational development to happen towards effective change, it had to commence and signal clearly that the OD intervention had strong support from the top management. Therefore, it was decided that the CEO would offer himself feedback from his direct reports from all functional areas such as HR, finance, manufacturing, sales and projects. This would provide clues to him on his leadership style and make him aware of their concerns about the acquisition context using an anonymized feedback process of using the OD consultant to offer consolidated feedback in a thematic form.

The OD consultant asked participants to think of the following pointers from their experiences to provide the consultant with feedback for the CEO. These pointers include:

Handling of common issues of the team

Approachability of the CEO as a team leader

The ability to represent team issues to the top management

Dealing with customers and business partners

Impact of the CEO on business strategy

Impact of the CEO on operations and the execution of business strategy

The CEO was enthused and agreed to a facilitated feedback process. An excerpt from the communication that was sent to the participating employees is stated below.

“What is the Objective of this Leadership Assimilation meeting?”

*Any leader needs feedback in order to develop himself. Receptivity to feedback is a strong predictor of one's leadership capability. In the appraisal process, one receives feedback from the top, i.e. from their immediate boss. Through this **Leader Assimilation Process (LAP)** that we will engage in, we will generate feedback for the leader from his direct reports; and, where necessary, from his peers. It is essentially a discussion process about the Leadership style of the recipient leader. It does not refer to the leader as a technical professional or as an individual citizen of the business group. The point of the process is his effectiveness as a leader in his role. Your CEO has volunteered to be the first feedback recipient. You are invited to this important process to share your frank & objective thoughts for his development. Mutually, we all benefit from the process, as we learn to organize our thoughts and express them responsibly in an anonymized feedback mode.”*

(continued)

The *OD Process* was clarified between the consultant and the CEO before he communicated the launch of the change initiative with his team members. A quarterly review event was chosen to kickstart the change process so that leaders from different parts of the country could come face to face in the same room. A couple of participants from the field offices dialled through an audio bridge medium. The participants were brief, and they were well prepared by the OD consultant with points of unique disclosure, and the OD facilitators' consulting process enabled clarification of expressions between team members. As per the intervention process, the leader was subsequently called into the room after consensual agreement on feedback content has arrived in an anonymized form in the room. The facilitator had run the anonymized content through the team for their consent before the leader was called in and given the same feedback. The CEO listened to the feedback and, where necessary, asked clarificatory questions of the facilitator/consultant. The OD consultant helped by offering explanations and clarifications as needed. Following this, the participants thanked the consultant for the clarity and integrity of the OD consulting process. A few weeks later, the R & D head from the acquirer firm called up the consultant to say that the CEO was not receptive to the feedback that was presented at the meeting and that the fears of the target firm's team came true. These included an overemphasis on micro-managing each direct report's activities. He said, "We do not know if his style can sustain the growth phase". Other pertinent concerns included remarks about the CEO's background, "Technically he is not strong, so he is dependent on others to estimate the effects on execution. As a result, he is overestimating on plans for the business more often".

Despite anonymized feedback and cordially agreed process, the change participants did not see the leader translate his commitment to the feedback process into action, as initially indicated in the message. The R & D head felt that the consultant should intervene with the group chairman, especially in the interest of the acquired unit. The consultant considered this to be beyond his brief of engagement. The CEO finally disengaged the consultant's services, although officials who participated in the feedback session had a healthy respect for the consultant years after the episode. They keep silent on the origin of their association. However, the new CEO continues to present the team with newer challenges to work on. Surprisingly, the firm has garnered a more significant market share under the CEO's leadership.

Based on the above short scenario, answer the questions that follow:

- Q1. At what level(s) was this OD intervention scoped?
- Q2. What, in the OD process consultation, went well? Provide reasons for your answer.
- Q3. What, in the consulting process, became ineffective? What may have been the reasons?
- Q4. What lessons in OD contracting does this case represent?
- Q5. What lessons in intervention design does this case represent?

Concept Integration with Cases and Learning Activities

The book has two case studies that deal with the related topic of managing change: the first is by De Simone et al. entitled *Managing Change and Employee Wellbeing in an Italian School* and the second case entitled *Gender Inclusive Leadership for Innovation and Change – an HR Head’s reflections* by Jayashree, Sevaldsen and Lindsay. Both case studies deal with change. While the first case study highlights the adverse outcomes of a poorly managed change initiative and its impacts on employee wellbeing, the second case study provides an exciting account, from an HR practitioner perspective, when a large multinational firm introduces gender diversity for inclusive leadership in managing innovation and change. There are aspects of these cases that are useful for other chapters as well (e.g. chapters “[Strategic Learning and Development](#)” and “[Special Topics in SHRM and ER](#)”). Additional case studies cover the topic of change such as *Post Modern HRM & Competitive Advantage*, by S. Shukla and H Dubey, and “Performance, Training and Change Management”, by Dr Ami-Lee Kelly.

Conclusion

The above discussion highlights the importance of change management capability for HR practitioners and leaders tasked with managing the key tasks of change. This chapter provides an established framework for managing change successfully and links the change tasks to different HR practices, offering a valuable inventory of HRM activities for the busy HR practitioner. As managing change is a higher-order skill, there will be a need to remain flexible and manoeuvre and modify some of the activities to suit the change tasks at hand.

Glossary

Change agent	Can be an internal (usually the HR or OD practitioner) or an external (typically an OD consultant) role that focuses on the effective design and implementation of change management initiatives in an organization. The agent – internal or external – must successfully carry out the four or similar tasks of change for successful change outcomes.
Organizational change	Refers to changes that an organization wishes to engage in, in response to pressures from its internal and external strategic environments. The nature of such changes can be technical (product or process-related), managerial (process, structural or values) or behavioural (e.g. cultural), and the scale of such changes can be transformational (wide-reaching, fundamental and significant affecting all or most parts of an organization) or transactional and

	incremental (small steps affecting some parts of the organization) change.
Organizational development	Refers to a long-term strategic planned and systematic behavioural science approach to managing change at an organization's individual, group and systems levels for improved performance and overall sustained effectiveness of a business.

Key Questions and Learning Activities

Question 1. What are the key challenges in selling the change agenda in a change management initiative?

Question 2. Change management is living in the shadow of OD.

Discuss the above statement and outline any differences that you believe exist between OD and change management as we know of today.

Question 3. Building on your knowledge of HR professional competency frameworks wherein change management is identified as a key HR competency, what is/are the most important task/tasks an HR practitioner must deliver a successful change management initiative?

Learning Activity: Managing Growth

Let's Grow Tomorrow

Radhika Subramanian and Vijayakumar Parameswaran Unnithan***

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Keywords: Intercultural development, Millennials, Unconscious biases, Hofstede's cultural dimensions, High-context versus low-context cultures

Company Overview

John Bear and Sons (JBS) is an investment banking major headquartered in New York, USA. An investment bank with a 30-year legacy, JBS now has offices in 14 countries worldwide with 4 businesses – investment banking, global markets trading, wealth management and global research. The company has been doing exceedingly well in the last 7 years and has been steadily climbing the league tables to now have the number three ranking across Europe and the Americas. It has over USD 3 billion revenue and amongst the highest fees collections in the mergers and acquisitions (M & A) space.

While this growth is a consistent upward trend for JBS, their number one ranked competitor has net revenue of over USD 30 billion, clearly ten times the number that JBS makes. For JBS, this is a huge gap in its plans to become a worthy competitor in the market and win business over the bigger giants. All

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of JBS competitors have a massive presence in the emerging markets of India, China and Africa, where JBS has none.

The India Story

The JBS leadership decides to start with India. Key reasons include other investment banks, availability of English-speaking world-class talent and a growing market for M & A and wealth management. So two senior bankers, Allan Blanc from Oil & Gas, a suave New Yorker, and Timothy Williams from M & A, a short, stout African-American business wizard, are shipped off to Mumbai for interviews, picking the best talent in the local market for JBS.

Setting up in Mumbai was easy, other than everyone arriving late for the interview, “thanks to the traffic situation in the city”, as they all repeated. Candidates practically spoke English as their first language, came from premier management education institutions with a major in finance, had an investment banking background from their internships and were perfect hires for JBS. Though they had not heard much about JBS beyond what they found on a Google search, it was a potentially well-paying opportunity. Moreover, these millennial bankers, who had started out with local boutique firms, were thrilled about the opportunity of moving into a multinational firm.

Within 6 months, JBS had a ready team of 17 people in Mumbai vis-à-vis a requirement of 14. Nine of them were bankers. Of these, one was a senior banker, to whom the others reported on a day-to-day basis. Beyond the banking teams, the rest were support staff required to keep the machinery running smoothly.

It’s Complicated

The new team in Mumbai reported to Timothy Williams. Tim relocated to Mumbai and was now based out of the JBS Mumbai office. In his first month, he ensured that everyone had targets set for the year. He set up a weekly review with each banker so he could monitor progress against these targets.

The Indian experience was new to him, and he was not enjoying it too much. People did not seem amiable outside work and at work. During the interviews, the unprofessional behaviour he noticed continued with more frequent tea, coffee and smoke breaks, personal conversations at work, coming late and sometimes staying late. It was his worst nightmare. He needed to become more and more prescriptive with the team every day. But, until he gave specific instructions on what needed to get done, things never got done the way he wanted them to.

Timothy and the Mumbai team found working together difficult. The team disliked working with Tim and were irritated by “his high-handedness”. So they started complaining about the situation in their coffee breaks.

He gets all these fancy expat benefits. It’s easy for him to say, “Be on time, it’s basic professionalism”.

Exactly. Like Harlem is the world’s largest slum. And India is a hardship posting? Seriously?!

(continued)

My point. He lives in a posh company-funded accommodation, two lanes down the office and yet, gets a chauffeur-driven car. We may be earning 15 lakhs, but we live with roommates, 2 hours away from work and use public transport or drive to work ourselves.

I don't think he even wants to understand, high-handed as he is. I don't care anymore about what he says. At least the days Allan is here, work is fun.

Tim felt his advice was being treated lightly regularly. The team permanently joined late in meetings with him and almost always seemed to have disinterested body language. On the other hand, the team felt a lot more comfortable with Allan, who stayed in touch with them and needed to visit Mumbai a few times over the next two quarters. Tim was upset about Allan stepping into his space and taking over his team. But, on the other hand, Allan found that the team was enthusiastic and bright, often coming up with great ideas on what new and better could be done to improve business in the region.

Early Warning Signs

In a catch-up meeting with his reporting manager, Managing Director William Ross, Tim made his displeasure about Allan known to William. He established that William needed to step in to get things in order. William was taken aback at Tim's sharp reaction. After all, both Allan and Tim were senior bankers, had worked together several years and had the maturity to work these things out like adults. Though he gave Tim a patient hearing, he went away feeling that this was not something he needed to meddle with. From his discussions with Allan, William also knew that the Mumbai team was rather affronted by Tim's direct manner and perceived him to be rather aggressive in his approach with them. However, Allan was doing very well, and his association with the Mumbai team was helping them do exceedingly well in the business.

Problems Begin.

One year into the expansion for JBS:

- Tim had resigned and become the M & A head at a competitor
- Four of nine bankers in the Mumbai office had resigned and the JBS India business was grossly understaffed
- Allan was pulled in to replace Tim, finding himself stretched thin across his various roles

Discuss in Your Group

1. Are there teething troubles of JBS's expansion plans?
 - (a) *If yes, should these have been anticipated or planned for?*
 - (b) *If not, discuss what went wrong at JBS.*
2. What do you think are some of the underlying dynamics at play in this situation?
3. What could have been done by whom to prevent key challenges or facilitate key outcomes?

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Strategic Compensation and Benefits Management

Ashish Malik

Key Learning Outcomes

At the end of this chapter, you should be able to:

- *Understand the multiple goals of strategic compensation and benefits*
- *Describe the dominant approaches to strategic compensation and benefits*
- *Analyze the relationship between strategic compensation and benefits and performance*
- *Identify the theoretical bases for determining strategic compensation and benefits*

Introduction

This chapter focuses on the role of compensation and benefits for strategically managing the contribution employees make to an organization. While compensation and benefits are critical aspects of keeping employees motivated and committed in their jobs, often, the strategies implemented do not achieve the intended results. In some cases, the “M” factor in the AMO framework is compromised by the lack of “O” or opportunity in the wider environment. Motivating employees is a core task of managers, often through HR policy choices they exercise. The options range from meeting intrinsic to extrinsic motivational needs of employees. Different groups of employees desire different motivational bases, and for some, a hybrid approach can indeed be very effective for motivating them and realizing their discretionary performance effort. Therefore, implementation matters a lot, as do communication and

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managing employees' expectations regarding distributing discretionary aspects of compensation and benefits. In the first instance, HR practitioners must be mindful of the wider strategic context, a firm's business model, and the firm's ability to afford the disbursement of a given set of compensation and benefits. Typically, problems that occur during implementation often relate to feelings and perceptions of inequity and unfairness. This chapter briefly reviews popular functional approaches to compensation and benefits and then proposes some guidelines for its design and implementation for ensuring that strategic fit and employee expectations are met. The issue of "appropriation" of value captured and realized through a firm's business model and the extent to which certain constituencies in an organization perceive problems in the distributive and procedural justice aspects of rewards are vital aspects to attend to in a successful compensation and benefits program.

Strategic Compensation and Benefits Approaches

Martocchio (2006) suggests that strategic decisions must include activities in a functional area that allows a firm to differentiate itself from the marketplace. Armstrong (2007) highlights that the terrain of rewards and incentives should cover both internal and external factors such as business strategy, culture, technology, people, global trends, national demographic trends, local and industry norms, industrial relations, legislation, and institutional factors. Based on a firm's strategic positioning in the market in terms of compensation and benefits, the next step focuses on tactical decisions such as determining the bases of pay (e.g., HR managers can choose from seniority versus merit-based approach and incentive versus person-focused pay, which includes paying for skills and knowledge-based pay systems). Most individual-focused pay options include aspects such as piecework plans, behavioral rewards, referrals, and so on. Differences in performance may also necessitate the design and implementation of a group or team-based approaches such as those evident in gainsharing plans, the Scanlon Plan, Lean Six Sigma, company-wide profit sharing, employee stock option, and ownership plans (Martocchio 2006).

The second set of strategic and tactical decisions focus on deciding the guiding principles for determining the compensation and benefits systems. Stewart and Brown (2009) argue that rewards can take a transactional or a relational form and can be further provided in monetary and nonmonetary reward forms. Transactional elements typically include direct and indirect forms of monetary and nonmonetary rewards. Relational rewards, on the other hand, focus on intangibles such as the provision of learning opportunities, employee and peer recognition, offering employment security, providing challenging learning tasks and work opportunities, and so on. This latter aspect of design focuses on factors that appeal to certain individuals intrinsically.

Objectives of Strategic Compensation and Benefits Program

Martocchio (2006) noted that from a strategic perspective, irrespective of the chosen bases for pay, firms must attempt to (1) build internally consistent compensation and market systems; (2) achieve strategic and internal/horizontal fit with other HR systems; (3) ensure that such payment systems are competitive in the market to prevent loss of talent; and (4) be able to attract high-quality talent continuously. We know from the research on performance management and rewards that, typically, there is a distribution of performers ranging from outstanding and high performers to poor and average performers. Therefore, an organization must offer some differentiation for these employees to recognize high performing individual contributors. High performers may be offered market and performance loadings or some form of merit-based pay.

Building on workforce flexibility, firms must also differentiate different groups of the workforce in their compensation and benefits approaches. For example, an egalitarian and one-size-fits-all approach may not be the best way forward as it may create different emotions among other groups of employees who are on permanent full-time employment versus nonstandard forms of employment. Additionally, consideration should be given to accommodate “employee flexibility” in the design of both compensation and benefits. For example, this might include allowing benefits in flexible scheduling and options such as working from home, a co-working place, or a smart work hub (Malik et al. 2016). Similarly, an organization must offer rewards and recognize their top talent from the rest of the staff to avoid losing them to competition.

Although there are several well-developed industry HR approaches for managing compensation and benefits, the Hayes method of job evaluation for determining the relative worth of a job is well established. Annual wage and salary surveys also inform strategic choices in the design and implementation of compensation and benefits. Classical economics theories, for example, argue for the idea of *exchange* and *use value* as a sound basis for compensating employees in exchange for the services offered. Marginal productivity theory notes that employees are recompensed based on the “use” value of their services expended. Similarly, as noted earlier, human capital theories have attempted to link pay with the associated increases in human capital and productivity. As a proxy for the quality of human capital, firms often rely on education and the length of experience in determining the appropriate levels of compensation. Theories from the literature on organizational behavior, such as motivation theories of equity theory, reinforcement theory, expectancy theory, and agency theory, are highly relevant in designing and implementing compensation and benefits. Equity theory guides the extent to which employees assess whether the efforts they have expended at their workplace and the rewards they receive for their contribution are fair. Often these assessments are undertaken concerning internal and external market relativities of occupations. Equity theory is also linked to the idea of procedural and distributive justice, where instances of perceived inequity in rewards for the expended efforts, a sense of distributive injustice, and unfair treatment set in (Baron and Kreps 1999). Alternatively,

the process through which rewards are offered for some employees relative to others can be cause for procedural unfairness (Baron and Kreps 1999).

As noted above, a firm must pay special attention to natural and distributive justice principles, and we must not forget a firm's ability to pay. The ability to pay has been noted as a make or break point in many industries that are struggling under competitive pressures or operating in industries that have very inefficient resourcing models. Sometimes extremely generous reward schemes bargained by trade unions or very high levels of executive compensation distributed by senior executives and top management teams can lead to a business's financial collapse. Agency theory provides some relevant discussion in maintaining the balance between employee, shareholder, and senior manager interests. According to agency theory (Jensen and Meckling 1976), the owners of an organization (principals) recruit managers and leaders (agents) for carrying out the productive operations of an enterprise. As agents, they must provide financial returns to the principal (and the shareholders) on the invested capital. The agents, however, also keep in mind ways in which they can maximize their returns. While the principal views the agents as costs and aims to minimize such costs, there is a tension here as agents often look for ways to increase their income. In a bid to deal with this dilemma, the principal engages in profit-sharing schemes, bonuses, and pay for performance plans to manage agents' expectations and ensure a fair return for the principals. One can argue that there is a significant misalignment between the goals of the agency and principals that led, albeit partially, to the global financial crises of 2008–2009, as the incentives offered in the pay for performance to agents were disproportionate to the risks involved in the safe running of banks on a sustainable basis. As Boxall and Purcell (2011) caution, managing the problem of (politics) and (mis)appropriation is critical in maintaining the solvency of firms. In times of a slowdown or boom, there are plenty of examples where senior executives have come under direct media scrutiny for rewarding themselves in a selfish and often unjustified manner. Designing your golden handshake, a practice that has been implemented by senior executives and noted in media reports raises ethical issues. Therefore, it is critical, but it is also necessary to maintain transparency in designing and implementing executive compensation schemes. There are ethical dilemmas at work and several commercial-in-confidence issues that have brought disrepute to organizations due to the nature of their compensation and benefits schemes.

Concerning benefits, these can be broadly classified into *legally mandated* – through legislation such as medical and work cover insurance, unemployment insurance, health and safety awards, and disability benefits – and *discretionary benefits*, for example, varying rates of superannuation contribution, union membership benefits, paid time off, and purchase of car and computer and other goods lease plans.

Critical Reflections

Perceived inequity and unfair treatment are core issues that the practice of compensation and benefits is grappling with. There are numerous instances where a well-designed compensation and benefit system is not applied consistently due to either lack of understanding of how to administer rewards on the part of the managers or engaging in political behavior and deliberate and unethical conduct on the part of senior managers. The problem is that such deals are often made privately and generally brought in public knowledge when either the beneficiary or the person responsible for the decision has moved on. The issue of developing moral intensity is central here. This was covered earlier in chapter “[Professionalism and Ethics](#),” using the example of sexual harassment where several factors contribute to people not seeing a moral issue as an activity that needs addressing and hence engaging in immoral and unethical conduct. The likely consequences of such poor implementation are loss of key talent, expensive lawsuits, and organizational reputation damage. In some extreme cases of misappropriation of value capture, this could lead to the demise of the entire organization or even a broader industrial, national, or indeed global contagion, as was noted in the recent global financial crisis.

Illustrations and Skills Sandpit

Using the concepts from agency theory, design a system of incentives for lawyers in a large law firm specializing in medical compensation claims. Ensure you define who the agent and the principal are. What type of incentive system might be most appropriate here?

Concept Integration with Cases and Learning Activities

The case study by De Simone et al. entitled *Stressed and Demotivated Public Servants...Looking for a (Motivational) Miracle at Paywell Agency* provides a novel context of the public sector organization where people seek membership of such an organization driven primarily by a public service motivation (PSM) ethos. However, in an era of new public management, the concept of PSM gets challenged significantly with the ongoing change and demands posed on public servants leading to adverse employee outcomes. The case study by Bardoel entitled *Work-Life Balance in an MNE Context* can also be explored for viewing work-life balance as a non-monetary benefit for employees. Relevant topics on motivating employees are in cases entitled “Business Decline and Turnover Increase at UN Food Distribution” and “Conflicts in the municipality.”

Conclusion

To summarize, strategic rewards management must assess the impact of change (cultural, value, and external influences), fit design with business strategy, and other HR systems for effective implementation and monitoring against pre-established measures and benchmarks. Further, managers need to make strategic choices about nature and the degree to which strategic alignment with competitive strategies is necessary. For example, whether they want a market positioning stance to be seen as *leading* the market, to remain an organization offering compensation and benefits at the median range, and to be looked at as a *laggard* are critical choices. Finally, implementing transparent communication, developing internally consistent policies, putting in place appeal and evaluation procedures, and regularly re-forecasting budgets are vital in a dynamic and fast-changing environment. Irrespective of the choices and techniques followed, there are some desirable outcomes for all strategic rewards management systems. These include equity, efficiency, quality, high performance, statutory compliance, and customer focus (internal and external).

Glossary

Agent	In relation to agency theory covered here typically refers to senior leaders of the executive team whom the principals have hired for day-to-day decisions of an organization.
Principals	Are those who own and have invested a major equity stake in an organization. Though this has now been widely interpreted and used to include other shareholders of an organization.
Public service motivation	Can be defined as a set of values and attitudes that motivates individuals involved in undertaking public service jobs that serve and benefit the wider society.
Work engagement	Refers to employees demonstrating high levels of involvement, dedication, and energy in carrying out their work tasks. Often highly engaged employees tend to involve themselves so much in work that they are sometimes unable to balance their work and life but are still holding high levels of job satisfaction.
Work-related stress	Refers to a psychological state of mind that is caused by stressors at work such as the nature of the job, excessive volume of work demands, little or no control over one's workflow, minimal levels of social support, lack of role clarity, high degree of work-related conflict, feelings of job insecurity, and harassment and violence at the workplace.

Key Questions and Learning Activities

Question 1. What are the key sources of inequity and unfairness caused by compensation and benefits in an organization?

Question 2. Provide an overview of the dominant theories of motivation that can be directly linked to the design and implementation of compensation and benefits in an organization.

Question 3. What are the common consequences of a poorly designed compensation and benefits program?

Learning Activity: Analyzing Your Motivations at Work

Thinking of your key motivators at work, what would these be? Are these motivators available to you through your employing organization's current rewards and benefits program? If yes, what aspects of the program would you like to change? If they are not offered, does your organization offer other motivators? For example, are there voice mechanisms available to you? If so, how and who would you approach in the first instance for having a meaningful say concerning your terms and conditions of employment and why?

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Special Topics: Managing HR for Innovation, HR in Public Service, Work Redesign, and Well-Being

Ashish Malik

Key Learning Outcomes

At the end of this chapter, you should be able to:

- *Define the terms ambidexterity and public service motivation*
- *Analyze the relationship between HRM practices, ambidexterity, and innovation*
- *Identify the emerging trends in Green HRM*
- *Analyze the impact of employee well-being on the HRM-performance link*

Introduction

This final chapter focuses on the emerging trends and challenges faced by strategic HRM and ER. This chapter, therefore, provides an overview of the topical areas of interest. The following topics are briefly covered: managing HR for innovation, Green HRM, HR in public service, HR offshoring and job redesign, well-being and resilience. These special topics are vital areas of future research within the domain of strategic HRM and ER.

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Innovation, Ambidexterity, and HRM

In pursuit of high growth, literature on innovation and ambidexterity suggest that firms that can innovate and be ambidextrous are more likely to offer sustained levels of growth. Recent research points to changes in managerial and HRM practices for remotely managing innovation in times of a pandemic (Laker et al. 2020a). Investments in technical and human capital infrastructure were noted in firms implementing ambidextrous designs (Pereira et al. 2021a) and organizational agility using a combination of market, learning, and quality management capabilities (Pereira et al. 2021b). The literature on organizational ambidexterity suggests that firms that can *simultaneously* pursue exploratory and exploitative modes of learning or *ambidexterity* are more likely to succeed and innovate (O'Reilly and Tushman 2008; Raisch and Birkinshaw 2008). O'Reilly and Tushman (2008), for example, define ambidexterity as a firm's ability to manage the duality of simultaneous learning processes of experimentation and alignment with current goals through refining, efficiency, and well-developed routines. The underlying logic is that firms that can simultaneously do both forms of learning can successfully implement technological and administrative innovations. In this background, prior research examining the role of HRM practices in impacting innovation performance and ambidexterity is gradually becoming mainstream (Malik et al. 2017; Prieto and Pilar Pérez Santana 2012; Shipton et al. 2006). The central argument of these studies is that HRM practices are antecedents in creating an ambidextrous context, which will ultimately lead to a range of innovation outcomes such as successful product and process innovations. Innovation outcomes can vary from work-design innovations, through process and product innovations, to business model innovations (Malik et al. 2017, 2018, 2019). Analyzing the relationship between HRM and innovation, Seeck and Diehl (2016) found support for the impact of universalistic best-practice bundles or configurational approaches in the HRM-performance-innovation link. Several HRM practices have been identified in the literature that impacts innovation (Beugelsdijk 2008; Ceylan 2013) and shapes ambidextrous learning (O'Reilly and Tushman 2008; Raisch and Birkinshaw 2008). For example, firms that can assimilate and apply new ideas at work are more likely to be innovative. The research points to HRM practices such as training, performance management, reward systems, and learning culture, which, if implemented collectively as a bundle, are likely to generate innovation outcomes (Laursen and Foss 2003; Gupta and Singhal 1993). Others (Jiménez-Jiménez and Sanz-Valle 2008; Lau and Ngo 2004) also noted a bundle of HRM practices to positively impact innovation. The above links well with the earlier discussion in chapters titled "HRM and ER: A Strategic Perspective" and "Strategic HRM and ER: Best Practice Versus Best Fit" on best-practice schools.

HRM and Ambidexterity

A recent review exploring the relationship between ambidexterity and HRM suggests numerous HRM and organizational practices that act as antecedents for creating an ambidextrous context conducive to innovation (Junni et al. 2015). Junni et al.'s (2015) review identified the influences of employees, leaders, and HRM

practices and how these variables interact with the structure, culture, and other contextual variables to create an ambidextrous context. More recently, high-involvement and high-performance work systems have been noted to create a social climate that supports an ambidextrous context through ability-, motivation-, and opportunity-enhancing HRM practices (Malik et al. 2017; O'Reilly and Tushman 2011; Prieto and Pilar Pérez Santana 2012). In addition, Ahammad et al. (2015) found the influence of motivational practices in developing ambidexterity.

In their discussion of contextual ambidexterity, Gibson and Birkinshaw (2004) explain if employees can simultaneously partition their time and behaviors to balance “alignment and adaptability,” they are more likely to create new learning and routines. A contextual ambidextrous context advocates that employees engage simultaneously with exploitative and explorative learning in their day-to-day routines, and as a result, this helps reduce the costs of coordination. This approach to ambidexterity assumes individuals decide how to allocate time and resources so firms can manage the duality of the two learning modes (Tushman and O'Reilly 1996). This approach places HR and people management approach as a critical antecedent in supporting organizational ambidexterity, managing dualities, and achieving innovation outcomes (Malik et al. 2017, 2019).

Green HRM

Research linking environmental failures with corporate social responsibility and HRM has led to discussions of Green HRM practices. Such emergence of interest is understandable as massive environmental disasters have occurred in significant utility industry sectors such as oil and natural gas industry, coal-fired power generation stations, and highly hazardous chemical industries. Notable among these were Enron, Union Carbide, AEC and Shell, to name a few. While a broad framework of reference is still emerging, some scholars have begun to map all the core processes of the employment life cycle with the idea of Green HRM (Renwick et al. 2008). These authors highlight applying an environmental approach to all HRM core processes, such as right from developing job descriptions and person specifications to recruitment and selection. Additional changes are also evident in employer-of-choice campaigns wherein overall job value proposition for potential employees is presented to those who value responsible business ideas and have a corporate social responsibility attitude toward society.

Similarly, followers of this approach want to ensure that there are conscious efforts made in the management of performance and administration of rewards that embrace such values and attitudes. Specialized training programs to support this approach are also becoming prevalent to increase awareness of the problems and suggest common solutions. For example, programs focusing on reducing waste and environmental compliance training are quite common. Several German car manufacturers and technology firms are embedding specialized training programs under the umbrella of the Green HRM approach (Renwick et al. 2008). The approach also appears on the bargaining table when putting forth a charter of claims with the

unions for finalizing the collective employment agreements. Specific projects, for example, focus on reducing pollution and disposal of waste for creating a healthy and safe work environment. Indeed as an extension of this idea, firms such as DuPont, Nordstrom, and 3 M have implemented incentive and reward schemes for minimizing emissions and providing positive reinforcements for a favorable environmental climate. Its increasing proliferation is also evident in special issues dedicated to the topic. For example, *Human Resource Management* in 2012, *Journal of Organizational Behavior* in 2013, and, more recently, the *International Journal of Human Resource Management* (2016) have all run special issues on Green HRM. Renwick et al. (2016) map the current developments in Green HRM and note that additional research on this topic is needed concerning the desired type of HR systems and employee behaviors conducive to supporting a Green HRM ideology.

The theory of planned behavior, AMO, attribution theory, stakeholder theory, and corporate social responsibility are among the commonly used theoretical frames for situating and conducting Green HRM research. Further research is needed in developing a holistic theory of Green HRM, its causes, consequences, and the core values and behaviors of employees and managers to support its adoption and proliferation.

HRM in the Public Sector

The public sector (PS) represents a typical professional services bureaucracy (Daley 2012). As the term professional service would imply, the public sector also requires a specialist set of knowledge, skills, and abilities to fully discharge public servants' responsibility toward the wider community they intend to serve. PS employees are regarded as employees driven by public service motivation (PSM) rather than the typical economic and profit motives (Mann 2006). Mann (2006) further argues that the role of HRM in developing PSM is to ensure that PS employees' commitment is high for making a difference in the delivery of what is essentially a public good. Mann notes that a problem with this view is that often HR managers are unable to quantify the nature of PSM and, as a result, the subsequent problems associated with designing and implementing HR practices for PS employees to deliver on the PSM ethos become evident. While, in principle, one might offer some generic service delivery guidelines, the operationalization of the PSM construct is a little bit problematic. The presence of intrinsic motivation and non-tangible aspects of personal satisfaction in PS roles remains obvious. However, there is a potential for damaging these intrinsic drivers by applying new public management HR approaches, which often rely upon using extrinsic rewards and a shorter-term focus. While typical strategic HRM and ER discourse centers around formal planning and alignment issues and delivering sustainable performance in the longer term, the application of such ideals is problematic in the traditional bureaucratic public sector models (Brown 2004; Daley 2012). Brown (2004) notes that the traditional bureaucratic PS model has always been rule-bound. More recently, it is witnessing a shift toward a new performance-based culture (Shim 2001) or what has been recently

described as the “new public management” (NPM) agenda. This latter agenda, Brown argues, is akin to what we find in the private sector – a focus on efficiency, effectiveness, and quality of services. Within this neoliberal and managerial agenda, the nature of HRM practices represents the need for a flexible workforce model and work processes that typify work undertaken in for-profit organizations. The whole ethos of PSM comes into question with such changes that are now widespread. NPM HRM has received significant critique in deteriorating working conditions, mergers of multiple public sector entities to deliver on economic agendas of efficiency, effectiveness, and high-quality public service. Can one deliver a variety of social goods and services employing rational economic principles? This remains a crucial question among public sector employees.

HR Offshoring

As part of the wider phenomenon of offshore outsourcing, HR offshoring is not immune to outsourcing of HR processes to overseas locations such as India and the Philippines (Cooke and Budhwar 2009; Pereira and Anderson 2012). The high levels of service excellence expedited the modularization of transaction processing services to offshore locations and maturity experienced in the call center and back-office outsourcing industry. The ability of service providers to deliver and operate on complex processes such as HR successfully has triggered its widespread diffusion. In contrast, the earlier stages saw the offshoring of locally outsourced activities such as pay, training, and recruitment process outsourcing. The rationale, although initially, was driven by labor cost arbitrage and efficiency-seeking motives. Subsequently, the rationale changed to accessing high-quality competencies and capabilities in HR at these offshore service providers who had accumulated, through their experience of working with a range of clients, spanning diverse industry sectors. The decision rules suggested by Atkinson regarding the “core and periphery” activities of a business have also contributed to the thinking that certain noncore HR activities can and should be outsourced. However, with the increasing strength of capabilities of the service providers, it is not surprising to see a shift from low-end to high-end strategic HR processes outsourcing in the form of consulting advisories and designing the entire architecture of HR systems for medium to large organizations. Cooke and Budhwar (2009) note that often concerning major decisions in HR offshore outsourcing, HR practitioners are not consulted. The Chartered Institute of Personnel and Development (CIPD) UK survey (2006) revealed that 70% of HR practitioners felt they should be involved in making the HR offshoring work for the business. A related aspect of the phenomenon is managing the relationship between a client firm and a third-party service provider. Again, to the point above, in the absence of HR’s involvement in the first instance, HR practitioners are left to manage the relationship with service providers and ensure the quality of services delivered. This often results in poor employee well-being outcomes and failed relationship management with third-party service providers.

Work Redesign, Job Crafting, Employee Well-Being, and Resilience

In increasingly competitive and uncertain times, for employees to remain interested in their roles, the leaders and managers must allow employees some leeway and autonomy in structuring their jobs. Laker et al. (2020b) point to the increasing use of the concept of job crafting for employees to grow their jobs and keep them motivated in an area of their interest and growth. Laker et al. suggest that leaders should allow employees the permission to engage in such an approach. They must also allow a safe psychological environment to try out aspects of the task, relational and cognitive job crafting. While making small- to large-scale changes to an employee's job is the most common form of job crafting, expanding the relational aspects of job crafting can significantly open up exciting opportunities for employees to expand their portfolio of knowledge, skills, and experiences. Cognitive job crafting is rarer as it involves deeper introspection and significant changes to the existing job. In addition, cross-pollination of ideas by working with colleagues from related but different workgroups can be very rewarding and allows fresh perspectives on solving the same problem. The above concept is not new. These approaches have been studied in recent high-involvement work systems in innovative firms (Athota and Malik 2019).

Managerial support and support from co-workers have been linked to positive employee outcomes, such as improving psychosocial stress, employee resilience, and subjective well-being (Pinna et al. 2020). In addition to the wider organizational support system, individual-level factors, such as personality traits and moral values, influence well-being, resilience, job performance, and satisfaction (Athota et al. 2020). Developing employees' psychological states to discharge their work through their resilience and subjective well-being effectively has been a widely researched topic in industrial and organizational psychology. More recently, we have seen detailed literature reviews within management and HRM (see, e.g., Van De Voorde et al. 2012). Such reviews throw light on several aspects, such as why this concept is essential to researchers and firms and its direct and indirect impacts on, for example, employee satisfaction at work. Studies of HRM exploring this area fall into two broad categories. The first group of studies note that the mutuality of purpose is important. Both parties must benefit by implementing high-performance HRM bundles, or in other words, theorists in this group argue for a "win-win" outcome: HRM practices should make employees happy and strive to achieve sustained high performance (e.g., Appelbaum et al. 2000). The second group of studies in HRM do not find adequate support for realizing positive health and well-being outcomes through the logic of high-performance HRM. The underpinning logic of this approach is that a disproportionate focus on strategic goals and alignment with a firm's objectives for achieving high performance comes at a cost and often leads to work intensification, higher levels of stress, and fatigue at work (e.g., Godard 2001 and Peccei 2004). This eventually leads to poor employee health and well-being outcomes. The critical point to consider is how employees perceive the managerial *intent* and how

well managers balance the excessive focus on performance and alignment with opportunities with work and life to not result in significant spillovers from one domain to the other. Often, the problem lies in having unrealistic expectations from people, which translates into poor health and well-being outcomes.

Critical Reflections

Not all is lost. There is hope. All this requires courage and adopting a higher moral standpoint to uphold the core values and maintain HR's credibility. The task, however, is not easy in what is essentially a capitalist system. HR managers are perceived as agents of the principal rather than professionals who are tasked with playing *employee champions*.

Illustrations and Skills Sandpit

The examples from the above research on the topics of managing HR for innovation, HR in public service, work redesign, and well-being highlight the importance of managing the three domains of ability-, motivation-, and opportunity-enhancing practices for creating a social context that is conducive to creating a culture of innovation and contextual ambidexterity as well as instilling public sector management values of altruism and serving for the greater good. The importance of opportunity-enhancing HRM practices is also highlighted in the new approaches to work redesign, such as job crafting and enhancing the employee well-being and making our workforce resilient. These choices are often exercised by HR leaders and senior managers; therefore a constant negotiation for an inclusive rather than a competitive approach may deliver greater flexibility and agility for sustained competitive advantage through HR processes and human capital advantage.

Concept Integration with Cases and Learning Activities

The case study entitled *Gender Inclusive Leadership for Innovation and Change – an HR Head's reflections* also provides a good account of managing innovation and change through HR. The case by Gianfranco entitled *Conflicts in the Municipality* highlights the challenges faced by public servants in managing conflict at workplace. The author presents evidence from his consulting experiences in an Italian municipal corporation. Also from the public sector, Shukla and Dubey highlight the challenges in managing organizational identity and strategic HRM issues in the case entitled *Organizational Identity & Strategic HRM A case of Hindustan Petroleum*.

Conclusion

This chapter highlighted the central role of several HRM practices in supporting innovation, creating an ambidextrous context, and managing people in the public service through the exercise of individual's developmental and innovative agentic resources. Further, the role of learning and development in supporting agile and flexible leaders who are willing to challenge the status quo and navigate or renegotiate opportunities with the dominant coalition of stakeholders is vital. Such an approach will lead to longer-term commitment and loyalty of employees and possibly help HR regain its credibility. While this approach is evident in several contexts, the path taken is not easy and requires courage.

Glossary

Ambidexterity	Refers to a firm's ability to manage the duality of simultaneously engaging in learning processes of experimentation and exploration of new ideas with alignment to current goals, refining, efficiency, and working on well-established routines.
Contextual ambidexterity	Occurs when individuals in a firm can partition their time and learn to simultaneously explore and exploit new and existing learning to achieve sustained levels of performance.

Key Questions and Learning Activities

- Question 1.** What are the critical HRM practices that support innovation at work? Discuss.
- Question 2.** What are the challenges associated with Laker et al.'s four-point framework of job crafting? Discuss.
- Question 3.** What is the relationship between high-performance work practices and employee well-being? Provide a critical discussion.

Learning Activity: The Secret Ingredient

The Secret Ingredient

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Keywords: Organization structures; Family-run businesses; Leadership; Ambidexterity

Company Overview

Globe Build is a 20-year-old, family-owned construction company. It started out with building small residential buildings, and with time, it has grown into a developer of large commercial estates, especially in special economic zones, or tech parks as they are colloquially called; in Bangalore, it is called the Silicon Valley of India. Kariappa Reddy is the founder and CEO of the company, a capable man under whose leadership the company has grown to USD 250 million in the market value of their properties, and is a name in the construction industry in India to reckon with.

The Leadership

Reddy is the family patriarch. He is now 58 years old and proudly declares himself a self-made man. He came from tough times, the oldest of four sons, in a family where the parents passed away when the children were still of school-going age. Inheriting just the old family home on the city's outskirts, Reddy had to start working odd jobs to sustain his siblings and educate them. That is how he found himself in the construction business. Working his way up from bricklaying and concrete pouring, Reddy found an opportunity in real estate when salaried city dwellers started investing in holiday homes for weekends away from the city. He refurbished their family home and sold it for a massive profit. He was reinvesting the proceeds into smaller but prime land purchases within city limits. And the rest, as they say, is history. A stern, demanding, yet generous man, Reddy is considered a father figure of the Globe Build family, treating every one of his staff like his children, patronizing them when they make a mistake, and pampering them when they do well. He runs Globe Build like a tightly run ship, taking quick, firm decisions on matters. This gives the company a competitive edge in lightning speed decision-making and very low bureaucracy.

Reddy has a son and a daughter, both of whom are now involved in the business. His son Arjun, a civil engineer, has been supporting key construction projects for the last 7 years, while his daughter Avni, a chartered accountant, is now helping out with the finance function for the past 3 years. Before

the children entering the family business, Reddy was supported by some of his childhood friends and early career associates, who continue to remain his trusted aides and members of his company's board.

The Staff

Globe Build has about 150 full-time office staff, managing business operations including architecture and construction, and support functions such as finance, procurement, marketing, and HR. Ninety are business staff spread across the five key construction sites in Bangalore and three sites outside of Bangalore in the country. The remaining 60 are support staff working out of the corporate office.

All staff have a direct line of communication with Reddy, and he gives direct orders when he needs things done. Nevertheless, of course, his closest aides and family members also manage the staff and ensure they work on getting things done immediately and as required by Reddy to support the rapidly expanding business.

About 30% of the staff have been around 5 years or more and are used to the company's inner workings. They know how to work with Reddy and deal with his tempers. They know how to prioritize when different people give opposing instructions. But some staff are new in the system, a few about 2 years and majority with less than a year. The rate at which things are moving and the limited number of seasoned people in the company struggled to cope. One of the new procurement hires, Seema, asked one of her seniors why they were placing an order from a decidedly more expensive vendor than several more popular options in the market. The answer she got was, "If Reddy Sir says that's what he wants, that's what we must do." When Seema shared her experience over lunch with a few other colleagues from different functions, everyone had a similar view of not questioning management and doing as they are told.

The Transformation

After his almost four-decade-long career and running Globe Build, Reddy feels like he now wants to step back and put himself in a more relaxed position where he can enjoy the fruits of his labor and, when required, guide the company to grow. However, he knows where he wants to take the company in 5 years before stepping back, and he feels like his people are stuck in everyday operations. They are caught up in the moment to appreciate his vision for the company and work toward the future. In the past year alone, he has fired at least 15 staff himself, where he has observed that they have not been able to deliver at the pace and standards at which he needs work done.

To strengthen his leadership, Reddy has also recently roped in a professional sales manager and his son-in-law, an attorney, and his daughter-in-law, an architect, to support the business. He believes everyone must support the business at a critical time like this.

The Challenge

Two years into his 5-year plan, Reddy is faced with some tough challenges:

- Three out of eight projects have overshot time and budget plans upsetting projected company revenues.
- Reddy's aides and his family members have become two groups opposing each other and fighting for decision-making authority and possible succession to the business.
- Increasing errors across key processes have put Globe Build at a compliance risk that now needs to be reactively addressed since it is stalling active projects.

Discussion Questions

- What are some risks for Globe Build's business right now?
- What should be Reddy's key current priorities to create a transition/retirement plan for himself?
- How can Globe Build start to deliver on current requirements while also being prepared for the future?
- Who else beyond Reddy must have a role to play in Globe Build's transformation? Moreover, what should be some of their key focus areas?

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Managing Human Resources During Major Crises

Ashish Malik

Key Learning Outcomes

At the end of this chapter, you should be able to:

- *Differentiate between different types of crises*
- *Discuss the critical approaches in managing people in times of a crisis*
- *Identify key individual and organizational capabilities in managing HRM during crises*
- *Analyze the role of communication in managing during a major crisis*

Introduction

Researchers and practitioners both concur that managing people in times of significant crisis, such as the COVID-19 pandemic or the global financial crisis (GFC), both of which called for an imminent need to change the human resource management (HRM) approaches, is hugely challenging to either reverse or accept the new normal. Therefore, the need to manage the new realities that firms were put under becomes a core focus of leaders and managers. This chapter argues that the need for major changes in the mindset of HRM practitioners and leaders requires a paradigm shift in managing the duality of balancing strong social relations with a clear and strategic line of sight for delivering sustained business outcomes. This chapter develops a framework based on the author's extensive research on the topic and highlights the interrelationships that occur at the interface of new paradigmatic

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thinking with policy choices, menus of practices options, and changing the people engagement approach. The chapter also highlights some silver linings that crises and pandemics bring, with practical insights on dealing with the same.

Managing HRM During a Major Crises

Several major economic crises have occurred between 1720 and 2013 (Warner 2013). The speed and the scale of crises have only accelerated. For example, six crises occurred since the 1997–1998's Asian crisis and include crises, such as the dot-com bubble burst, Wall Street crisis, Icelandic banking crisis, global financial crisis, global recession, and the eurozone crisis. It is often noted the embedded and interrelated nature of crises. For example, we have witnessed political crises leading to other forms of crises, such as India's demonetization efforts in 2016. The inter-relatedness is also evidenced in the COVID-19 pandemic, wherein different waves of the pandemic introduced different social, political, economic, geopolitical, and technological crises.

Crises tend to fall into two broad categories: natural and human-engineered. What is interesting is that the latter type of crisis is increasing in its incidence and intensity. We are likely to witness a greater frequency and diversity of crises as these crises also widen the already high levels of social and economic inequalities (Bapuji et al. 2020).

Where was HR in managing such natural or human-engineered disasters? Can HR play a role? How can it prevent organizational psychopaths from engaging in such unethical behaviors, again? In times of a crisis, some HR practitioners played the stooge of management and implementer of their neoliberalist agendas. Could HR have saved some jobs? Should HR challenge the dominant coalition of stakeholders in making decisions that affected the source of livelihood of thousands of people? Unfortunately, there is mounting evidence that HR has lost its credibility in living up to its role as an *employee champion*, a key role espoused by Ulrich in some of the earlier work on HR tasks. The issue of professional ethics and personal values was constantly challenged in an environment where the only way to stand up for a cause would have meant losing your source of livelihood. In such conditions, have we lost hope in HR and the widespread neoliberal order? Are institutional forces so strong that people have little choice and leeway to exercise alternate strategic choices through their human agency? The answer to this question, in short, is yes.

Reflecting on the journey the field of HRM has gone through in the past 100 or so years, the field is yet again at the crossroads, exploring new ways of managing people (Farndale et al. 2020). Historically, we have seen shifts in the philosophical stances in strategic HRM or its earlier variants, such as a welfare agent, personnel administration, or becoming a strategic business partner. The ideological changes in managing work, workers, and the workforce have also witnessed changed roles of the HR, personnel, or people managers. There are lessons from the two most recent and substantive crises – the 2008 GFC and the ongoing COVID-19 pandemic. There is an established body of knowledge on GFC and an emerging plethora of research

on the COVID-19 pandemic, which offers actionable evidence for HR managers and leaders in organizations to design and implement. These are discussed below in brief.

The Global Financial Crisis

Adopting a neoliberal agenda which, some would argue, caused the 2008 global financial crisis (GFC) in the first place warrants some further attention. Typically, the GFC was designed by a small group of people, like most human-engineered crises. However, their actions have far-reaching consequences, as was noted in the case of the GFC, which spread like a contagion to almost all parts of the globe, affecting even those who had nothing to do with the US financial system or who had no understanding of what it is like investing in stock markets, let alone financial derivatives. These people were severely affected and were often also people living on the fringe with minimum wage protections.

Nevertheless, all hope is not lost. We must not undermine the critical role human agency can play by politically navigating through and negotiating with the key stakeholders to change the dominant logic and explore alternate solutions to overcoming the problem. Aspects of this were evident in recent research on the GFC (Malik 2017). Furthermore, yes, there are other studies in HRM (see, e.g., Boon et al. 2009) that have highlighted the role active developmental (innovative) human agency can play in dealing with institutional forces by creating an innovative fit and expanding the degrees of leeway available to people in a given environment. Even in a post-GFC era, Malik (2013) noted that several firms adopted different approaches in solving the same problems in a post-GFC environment. While all providers had the pressure to undertake job cuts to stay afloat, the study found diversity in HRM practices and ideologies, suggesting that firms implemented different strategic choices in dealing with environmental and institutional pressures, in this case, managing the excesses imposed by the GFC on firms in the Indian IT industry.

Building on this work, Malik (2017) undertook further research in a post-GFC period in the Indian IT industry and other industries from selected international contexts. The research found that while the wider institutional environment imposes constraints on the extent of strategic choices that leaders and managers can exercise, these constraints can be manipulated through political and power processes, enhancing the degree of leeway and choice managers have in implementing and implementing exploring different solutions. Malik (2017) argues that through active developmental and innovative human agency, many leaders in the Indian IT industry and other industry and national contexts explored additional opportunities by renegotiating with stakeholders alternate revenue paths to minimize and, in some cases, avoid total job losses. In part, the ability to deliver on their promises was also contingent upon the concomitant investments these firms made to certain HRM practices and organizational capabilities, which allowed them to deliver on the renegotiated opportunities to their stakeholders.

The HR managers and organizational leaders in several firms in the Indian IT and manufacturing sector and UAE's perfume industry had some strands in common. For example, there was evidence of contraction in employment levels, unethical performance management practices, concealing relevant financial information, and getting rid of discretionary expenses such as training programs and executive development (Malik 2013, 2017). However, even within the same industry, the responses were not uniform, and these vary with size and the nature of service lines. In other words, firms with service lines that were lucrative and larger did not reflect the same levels of contraction in the nature and extent of HR services. In addition to investing in targeted learning and development, firms pursuing more lucrative service lines allowed flexibility and leeway to employees to think outside the box and develop innovative solutions to solving the economic crises. This is evidence of expanding the choice menus for managers and leaders to deal with their innovative human agency (Malik 2017; Malik et al., 2019). More recently, Malik and Sanders (2021) noted the interrelatedness of multiple levels of influences between the macro-, meso-, and micro-level factors in managing HRM during significant crises. The authors show how macro-level (economic, political, and national business systems level) influences shape the meso-level (organizational) preparation to invest in certain HRM, leadership, and managerial practices that prepare the business for dealing with the new normal imposed by any crises. Finally, the micro-level (individual agentic resources, such as personality predispositions toward external pressures, self-efficacy, leadership traits, resourcefulness, and other resources) influences are vital in expanding the degree of leeway and choice that firms can leverage to deal with the pressures imposed by the crises effectively. Impacts of and examples from the COVID-19 pandemic are discussed in greater detail below.

The COVID-19 Pandemic

A major crisis that has affected all spheres of life – having social, economic, political, and environmental impacts globally – has been the global COVID-19 pandemic. The global economic output has shrunk, leading to massive levels of unemployment and political debates and tensions globally. Wave after wave of the pandemic has forced politicians, public, and business leaders to rethink work and employment and employees to redefine the nature and meaning of work. It is beyond the scope of this chapter to expand on a myriad of interrelationships between different actors in the system as the levels of analysis and the interdependencies between different stakeholder groups are complex. Nevertheless, it is fair to say that managing people during a global pandemic environment has brought unprecedented challenges to all aspects of any organization – governmental, social, or commercial – and the human resource management function is no exception. The impacts are at a macro-, meso-, and individual level. For example, from a macroeconomic, technological, and policy perspective, leaders have hastened to offer economic packages to reduce direct and adverse impacts of unemployment, business closures, and declining international trade revenues (Butler et al. 2020) and making concomitant changes to the internet technology infrastructure for citizens to balance work and life demands

from a remote home-based setting (Cho 2020). This has resulted in the active emergence of welfare states, at least for the near foreseeable future (Spies-Butcher 2020). Also, from a macro-social and meso-organizational health dimension perspective, high levels of work-family conflict and tensions for balancing multiple roles such as work life, domestic life, and home-based learning or schooling in an isolated environment have led to a range of mental health well-being issues (Carnevale and Hatak 2020). Not only the scale of this is unprecedented, but the speed at which this happened triggered a negative cycle of well-being domino effect for different members of one's social networks, including the family.

At a national and global political level, inconsistent and incoherent messages and an opaqueness of the scale of the problem, coupled with deepfakes and conspiracy theories, collectively have created a general sense of distrust in societies, including some of the most powerful economies of the world. Indeed, there are geopolitical reasons to believe that changes are on the anvil for reversing or reducing the reliance of multinational enterprises (MNEs) and the global value chains by adopting reshoring and nearshoring strategies with an increased focus on self-reliance, localized production, and supply chain networks are being incentivized by several advanced and emerging market economies (Verbeke 2020). Others have noted that MNEs are reinventing their global business models to become more responsive and agile to the changes expected in the wake of the current business environment (Caligiuri et al. 2020).

The Role of HRM Practices During a Crisis

What becomes clear from the above two significant crises is that while any major crisis imposes limits on menu choices, there is nevertheless scope for expanding these choices by the exercise of human agency, particularly resolute leadership and moral choices, as well as by including ideas and agentic resources of people who are at the coalface of the problem. Moreover, by acknowledging that not all answers lie with leaders, significant inroads can be paved in coming up with workable solutions for sustaining and minimizing the impacts of the crisis.

Critical Reflections

Cultural, institutional, and value differences may well explain alternate paths leaders may embark upon to balance their businesses' economic interests with employee interests. For example, while offshore outsourcing was a business interest that led managers to navigate through and negotiate with key stakeholders to commit to the offshore outsourcing decision, evidence from the literature suggests that several offshore service providers also went under, following the GFC. Raising the threshold and baseline of *equity* and *voice* is an excellent place to start if one balances it efficiently. Through international and national platforms and strengthening the moral intensity of managers and leaders, we might lead them to explore innovative and developmental human agency paths rather than succumbing to conformist pressures.

Illustrations and Skills Sandpit

The examples from the GFC, Christchurch earthquake disasters, bushfires, and several other natural and human-engineered disasters have time and again proven that humans are resilient and capable of adaptation and change and have in many instances been able to minimize the impact of and in some cases even turn the course of the tide around. Such significant events often require collaboration and cooperation between the affected parties. Adopting a competitive model might not be the best way forward.

Conclusion

This final chapter highlights the central role of several HRM practices in managing people and organizations during a crisis through the exercise of developmental and innovative use of human agency. First, learning and development can support agile and flexible leaders who are willing to challenge the status quo and navigate or renegotiate opportunities with the dominant coalition of stakeholders. While this approach is evident in several contexts, the path taken is not easy and requires courage. It does, however, offer some hope for people and organizations in the wake of adversity. In the highly turbulent and disruptive world that we live in today, there is hope, and we need to rethink and institute processes, which, in the first place, prevent such crises from occurring. Second, we must think of a cooperative and collaborative rather than competitive approach to HRM. Firms and people in firms must be viewed as collectives of capacities and capabilities. Potential collaborators from both within and between a network of firms must come together to fully deal with the excesses imposed by natural and human-engineered crises. Third, being mindful of resources that go against the spirit of cooperation and collaboration, efforts must be made to make people aware of the unimaginable harm their neglect and deliberate actions might cause. This might sound like performing the first task of change and require a special kind of cognition and action to deal with such significant events. People will need to engage in emancipatory learning frames to develop novel solutions to what is becoming a pervasive problem.

Chapter Questions

- Q1. Which aspect of human agency is most conducive to managing people in times of a crisis? Discuss with examples.
- Q2. What are the nature of differences on people and in HRM practices between the GFC and COVID-19 pandemic?

Concept Integration with Cases and Learning Activities

The case study by Tasoulis and Progoulaki entitled *crisis, internationalization and HRM in Project-based organizations: The tale of SOFMAN* covers a number of the above aspects on managing in a postcrisis context. The second edition of this text has a case on COVID-19 with evidence from India. The case study by Desai and Agarwal entitled *Children of God: Corona Warriors* brings to life some of the major challenges faced by India as it battled through the first wave of the COVID-19 crisis. The case examines the leadership style of the main protagonist in the case and the importance of feedback.

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Artificial Intelligence, Employee Engagement, Experience, and HRM

Ashish Malik, Praveena Thevisuthan,
and Thedushika De Sliva

Key Learning Outcomes

At the end of this chapter, you should be able to:

- Identify the key terms associated with digitalization in HRM
- Explain the evolution of various digital transformations in the field of HRM
- Explain the role of AI in transforming the digitalization of HRM functions
- Identify how employee experience can be transformed during the employment life cycle through a range of AI-enabled HR applications
- Examine the issues and challenges in adopting AI in HRM functions
- Critically evaluate how ethical, moral, and legal suits ensure safe, fair, and transparent AI-enabled applications in HRM
- Discuss the skills and competencies needed by HR professionals in engaging with AI in organizations

Introduction

Managing human resource management (HRM) activities that underpin people and system-level performance in an efficient and effective way has been a key focus of the field of HRM (Boxall and Purcell 2011). This focus leads organizations to rethink and reimagine system of HRM design and implementation for improved performance and efficiency whether it is through efficient processes or through the adoption of disruptive technological innovations, including building on existing human resource information systems (HRIS) and traditional HRM systems to automate processes and adopt artificial intelligence (AI) applications. Indeed, AI and

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other advanced technologies such as blockchain, Internet of Things, and big data have the power to extract insights about people as well as connect employees globally and leverage vast data points for generating deeper insights and reports about people and people management practices. The current adoption of AI and related technologies handle and store vast HR databases that organizations can leverage for effective HRM-related decisions and problem-solving.

This chapter explores the evolution of various phases of electronic and digital forms of HRM, leading to a slow but steady adoption of AI-enabled applications in various subfunctional HRM domains. First, this chapter provides a descriptive narrative of the critical trends leading to the use of AI in the discipline and practice of HRM. Second, this chapter identifies the critical features of these emerging technologies that are evidenced in AI-enabled HRM applications, which often form a part of a digitalized HR ecosystem. Third, it will explore how HRM functions are evolving through the use of such AI applications. Fourth, the chapter highlights the new skills and competencies required by HRM practitioners and employees in engaging with AI applications at the workplace. Finally, this chapter outlines the key challenges, skills, and competencies needed by current and future HR professionals through the above areas.

Digitalization of HRM

Adoption of advanced information and communication technologies plays a significant role in transforming traditional forms of HRM into digitalized HRM offerings. Notably, the term *digitalization* of HRM refers to designing and transforming HRM activities to be automated using various technological tools and software whereby smooth HRM functions can be carried out to achieve optimal business and HR outcomes. This digitalization of HRM is also termed e-HRM or online HRM. Artificial intelligence (AI), on the other hand, is another form of advanced technology where its adoption and application is rapidly increasing in organizations, locally and globally. AI means a system containing a set of technologies that permits computers to automatically perceive, understand, and learn from experience and perform tasks that generally need human cognition to improve the efficiency of daily tasks.

The concept of digital HRM evolved some decades ago. Figure 1 illustrates how technological changes have been evolved and adopted into the HRM field at various phases during different time frames. In the legislative era, organizations were pushed to realize the need to adopt technologies into HRM, as the primary purpose was to reduce cost and increase productivity at that time. Simple technologies for record-keeping were adopted in this era. Subsequently, from 1980 to 1990, the computerized HRIS has been evolved where the technologies were used for complex analytical processes. In the 1990s, integrated computerized systems were used. Since 2000, drastic technological changes have been introduced into HRM, more than ever expected. This era attracted more researchers and practitioners of AI, and they posit how AI can solve business problems. As a result, the concept of HR 4.0 has emerged. Moreover, AI tools such as people analytics or human resource people analytics or HR can also help managers to make better decisions for their employees.

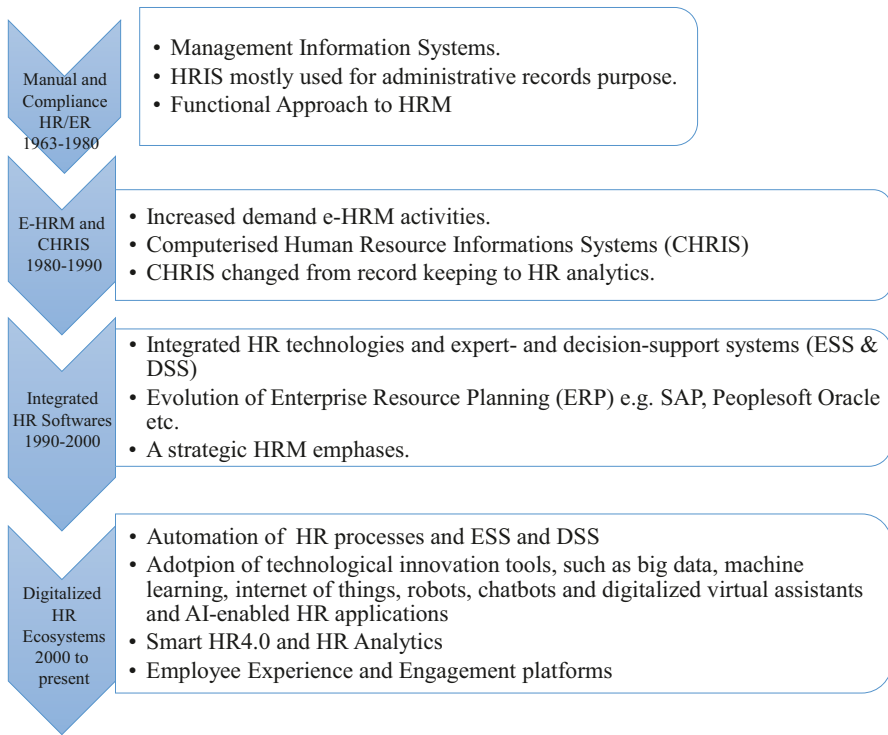


Fig. 1 Evolution phases of technological adoption in HRM. (Source: Authors' compilation with adaptations from Bhuiyan et al. 2014 and Malik et al. 2020c)

The Role of AI in HRM Functions

It is not surprising to see that organizations are enjoying greater benefits by adopting AI into their HRM ecosystem. AI can help influence organizations reach, identify, attract, and select the best candidates and develop employees with much ease and greater speeds. The experience of using such applications has also been linked to reducing employee turnover at the workplace (Malik et al. 2021). Notably, such expert systems are considered valuable tools to support human resource operations. We discuss below how AI influences the primary HR functions, such as recruitment and selection, training and development, performance management, and rewards and remuneration in an organization.

Recruitment and Selection

The recruiting process was largely an analogous process until the mid-1980s. Following this period, *Digital Recruiting 1.0* emerged and continued to evolve in the form of digital boards, such as [Monster.com](https://www.monster.com), which collated and offered descriptions of jobs to thousands of prospective employees at minimal cost, cutting the

manual process and postal and shipping costs. After 10 years, *Digital Recruitment 2.0* evolved, which aggregated jobs across multiple individual job boards. For example, *Indeed* emerged, which aids candidates to access all the unique jobs easily at a single one platform. Other forms of digital recruitment boards appeared in professional network platforms such as *LinkedIn* that was launched in 2003 that helped connect people, form professional networks, and exchange information. Following *Digital Recruiting 2.0*, from 2010 to 2015, *Digital Recruiting 3.0* emerged (see Black and Van Esch (2020) for greater details).

More organizations now welcome AI tools and algorithms into their recruitment and selection process. This is because AI can access data and make decisions at speed and can handle large volumes of information in very short times and far exceeds human capacity to process vast amounts of complex individual and job-specific data (Torres and Mejia 2017). Mainly, AI tools have the potential to assist HR professionals in identifying, screening, assessing, interviewing, and coordinating with job candidates more effectively (Black and van Esch 2020). For example, the traditional face-to-face interview methods have now changed to real-time, Internet-based interviewing platforms that progress and select the most qualified candidates to the next stage of their employment life cycle (Torres and Mejia 2017). Another example of AI application platforms in HRM is evidenced in *Industry 4.0* advertisements, which use the text mining approach to drill out new job profiles (Pejic-Bach et al. 2020). AI algorithms allow HR professionals to identify suitable profiles for job vacancies, eliminating cognitive biases of race, gender, and sexual orientation that involve human judgment in recruiting activities (Maity 2019; Torres and Mejia 2017).

Despite the benefits of e-recruitment, organizations need to focus on how effectively they can utilize AI tools in recruiting. One crucial fact is that AI-enabled recruitment incurred a great cost. Thus, organizations need to have a proper cost-benefit analysis of e-recruitment. Moreover, past studies prove that attitudes toward the use of IT in the organization's recruitment process significantly impact the potential candidates to complete the application process. Thus, it is argued that organizations need to promote their use of AI in the recruitment and selection process and give attention on potential candidates that already have positive opinions of both the organization and AI (Van Esch et al. 2019).

Training and Development

More recently, AI has been bringing more opportunities in employee training and development in organizations (Klinga 2020). Precisely, AI assists in defining training needs based on performance ratings, trainee characteristics, and identified gaps; identifying the learner's preferred technique and style of learning, including interpretation of trainee characteristics; and recognizing trainer characteristics (training style, personality type, knowledge on the subject matter, professional experience, etc.) (Maity 2019; Klinga 2020). Moreover, AI helps determining the duration, frequency, pace, and mode of delivery for the training program; eliminating human

biases in the employee nomination and selection process for training programs; and measuring the transfer of training from time to time, using performance parameters (Maity 2019). AI could also assist in measuring the key indicators of learner performance and personal development of the trainee using relevant factors; organizing training programs in a year to ensure maximum participation from the expected audience; making the training program more learner-centric and personalized to ensure employees benefit more from the programs; and enhancing knowledge sharing and collaborations among employees (George and Thomas 2019; Maity 2019; Carton 2020). Moreover, expert systems could help in making decisions about required training terms for employees, with respect to their characteristics, and providing a clear image of the working environment and employees' prospective careers (Saidi Mehrabad and Fathian Brojeny 2007).

AI provides vast opportunities for employees as well. AI systems help poor performing employees identify their training needs and complete the required courses. Virtual training can be available 24 h a day (Bussler and Davis 2002). AI tools also assist employees in making decisions, e.g., IBM's Watson. Furthermore, AI helps to enhance the "mass personalization" in training and development. This is because, based on individual performances, AI can identify trainees' needs and provide customized training solutions to the needs of employees. This provides an opportunity for the employee as a "virtual personal mentor," who is responsible for the needs assessment, program planning, and performance monitoring of the employee (George and Thomas 2019; Maity 2019).

Although AI provides more opportunities in training and development, there are still some challenges that need to be addressed. For example, the major challenge for using AI in training and development is how to effectively communicate training feedback and link it to performance, training transfer, trainee characteristics, and trainer profile, in order to make sure the training process of needs identification and consequent designing of training programs are more tailored, engaging, and transfer-effective (Maity 2019; Carton 2020). Thus, organizations need to prepare themselves to fix these issues.

Pay, Compensation, and Employee Benefits

Automation has transformed every workflow of organizations. For example, automation in payroll systems supports HR professionals in efficiently handling all HR payroll and related activities and calculating and determining the salary parameters of employees for their jobs (Saidi Mehrabad and Fathian Brojeny 2007). Microsoft has claimed it could save more than \$1 million per year due to the automation of the payroll systems. This saving happened because most of the printing and postal costs of salary particulars were avoided (Bussler and Davis 2002). Moreover, the skill supply and demand gap obtained from the databases helps determine an organization's compensation and benefits structure (Sivathanu and Pillai 2018). AI systems including expert systems also assist managers and experts in collecting the most pertinent information about required employees' compensation and benefits

systems and making decision about job evaluation (Lawler and Elliot 1996). Specifically, neuro-fuzzy inference system helps to design objective compensation system and serves as a benchmark during annual salary assessment. Moreover, the AI algorithms also help in decision-making relating to upgrading, maintaining, and downgrading the salary grade (Escolar-Jimenez et al. 2019).

Performance Management

AI can help to maximize human capital and maximize talent. Many organizations are moving toward AI-enabled PMSs such as online performance appraisal, as advanced technologies yield a desired employee output behavior such as reducing bias and minor complaints and conflicts in the workplace (Manoharan et al. 2011). AI assists organizations to track employee competencies and by providing the manager with advice on an employee's further improvement or coaching using data mining techniques (Strohmeier and Piazza 2013). It can also alert the supervisor to identify the need for further training and development within departments. These PMSs allow numerous locations to manage consistently across operations (Bussler and Davis 2002). AI tools also can set up performance targets for each employee instead of setting the same goals for the same group of employees.

Moreover, AI can provide continuous feedback rather than just a once-in-a-year procedure. AI makes employee promotions based on actual contributions of the employees measured against KPIs instead of only considering seniority in organizations (Sivathanu and Pillai 2018). Furthermore, AI tools help identify low performers quickly based on their past performance and training outcomes rather than a supervisor's bias. Thus, AI can provide performance improvement programs automatically tailored to each individual's skill gaps (see Sivathanu and Pillai 2018).

As the result of the advanced technologies, we can now observe that the employees' performance is measured using digital platforms and advanced technologies. Particularly, gig workers and their performance are highly monitored and evaluated by advanced technologies (Malik et al. 2020b), such as in the case of Uber, Amazon, or Instagram employees. Although intelligence technologies transform the PMSs, how effectively they impact employees, business processes, and performance needs to be assessed carefully. Thus, human involvement is always needed when providing feedback and communicating with employees. Organizations also need to disclose in a transparent manner how PM has been undertaken and utilized in organizations.

Application Examples of the Use of AI-Enabled HR Applications for Employee Experience (EX)

Major technological changes and adoption of disruptive technologies, such as artificial intelligence, IoT, big data, and blockchain technologies to the domain of HRM practices, are increasingly gaining scholarly attention (Malik et al. 2020a, b, c).

Adopting digital and AI-enabled HR applications is increasingly evident in managing many organizations across the world. With these applications, it is more conducive to utilize HR analytics to inform HR decisions concerning managing an employee's employment life cycle. AI-enabled applications deployed in the recruitment and selection process can provide several opportunities to evaluate potential candidates' attributes, knowledge, and competencies that match the organizational core values and offer work simulations for evaluations. Proposing an algorithm-based approach for automatic matching job offers and candidates, Martinez-Gil et al. (2020) highlighted several benefits, such as reduced effort (time and cost), offering feedback to nonselected candidates, and elimination of the need for HR managers to have specific knowledge in selecting candidates for various job positions in different professional domains.

Similarly, the emerging nature of scholarship provides evidence of adopting AI-enabled applications in the other areas of the employment life cycle, such as socialization, training, coaching, development, performance management, reward management, and tracking an employee's progress until off-boarding. For example, Malik et al.'s (2020b) study of deploying AI-enabled HR applications in several HR services within an MNE's global network of subsidiaries resulted in HR cost-effectiveness and improved positive employee experience through a range of personalized, hyper-personalized, and individualized HR service experiences. More recent work has examined the role of AI service quality in employees' satisfaction with AI applications and employee's job satisfaction (Nguyen and Malik 2021).

It has transformed the unitary approach of managing the entire workforce into a more integrated and personalized approach, taking HR analytics into account for decision-making on all aspects of an employee's employment life cycle. Moreover, it engenders on "do-it-yourself" or "employee self-service" to learn and grow, as Barney (2018) emphasized on AI-enabled calibrated coaching that allows an employee to complete a short online assessment and schedule a set of learning recommendations of his/her own to adjust for required behaviors against his/her current skill levels. Another example from a famous e-retailer, Zalando, has developed a crowdsourced real-time tool for performance management, capable of providing real-time employee feedback from multiple touchpoints. In a similar vein, Kiron and Spindel (2019) featured IBM's journey of transformation of talent and performance management system where they developed a mobile application (ACE app) for employees to have frequent check-ins to fulfil coaching needs, evaluations, and appreciation from their managers and seek feedback from their peers. The new system was recognized as the apparent difference in the IBM's employees' annual employee engagement survey. Also, IBM uses algorithms to advise employees on what training would suit them and facilitate career advancement by suggesting career movements and new opportunities (Rosenbaum 2019).

Employee Experience (EX) for Sustained Employee Engagement

Firms must design for their employees long-term and impactful AI applications and platforms for enhancing their work commitment, job satisfaction, and overall EX using novel EX platforms as part of its digitalized HR ecosystem (Bersin et al. 2017; IBM and Globoforce 2016; Maylett and Wride 2017; Morgan 2017; Plaskoff 2017). EX differs commonly understood employee engagement approaches (Kahn 1990; Macey and Schneider 2008; Saks and Gruman 2014). It has been argued that EX is now a key antecedent for employee engagement (Yohn 2016; Plaskoff 2017; Shenoy and Uchil 2018). This can be achieved by using a plethora of diverse digitalized AI-enabled and other technology platforms by firms to create diverse touch-points as part of an employee's life cycle to deliver high levels of EX (Bersin et al. 2017; IBM and Globoforce 2016).

These technologies promote HR functions' cost-effectiveness and efficiencies while allowing HR managers and planners to do their role best especially exercising their human cognition and judgment to make the best selections or decisions from various alternatives with a reduced bias (Wilson and Daugherty 2018). AI-enabled HR applications aid decision-making through data mining, pattern recognition, aggregations, and clustering based on the context efficiently; as such it allows HR practitioners to manage a diverse geographically dispersed workforce and track their critical movements and utilizations rates within their employment life cycle (see Malik et al. (2021)). For example, an AI-driven platform allows HR managers to identify top performers by aggregating feedback data and to decide which percentage (e.g., best 8%–12%) is considered to be in the talent pool (Ewenstein et al. 2016).

For creating business value through AI-enabled HR applications, it is necessary to invest in the required IT infrastructure and train employees to gain optimum use of AI in managing their duties at work (Canhoto and Clear 2020). Effective implementation of AI-driven technologies in HR functions has paved the way to overall productivity gains and operational efficiencies. It integrates knowledge rest in every aspect of the business to make optimal operational and strategic decisions in organizing work and managing human capital that would yield mutual benefits for both employees and organizations.

Critical Reflections

Despite the benefits and advantages rendered by AI and technologies, it is vital to consider how the design and deployment of these technologies affect employees, their outcomes, and jobs, to what extent it is safe to use the technologies, how the personal privacy of employees is breached, and how organizations and parties misuse employees' data. Thus, there is a need for some rules, regulations, ethics, and moral principles that directly inform the design and implementation of these technologies and control how these technological applications may affect stakeholders of organizations, mainly employees.

Ethics in AI is the code of moral conduct that includes values, rules, principles, and guidelines that define right and wrong when designing and deploying AI and other related technologies. Generally, the main purpose of ethics in AI is to protect and maintain personal integrity and human dignity, to ensure that the rights of the weakest in society are protected and to minimize possible inequalities caused by the advancement of technologies such as robotics. Scholars argue that the increasing use of service robots will lead to ethical and societal challenges such as maintaining privacy and security risks in robot development and handling dehumanization and social deprivation. It is also argued that the increased use of that technology in the workplace will create significant employment challenges and increasing inequality and negative societal consequences (see Wirtz et al. 2018). Thus, to avoid the ethical issues in the workplace, organizations need to give more attention to developing ethical values and principles that guide acceptable norms and be safe, fair, transparent, and accountable for every stakeholder in the organization.

In addition to ethics issues in AI, organizations also need to ensure the morality of AI-enabled HRM applications. Thus, the organizations guarantee that the data accessed via HRIS or e-HRM, containing vital information, such as Social Security numbers, payroll data, performance history, medical history, and EEO, must be well-protected by an organization. With increased hacking and potential misuse due to biases, there is a high possibility for information alteration and corruption that may occur through a disgruntled employee or by someone who has not received sufficient training in the use of HRIS, or perhaps even unintentionally. Thus, it is the sole responsibility of organizations to design and place proper privacy and security policy in the workplace. On the other hand, organizations should also consider determining the impact of such policies on all stakeholders; assessing and updating policies according to the organizational change; distributing revised policies to all parties; and ensuring that third parties are also aware of security policies. Beyond the manual procedure to ensure morality in the workplace, the morality of AI applications also aids designers and users in ensuring ethical behavior in the organization (see Zafar (2013)). It is also vital for organizations to carefully follow legal regulations related to technology use and information security to protect individual personally identifiable information (PII). For example, in the USA, the National Institute of Standards and Technology (NIST) provides guidelines for PII protection, including name, Social Security number, facial image, and handwriting (Oswald et al. 2020).

Illustrations and Skills Sandpit

The examples from IBM, General Electric, Google, Zalando, and many other large MNEs illustrate various applications of AI-driven platforms and algorithm-driven applications adopted to manage a range of HR functions in elevating employee experience and overall productivity and efficiencies across various levels in firms. While such intelligent-based technologies bring flexibility and efficiency and deliver personalized HR services in human resource management, many issues

remain to be resolved through a careful examination of the nature of the context and work in organizations. For example, one issue is the reliance on the recommendations made by AI-enabled HR decision tools which could be biased as the predictive power of algorithms runs on large majority data features (e.g., white or black) (Spielkamp 2017); hence such unfairness and injustice would dishearten the minority in a diverse workforce. For example, Amazon immediately stopped using its hiring system as they found the hiring algorithm giving high scores to white males and only a few females were getting hired as the historical job performance data (the majority were the white males) were fed into the system (Meyer 2018). Another issue at the individual level arises from the lack of interactions between employees and the organizations, isolations (Stone et al. 2015), perceived feeling of control due to performance tracking (Abraham et al. 2019), and issues related to trust in social exchange and information sharing through AI-enabled applications (Glikson and Woolley 2020).

To minimize these issues, organizations should carefully determine the levels of tasks and extent of utilization of AI-driven technologies in HR, use custom-built AI solutions concerning a particular firm's workforce analytics, and involve HR managers and employees in the loop in the decision-making process while gaining the optimal use of AI technologies. To ensure proper human-AI configurations at work, HR professionals should encourage employees to improve their tech skills, such as build *tech-savviness*, *digital literacy*, and *fusions skills* for effectively working in the human-AI interplay at work (Wilson and Daugherty 2018). AI digital literacy at work will help employees use AI-enabled HR services more effectively. HR professionals should also need to configure their analytical skills using AI-driven tools with their human judgment and intuition to balance objective data-driven decisions and subjective context-specific evaluations in managing the workforce effectively.

Conclusion

Organizations are rapidly adopting new emerging technologies, including AI, to reduce a significant cost and enhance employee and business outcomes in their HRM activities. There is no doubt that AI brings vast, new opportunities and innovations into the field of HRM. Considering HRM functions, specific areas of HRM function in the employment life cycle, for example, predictions on human resource planning via AI-enabled HR analytics, personalized coaching on employee career development, personalized recommendation for training, and upskilling evidenced in business organizations. As a result, new opportunities and challenges have emerged that require HR practitioners and employees to reconsider their approaches, skills, and way of organizing work to cope with new technological changes. Moreover, organizations need to focus on ethics and morality in AI and legal suits, thus generally governing the issues raised by the design and implementation of the technologies.

Glossary

<i>Digitalization of HRM</i>	refers to the process of designing and transforming HRM activities to be automated using various technological tools and software, whereby smooth HRM functions can be carried out to achieve optimal business and HR outcomes.
<i>Artificial intelligence (AI)</i>	simply means a system containing a set of technologies that permits a computer to automatically perceive, understand, and learn from experience and perform tasks that generally need human cognition to improve the efficiency of daily tasks.
<i>Employment life cycle</i>	is the entire life cycle of an employee from recruitment until withdrawal. The major areas of the employment cycle are recruitment, onboarding, development, retention, and separation.
<i>HR analytics</i>	involves statistical analysis and visualization capability of HR data related to HR processes for data-driven decision-making enabled by various forms of informational technology.
<i>Ethics in AI</i>	are the code of moral conduct that includes values, rules, principles, and guidelines that define right and wrong when designing and deploying AI and other related technologies.

Chapter Questions

1. How did the concept of digitalization evolve in the field of HRM? Explain.
2. “AI is a key to achieving HR efficiencies.” Do you agree with this statement? Explain how AI in this regard assists each HR function in organizations.
3. Discuss the benefits and challenges of adopting an AI-enabled application for a selected HR function?
4. Assuming you are an HR manager, what are the resources and skills you need to transform traditional HR services into AI-enabled HR services? Identify.
5. Why do organizations need to consider ethics, morality, and legal regulations at first when they adopt and implement AI at the workplace? Critically evaluate.

Learning Activity

ABC Company is a medium-scale organization that has transformed its HRM operations from an analogue cataloging method of recording employee details to an integrated digitalized form. As a result, it would like to also digitalize its subfunctional areas in HRM, such as recruitment and selection, onboarding, performance management, pay and compensations, and training and development. This company

is now able to assess the feasibility of the new technological changes in HRM functions. Imagine you are an HR manager of ABC Company:

1. Critically evaluate both merits and demerits of adopting new technologies into HR activities.
2. Before adopting technological changes at the workplace, what are the expected ethical, moral, and legal concerns this company needs to focus on? Next, discuss how can it overcome these issues.
3. Do you think that introducing advanced technologies into HRM in ABC Company will always make employees happy and satisfied? Discuss your answer with practical examples.

Additional Case Study

You may now like to read the case study entitled ***How AI can Reduce Bias in Recruiting*** by Roberta Pinna and Gianfranco Cicotto and answer the questions that follow.

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Part III

Cases



Case 1: To Cyber-vet or Not to Cyber-vet: An Ethics Question for HRM

Peter Holland and Debora Jeske

New Information Challenges

The rapid change in technology which is the hallmark of the workplace in the twenty-first century has given rise to unique challenges to Human Resource (HR) Management, not least in the frontline interaction with the outside world such as recruitment and selection. Applicant vetting may go beyond a reference check as technology now gives professionals access to much more information than ever before. For example, as prospective employees as well as applicants often have both personal and professional social network accounts, HR practice has to be expanded from what is possible to what is ethically and morally appropriate – especially when the law is one step behind these rapid changes. In other words, the amount and accuracy of the information that is submitted for the position by applicants is not the main issue anymore. An important concern regards the extent to which HR professionals and other individuals involved in recruitment and selection seek out information online to obtain further information via means (such as websites and social media) that cross both legitimate and ethical boundaries. The following overview and learning exercise provides an opportunity for students to learn and reflect on these issues. We conclude the sections with two lists, one for references cited in the overview and another that includes additional reading suggestions.

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Ethics Guidelines and Professional Integrity

The capacity of Human Resource Information Systems (HRIS) and online tools to gather information on prospective candidates for employment has increased dramatically, in part due to the greater connectedness of databases as well as people's engagement with social media and online platforms. Worryingly, technological affordances have come to dominate certain information gathering processes. These developments have the potential to move the focus on gathering data to what is possible rather than validated. New tools such as search engines and interconnected databases make it even easier to retrieve personal information about applicants. This then creates a conundrum where, in the search for more data, legally defensible ethical practice may be side-lined. How to navigate this potentially treacherous path towards information has become an ethical dilemma and new challenge for HRM professionals. The key therefore is to consider the moral ambiguity that may further perpetuate the situation of having so much (not necessarily validated) information at one's finger tips. Moral ambiguity refers to a situation where no moral or legal frameworks can be delineated, and individuals are left to decide what is appropriate based on their own moral values and prior experience with such situations. In this vacuum managers may adopt a number of different moral standpoints on what is and is not acceptable practice when seeking information, specifically in recruitment and selection. Two different perspectives might therefore influence which decisions HR professionals will make when facing this information challenge. Taking a consequentialist or utilitarian perspective, it could be argued that the establishment of a holistic framework would be best practice, acknowledging that potentially problematic processes (from a legal or ethical perspective on cyber-vetting) will uncover a varied list of contextual as well as clear information about the candidate. The assumption here is that all contextual factors which have no relevance to the job should be ignored so as to minimise harm to the decision-making approach, while relevant information should be considered to increase the likelihood of recruiting the best candidate for the job. Equally, many organisations are concerned about corporate social responsibility and the on-going 'organisational fit' of the candidate. It is increasingly difficult to determine now what the relevant future skills are for the job, in an increasingly dynamic environment (noting one in five jobs today did not exist 15 years ago). This makes it even more challenging to draw a line between what kind of (social media) activity and information are relevant to the role itself and a successful appointment.

From a deontological perspective, HR professionals will often focus on their obligation and responsibility for the employing organisation. This perspective draws on the work by Immanuel Kant, specifically his respect-for-persons principle. Here, this principle and notions are applied to organisations. The idea here is that an organisation 'must treat its stakeholders as rational beings with a right to pursue their own interests without undue interference' (Greenwood and de Cieri 2005, p. 5). Professionals holding this view ensure that the candidate is the right fit for the

organisation, arguing that it is appropriate to collect and explore all information readily available. An argument supporting this would be the fact that the candidate would put information on the Internet knowing that it may be viewed in a public forum. This argument is often used as a defence for utilising such information (Hedenus and Backman 2016), for example, professional websites such as LinkedIn. In gathering and using this type of information, the applicants' right to privacy may be infringed as well as this information (which may not be accurate) can influence the decision-making process – it can be difficult for a third party to identify the veracity of all information in this medium. This perspective then, while well intentioned, can be undermined by the questionable accuracy of information. These two perspectives exemplify the importance of a clear framework for HR professionals and managers. The reliance on 'good judgement' alone leaves HR managers vulnerable when dealing with these complex, dynamic and varied issues on their own. Debating behavioural integrity and morals without guidance is not a desirable situation from a professional, ethical and, increasingly, a legal perspective. The absence of such guidelines moreover shows that decision-makers within an organisation are not fully aware of the complexities HR professionals face in their role and the often (enticing but potentially unethical) opportunities afforded by social media and other technologies. Only in the presence of clear guidance will HR and managers be able to make effective, defensible and valid decisions.

Addressing the Challenge

It is clear therefore these issues have several legal, ethical and moral implications (see Berkelaar and Buzzanell 2014). An important way forward in addressing the challenge is to develop a code of conduct that helps guide HR professionals in times of uncertainty. This code of conduct should be linked to clear standards in HR practice and serve as a beacon for good managerial practice and appropriate staff training.

So What Is a Code of Conduct?

Codes of conduct are basically a set of ethical and/or professional guidelines and recommendations that reduce the reliance on individual judgement and morals. In its simplest form, codes of conduct are policies that stipulate acceptable standards of behaviour by employees at work and when representing their organisation. It can also relate to a set of professional standards or practices that guide management decision-making. The code of conduct provides rules and boundaries that all employees are guided by (including management) and that employers can refer to for appropriate or accepted ethical, professional or disciplinary behaviours.

Value of Codes of Conduct to Organisations and Employees

A well-structured and thought-through code of conduct can provide a fair, consistent and valuable signal to all in the organisation (employers and employees) of the core values of an organisation as well as what is considered acceptable practice. Codes of conduct also provide clear reference frameworks when the organisation is facing a difficult a decision. It can also provide the foundation for a decision above and beyond stakeholder (public) pressure. An example of this was the high-profile enactment of a code of conduct with the termination of the BBC presenter Jeremy Clarkson for verbally and physically abusing another colleague at work. In this particular case, Clarkson was sacked because he had clearly breached the code of conduct. It is clear therefore that a code of conduct needs to be ethical and underpinned by integrity and, as this high-profile case illustrates, provide clear and fair guidelines for behaviour and on how decision-making should be undertaken in the workplace. In such a context you would not expect such policies to breach employment law.

Recommendations

Professional bodies such as the Society for Human Resource Management have produced guidance on social media policy which may be an important element of codes for conduct in this emerging area of work. If you are looking to develop a set of quality codes of conduct, you may wish to consider this existing guidance. However, here are a number of additional suggestions when you are tasked with developing a code for conduct. Firstly, identify and involve all stakeholders, especially employees, in the process. HR experts and employment lawyers are appropriate and knowledgeable authorities that need to be consulted and should sign off on any guidance produced. Secondly, link the code of conduct to training. While code of conducts may exist, few of these are actually linked to induction training upon hiring or promotion. Education is key. The mere existence of social media policies is unlikely to be effective (Pallarito 2014; Roberts and Sambrook 2014). These concerns are only fostered when we review evidence about the lack of guidance within organisations. For example, the Society of Human Resource Management reported that over 40% of respondents in surveys conducted in 2013 had no formal or informal policy on applicant screening. However, even training is unlikely to reduce discriminatory practices if the training is not complemented by good management practice and open discussion around inclusion versus discrimination. Having organisational resources to educate employees and managers is an important additional step, especially for HR professionals advising staff (useful resources include the work by Appel 2015). Thirdly, review and update this code on a regular basis, and involve all stakeholders in the revision. Technology is continuously evolving, and so are the possibilities (e.g. for cyber-vetting) for ethical pitfalls (see Smith 2016).

Learning Exercise

Consider the following background scenario: You are the incoming HR manager for a new retail organisation. You are tasked with recruiting a new store-based sales team that will interact face-to-face with a diverse set of customers. In addition, the new team members will also use a store-specific social media account to respond to queries from customers. In line with these developments, you have to develop a code of conduct to prepare for the upcoming recruitment and selection processes. Here are the specifics: The code for conduct has to cover aspects relevant to recruitment and selection. The code has to be relevant to everyday use of social media at work – not just by HR professionals but also line managers. And finally, the code has to be written so it is readily accessible and understandable to all current and new employees, but also potentially new applicants (so it needs to be general enough to be informative for those who are not part of or familiar with the organisation).

In order to tackle this learning exercise, please consider the following steps. First, search for existing guidance and code of conduct examples provided by organisations to get a sense of how social media codes of conduct may vary in style and content. You may also wish to consider what inspired these codes of conduct (as they are often the result of previous social media disasters; see Cotton-on in Australia (Holland 2015) and Sainsbury's in the UK). Second, together with your colleagues, review these examples of code of conducts, identifying the strengths and weaknesses of each. Third, outline the key criteria you think may be relevant for the new code of conduct. Pay particular attention to the use of and access to information on social media.

Additional Considerations in Your Design of the Code and Policy May Include Seeking Answers to the Following Questions

1. Does the policy and code of conduct state who will have to comply with it?
2. Does the policy provide clear guidance on what happens if an employee violates the code of conduct?
3. Does it make reference to data security practice and how and where the data is securely stored?
4. Does the code suggest how long data is kept and who has access?
5. Is it clear what happens if an employee violates the policy?

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Case 2: Work-Life Balance in an MNE Context

Anne Bardoel

Introduction

Global work-life initiatives present unique challenges for HR departments in multinational enterprises (MNEs) because of the complexity of implementing policies that require sensitivity to local issues such as cultural traditions and legislation (e.g., Bardoel and De Cieri 2007; Scullion et al. 2007; Sumelius et al. 2008). However, discussion specific to work-life management in a global context is limited (e.g., Allen et al. 2010; Lewis et al. 2007). Amid unprecedented levels of global mergers, acquisitions, and international growth, the challenge for HR professionals working in multinational enterprises is to define a global work/life strategy that establishes shared guidelines while allowing for local differences. Although there are a number of common issues faced by working women and men and their families, a global work-life strategy needs to reflect a course of action that is appropriate to the local environment. According to Spinks (2003) an effective family-friendly strategy requires managers to be cognizant of a number of local factors that influence employees' work and personal lives. These factors include the culture and tradition, the role of key stakeholders, public policies, community resources and infrastructure, and workplace practices and demographics (Bardoel and De Cieri 2007).

Work-life management practices refer to those practices in organizations introduced to facilitate the integration of employees' work and non-work demands (McCarthy et al. 2010). Work-life policies include flexible working conditions,

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leave options (e.g., parental, adult care, bereavement, etc.), and child and dependent care (e.g., childcare centers, afterschool care support, etc.) (Smeaton et al. 2014). Various studies have also linked work-life practices to improved employee commitment (Muse et al. 2008; Richman et al. 2008), employee performance and organizational citizenship behavior (Lambert 2000; Muse et al. 2008), enhanced recruitment efforts (Christensen and Schneider 2010), better employee health and well-being (Grzywacz et al. 2008), and increased job satisfaction (Grandey et al. 2007; Muse et al. 2008).

Corporate promotion of work-life balance (WLB) has attracted interest globally because of the potential role of these efforts in fostering effective recruitment, retention, and productivity among employees (Christensen and Schneider 2010). From a strategic HRM perspective, WLB promotion among multinational enterprises (MNEs) can be understood using the tensions theoretical framework provided in Bardoel (2016). This case study provides an example of WLB efforts around lesbian, gay, bisexual, and transexual (LGBT) employees and uses the tensions framework to understand likely complexities and resolutions to those difficulties around LGBT issues. The tensions framework, as the name suggests, is designed to surface and respond to sources of conflict and contradiction. Applying that approach, LGBT issues provide an ideal topic given they have been and remain controversial. In the USA, major corporations moved from having a strong aversion to so much as discussing the topic to a strong public embrace of marriage equality for gays and lesbians in only two decades (Socarides 2015). Indeed, 199 of the Fortune 500 corporations in the USA achieved a perfect equity index rating from the Human Rights Campaign by 2017, with strong majorities of the Fortune 500 including “sexual orientation” and “gender identity” anti-discrimination policies, and half providing transgender health-care benefits, such as surgical procedures (Human Rights Campaign 2017). This movement stands in stark contrast to the absence of housing or employment protections for LGBT employees in the USA (Ibid.), suggesting that tensions remain. Many of the Fortune 500 are also MNEs, and IBM stands out as one that has diffused its WLB policies across its global operations (Hill et al. 2006), including its LGBT policies (Mahtani and Vernon 2010). Bardoel located relevant difficulties in an interview with a diversity manager working in Singapore for an anonymous IT MNE:

... [T]he gay, lesbian, bi-sexual and transgender constituency ... is also a group where we look into ensuring that the workplace is conducive for employees. So yes we have these challenges ... trying to introduce the same kind of initiatives that we have in the US... International Women’s Day is celebrated 8 March every year ... in all the countries we have posters put up, communication notes going out to employees But LGBT is not celebrated in the same way. In fact the posters are not put up in all locations, it’s definitely not in Malaysia or Indonesia because they’re Muslim countries (Bardoel 2016, p. 1697)

Bardoel (2016) places organizational tensions along three axes: strategic or policy vs. operational concerns, centralization vs. decentralization, and contextual or

institutional vs. organizational objectives and constraints. The quote above highlights each of these. As a strategic or policy objective, the MNE seeks to make the workplace inclusive of LGBT employees, but doing so explicitly with posters may interfere with day-to-day operations. Similarly, the MNE acted in a centralized fashion with the provision of the posters and expectation that they will appear in the workplace, while the manager acted in a decentralized fashion. Finally, the reason for the manager ignoring corporate policy lay in the Muslim context of employees living in Malaysia and Indonesia, and interference with religious beliefs and practices may be unwise. Indeed, the manager implies that the appearance of the posters would create conflict and perhaps reduce productivity and make the recruitment and retention of talented employees more difficult, which is counter to the overarching objective of WLB and LGBT programs and policies.

Behind the issue of the posters per se lie several related issues which are sources of organizational tensions. In the Asian operations, managers undoubtedly have LGBT employees, but if posters are not put up, the likelihood of LGBT employees feeling comfortable about coming out, much less using same-sex partner benefits in terms of health or retirement benefits, or benefits supporting sex-change procedures, is very low. And if those policies cannot be accessed, then any prospective benefits from these policies in terms of recruitment, retention, or productivity are lost (Eaton 2003). It might even be the case that operations would suffer if MNE LGBT policies, such as same-sex partner benefits, were known at all, again highlighting the tension between strategy or policies and operations. Further, this conflict calls up questions of centralization vs. decentralization, and particularly whether the manager feels comfortable informing higher-ups of the decision to keep the posters hidden or not put up at all, or ask that exceptions be included in corporate policy. Again, institutions and context come into play because the manager requires close knowledge of those in order to accurately assess the consequences of putting up the posters or informing employees of LGBT policies. Conflicts need not be limited to overseas operations. If the home nation of the MNE is the USA, there is likely to be conflict stemming from strong corporate support for LGBT employees in the USA opposing practices in overseas operations. For example, if the MNE has a practice of rotating promising young managers through various overseas assignments, should it place LGBT employees from the USA or Australia in a location where their sexual orientation or gender identity would undercut their authority and ability to function effectively? Again, the three axes of conflict are relevant (application is left to the reader).

Bardoel (2016) provides five types of organizational responses to tensions. These involve no recognition, opposition, spatial separation, temporal separation, and synthesis. The first, no recognition, is not strategic and may lead to contradictions surfacing in unexpected and unproductive ways. For example, if the manager does not feel comfortable informing headquarters that the LGBT posters are hidden in some workplaces, then headquarters cannot recognize that a problem exists. If a promising and out LGBT manager were to rotate through one of these

operations, he or she might be unpleasantly surprised by the likely negative reception he or she would receive. The second, opposition approach, is indeed strategic, as it involves explicit recognition of the tensions and a strategic decision to let sleeping dogs lie; in other words, sometimes the costs would outweigh the benefits of explicitly resolving a tension. In this case, the local manager would have informed headquarters that the posters are not consistently utilized, and headquarters might leave corporate policies in place while recognizing that they are not uniformly applied. Managers at headquarters might further either not rotate LGBT employees through operations where they would not be welcome, or at least inform them ahead of time of the local context. The third, spatial separation, involves strategically applying different policies to different locations depending upon context and institutions or, relatedly, separating local from corporate policies. In this case, corporate LGBT policy could either be written to include exceptions for local conditions or policy development, and metrics to measure success could be pushed down to the regional or local level; in the latter case, corporate policy might include support for LGBT employees as an objective, with methods for doing so determined at the local level, pressing regional managers to use their contextual and institutional knowledge to move forward where and in ways such that the benefits outweigh the costs. The fourth, temporal separation, involves taking time into account. For example, LGBT policies might be trialed in nations that are relatively less discriminatory, such as the USA, with evaluation and further policy development prior to global implementation. By extension, the policies might be implemented over time as local conditions warrant. In this case, headquarters might have made use of the posters optional, and similarly spread LGBT policies only gradually across operations in diverse locations. The fifth, synthesis, refers to the development of new terms or concepts to resolve tensions. One well-known case of synthesis appeared in the mid-1990s, when HRM practitioners and researchers shifted from the relatively exclusionary term, “work-family,” to the more inclusive term, “work-life” (Harrington 2007). Not incidentally, it seems unlikely that LGBT issues would have entered WLB policy discussions absent this shift. A related example of synthesis, pioneered by IBM, involved casting WLB initiatives as part and parcel of broader diversity initiatives (Childs 2005). In the present case, applying the approach might have involved communications targeting diversity across many lines, including gender, ethnicity or race, age, and religion, with LGBT diversity as only one part.

As Bardoe (2016) notes, responses to tensions are not necessarily mutually exclusive. For example, the examples of temporal and spatial separation regarding LGBT policies provided above could both be utilized while the MNE works both at headquarters and globally towards an effective synthesis approach.

More concretely, Mahtani and Vernon (2010) analyze LGBT issues for employers in Hong Kong, and particularly for MNEs, and expand upon many of the tensions surfaced here. They provide a list of eight types of recommended policies and

practices, including: equal opportunity policies, diversity training, diversity structure, benefits, corporate culture, market positioning, monitoring, and community and advocacy. Without detailing specific policies, it is important to note that these policies are designed for a community where LGBT acceptance if not rights has expanded markedly in recent years, and case studies are provided where each type of policy or practice has already been implemented in Hong Kong (Ibid.). Note further that implementation of these policies might use the tensions resolution approach outlined here. Opposition might involve MNE policies and practices along the lines of the eight types suggested that are only implemented in part or not at all depending upon the specific workforce involved. Spatial separation might involve applying different sets of policies in, e.g., manufacturing and financial services or communications operations. By extension, temporal separation might involve starting with one or several of the eight policy and practice recommendations, evaluating the results, and proceeding to implement further recommendations depending upon the results achieved. Finally, given the cultural baggage around LGBT people carried by many employees in Hong Kong and elsewhere (including the USA), the development of a synthesis approach, perhaps via the active involvement of frontline employees (Rapoport et al. 2002), might be valuable.

Case Study Questions

Following the above case study and relying on the key resource stated below, your task is to:

1. Analyze three generic sources of tensions that are identified in the management of global work-life issues.
2. Evaluate various resolutions that could apply to MNEs in relation LGBT employees.
3. Decide which strategy do you think would be most effective in the case study MNE.
4. Comment on whether this MNE should have a global LGBT policy. Why/why not?

Key Resource *Bardoel, E.A. (2016). Work-life management tensions in multinational enterprises (MNEs). International Journal of Human Resource Management, 27, 1681–1709.*

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Case 3: Crisis and IHRM

Crisis, Internationalisation and HRM in Project-Based Organisations: The Tale of SOFMAN

Konstantinos Tasoulis and Maria Progoulaki

Introduction

“I was following Abu and Mohammed in the jungle, under the hot sun and with great humidity, unaware of where we were going. They said they had the solution for me. Behind some tall branches hiding our view, we stepped to a place from where we could see a quarry. Abu personally knew the local workers who agreed to make the spare part for me in 2 days for 10 \$, 1/100 of the shipping cost from Greece”. If not because of loyalty and a sense of engagement, then why assist a foreign “boss” save time and money?

Company Background

Elefsina is the birthplace of Aeschylus and the site of the ancient Eleusinian mysteries revolving around issues of life after death. In modern times, it hosts a major industrial centre, few kilometres away from Athens, Greece. Elefsina is also home to SOFMAN S.A., a small-medium-sized firm operating in the steel and mechanical structures industry. SOFMAN was established in 2000, following the merger of two steel and mechanical structures firms with 30 years of experience. The firm designs, produces and installs steel structures in a tailor-made fashion, such as heavy industrial constructions, bridges, steel buildings and architectural projects (SOFMAN company website [n.d.](#)). SOFMAN uses the latest CAD-DAM manufacturing technology in the design of steel structures and owns two fabrication plants. The main

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plant is used for most of its production operations (e.g. cutting, welding, assembling), while the second, developed in 2012, is dedicated to painting. The firm has earned a number of international and European certifications related to quality of its engineering operations. Today, the firm employs 75 full-time employees: approximately 2/3 work in the fabrication plants and 1/3 in the administrative and design functions. Led by the two sons of the founders, Michalis Sofras, Chief Executive Officer (CEO), and Nikolaos Mandras, Managing Director (MD), this family-run firm has contributed to landmark construction sites in Greece, including the Acropolis Museum, the Athens International Airport and the Stavros Niarchos Foundation Cultural Centre.

SOFMAN's values include safety, quality, innovation, flexibility and people development, underlined by a traditional, family culture. This is manifested in very low labour turnover rates and a large proportion of skilled technical staff who has worked with the firm for decades. In some cases, workers' children have also been hired and internally developed by the company.

In terms of HRM practices, recruitment appears to be challenging in the case of attracting highly skilled individuals, especially in technical jobs which are not as popular in the labour market as in the past (e.g. assemblers, welders, fitters, painters). Although the company lacks a formal human resources (HR) department, common in small-medium enterprises (SMEs; Curran 2006), people development is emphasised through on- and off-the-job training. For example, SOFMAN recently conducted an extensive development programme for engineers on leadership and management skills, while technical staff participated in craft-specific seminars, involving theory and practice. Nonetheless, training needs are identified on an ad-hoc basis, such as when new equipment and machinery are introduced in the production.

The Greek Crisis and SOFMAN's Strategic Response

The financial crisis tormenting the country since 2010 has played a key role in the evolution of SOFMAN's business activities. In Greece, the crisis affected SMEs more than large multinational firms, while construction activity was one of the sectors most severely affected (OECD 2016). Faced with a very difficult macroeconomic and industry environment with few inland construction opportunities, top management decided to embark upon an internationalisation process for the first time in the firm's history, initially seeking for opportunities to export. Figure 1 illustrates evidence of SOFMAN's growth in international operations, during a period that the home market was shrinking.

Through networking with Greek entrepreneurs and using personal contacts, a crucial theme for SMEs (Širec and Brada 2009), SOFMAN managed to earn its first international project as a contractor of a Greek-owned firm in Nigeria in 2010. This involved fabricating a sugar process refinery building and shipping it from Athens to Lagos. Word of mouth and further networking enabled SOFMAN to secure 42 additional contracts in Nigeria, worth of €12 million. "We were successful because

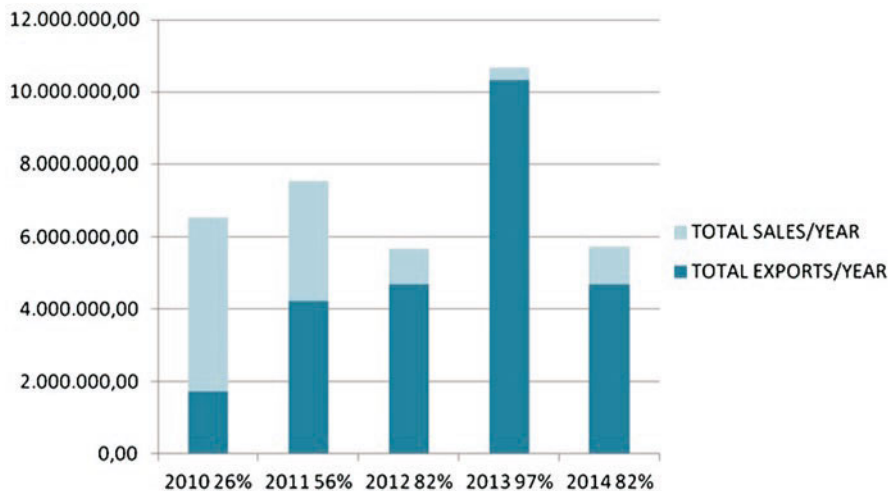


Fig. 1 SOFMAN sales and exporting activity during the crisis in Greece. (Source: SOFMAN, SA. Internal document, Note: Amounts are in €)

of our quality standards and our ability to find innovative solutions to problems in very difficult circumstances; our small size provides us the flexibility to adjust and be responsive to customer needs”, says Mr. Sofras, CEO. As the firm acquired more experience and confidence operating in an international setting, it expanded its services to offer on-site installations. A €4 million milestone project in the firm’s history involved the fabrication of a bioethanol and power generation plant in Greece and its installation in Ebola-stricken Sierra Leone, using SOFMAN’s own lifting equipment. Sierra Leone was not a desirable destination for most competitors given the unfavourable circumstances in the country, discussed below. However, to survive and compete with larger European multinational construction firms in the steel industry, “we had to go to places where others wouldn’t”.

In parallel to projects in Africa, the firm became a subcontractor of large construction firms managing projects in Central and Eastern Europe. Following a €10 million contract for fabricating a refinery project in Bulgaria, SOFMAN was subcontracted to produce steel structures in Greece (e.g. pipe racks, shelters) and install them in Slovakia and Czechia (formerly Czech Republic).

The Project in Sierra Leone: Leadership and HRM Issues

While the manufacturing of the customised steel structure in Greece seemed business as usual, transportation and installation in the middle of the jungle was certainly not an ordinary activity. The CEO led the team in the initial stages of the project in Freetown, the capital of Sierra Leone, where machinery and the steel structures were shipped, and subsequently, at the construction site in Makeni. The

project involved the management of several difficulties: first and foremost, health and safety conditions in an underdeveloped country, where some regions were suffering a humanitarian crisis due to Ebola, leading to the death of an estimated 3955 people (“Ebola in Africa” 2016). Poor infrastructure was also an impediment, such as the low quality of roads affecting the transportation of heavy machinery from the port to remote rural areas. Low quality of institutions (e.g. banking), theft and generally low levels of security posed significant risks that had to be managed by the CEO and the project team, in collaboration with the Elefsina office. On top of these, cross-cultural differences were another major challenge.

The installation project team in Sierra Leone comprised a leading project manager and highly skilled construction workers, in charge of the erection of facilities. The team’s manager was an experienced SOFMAN engineer who conducted on-site management and communicated with the leadership team in Athens almost on a daily basis, particularly in the first stages of the project. Skilled construction workers were supplied by a subcontractor in Greece. SOFMAN took the latter decision concerning the supply of construction staff in order to manage risk and control the costs of the operation, as well as to obtain access to technicians quickly and effectively, from a known and trusted firm. Technicians were selected following careful evaluation and discussions between the leadership teams of SOFMAN and their subcontractor, reflecting the importance of team member selection in such projects (Anyanwu 2013). The client mandated that the project team was assisted by a group of low-skilled workers, who were supplied by a subcontractor from Sierra Leone, introducing an element of national diversity in the team.

A key challenge for SOFMAN was to enable the project team to work as a cohesive unit. The CEO and the Greek project team of expatriates lived together in the best possible accommodation at Makeni, which became the home of the project team for several months to follow. During this period, the CEO set team norms and bonded the project team through discussions and shared activities such as cooking meals, treating all members as part of a unit representing SOFMAN and setting three priorities: (a) strict focus on health and safety practices inside and outside the construction site; (b) strong quality orientation, encouraging team members to readily report problems when they occur; and (c) efficiency in all levels of operations.

In terms of the collaboration with local unskilled workers, SOFMAN’s CEO attempted to integrate these workers to the team as well as improve their competencies by transferring technical know-how in fundamental areas. However, cross-cultural differences posed a significant challenge. Locals were perceived as friendly and warm but professionally unreliable, with a different work ethic and a lax orientation when it came to timing. “Tomorrow could mean next week in Sierra Leone, so we had to adjust to the culture and be proactive in our planning. Also, despite our efforts to upskill local workers and transfer some of our knowledge, I learned the lesson that some people unfortunately are reluctant to learn”. Nonetheless, in many cases locals contributed to troubleshooting and offered out-of-the-box solutions. For example, when a hydraulic part was needed in order to fix a crane, locals guided SOFMAN employees to a quarry whereby such materials were available, saving money and the time that would have been required to ship the items from

Greece. Some of these locals became integrated to SOFMAN's culture and felt part of the project team; otherwise they would have not contributed. The CEO was collecting the fruits of his personal leadership and care to his workers. SOFMAN successfully completed the project and identified additional business opportunities, such as renting their own materials and equipment to other international firms operating in the country. The firm still continues operations in Sierra Leone and nearby regions, having developed a joint venture in steel construction services with a local company specialising in logistics.

Project Management in Central and Eastern Europe

SOFMAN entered the European market as a fabrication subcontractor in 2012. In 2016, it was contracted to manufacture and install steel pipe racks and process buildings and shelters in Slovakia. In comparison to Sierra Leone, this was a larger-scale project with more demanding technical requirements. Nonetheless, the project team structure remained similar in many respects. This team consisted of a project manager, a SOFMAN engineer in charge of the supervision of the project and four engineers specialising in specific functions (e.g. surveying, safety, quality); the latter were leased from specialised firms in Greece. Additionally, 30 skilled workers in charge of the installation were also sourced through subcontractors based in Greece and Slovakia and offered their services for the specific project. Such a structure enabled SOFMAN to control the project through the site engineer, but also attain flexibility and control costs. Simultaneously, SOFMAN opened an office in Slovakia in order to facilitate its business operations in the country, hiring two local employees for administration and accounting purposes. Overall, the approach followed and team synthesis reflect a gradual strategic move from a home-based ethnocentric approach to a polycentric perspective, utilising an increasing amount of host-country human resources (Perlmutter 1969).

Following the same recipe, the CEO aimed to establish norms and increase the cohesion of this nationally diverse project team, so that they would all work with the culture and quality standards of the firm. After all, SOFMAN was eventually accountable for the project. In addition to training offered to all employees on various issues (e.g. health and safety, quality), SOFMAN incentivises employees through a performance-based reward scheme for all employees, including those leased by the Greek and Slovak subcontractors. Additionally, rewards and strict penalties were set based on workers' compliance to health and safety project standards.

Working with locals provided a number of benefits and solutions to SOFMAN. For example, the local administrator helped the site manager identify and communicate with local suppliers who provided items required in steel panels. In some cases, however, new cross-cultural differences became relevant, which were in sharp contrast to those experienced in Africa. In Slovakia, Greeks perceived locals as punctual, accountable and having a good work ethic, yet quite strict, introverted and distrustful towards foreigners. Such cross-cultural problems were managed by the

interventions and site visits of the CEO, who used various methods to increase the sense of identity and unity in the team. Relying on its well-established production capabilities in Greece as well as project-based, culturally diverse teams seems to have worked well for SOFMAN. Flexible teams comprising of a core SOFMAN manager, engineers and workers from home and host-country subcontractors enabled the firm to respond to customer needs on a project basis, without having to increase the size of its workforce in the long run. This would have been a risk with significant cost implications, given the high levels of volatility and uncertainty in the construction market of the home country.

Future Prospects

During the Greek crisis, SOFMAN gained unique experience on managing construction projects in the sub-Saharan Africa and Europe. Pursuing international business opportunities involving fabrication and on-site installation and expansion to other geographical areas reflect the growing confidence of top executives in SOFMAN's ability to compete internationally. As the firm was successful in its endeavours in both continents, SOFMAN intends to expand its operations in Greece and abroad. It is currently licensing a third plant in Greece, which is expected to double its annual output. It is also in the process of setting up a subsidiary office in Europe, which is expected to enable the firm to identify further business development opportunities, as well as increase its ability to manage international projects. While the state of the Greek economy could have inspired Aeschylean dramaturgy, SOFMAN's gradual but bold internationalisation steps are paying off, signalling a promising future for the firm.

Case Study Questions

1. Discuss SOFMAN's response to the changing external environment since 2009/2010. Examine the key factors underlying SOFMAN's strategic choices and critically evaluate the internationalisation strategy.
2. Critically evaluate SOFMAN's HRM practices in the process of internationalisation and offer suggestions for improvement.

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Case 4: Japanese Cross-Border M & A and German Target Employee Alienation Issues

Ralf Bebenroth and Roman Bartnik

Introduction to M & A

Mergers and acquisitions (M & A) occur frequently all over the world and about 70% are categorized as cross-border deals with the aim of multinational firms to undertake investments in foreign countries (Peng 2008). There is evidence that cross-border deals are more difficult to successfully realize than domestic deals because employees not only experience a different organizational culture but also have to interact with a different national culture (Chung et al. 2014). The rule of thumb is that integrations become increasingly difficult as cultural distance and differences increase between the bidder and the target in a M & A context. Most of the studies take it for granted that employees are heavily affected by direct involvement in a cross-border acquisition (e.g., Chung et al. 2014; Nemanich and Keller 2007). Yet, indirect effects of social identification can also affect the lack of direct interaction between employees from both parties (the acquirer and the acquired). This case study deals about a Japanese steelmaker who overtook a German engineering firm specializing in waste disposal business. Challenges in the post-merger integration and especially between the expatriated Japanese managers to the German subsidiary and the German employees are discussed.

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Alienation Issues

Integration can be more difficult when the merging firms differ strongly in a number of aspects such as language, culture, cultural distance, and so on. Research literature offers evidence that a sense of continuity plays an important role in employees' feelings about the post-merger process, e.g., see Jetten et al. (2002) and Bartels et al. (2006). In this context, it is important for target employees to fully understand the intentions of the bidder. Recent studies have focused on differences in culture and the impact of buyer firm's status (Björkman et al. 2007; Yildiz 2016). Bauer et al. (2015) look at the role of cultural similarity as a moderator and find beneficial effects of cultural similarity for innovation-driven M & As. Relatedly, Ahammad et al. (2014) find that cultural similarity mediates the relationship between knowledge transfer and performance. Regarding the effect of status, Yildiz (2016) finds that similarity between buyer and target firm promotes benevolence-based trust, whereas higher status of the acquiring firm promotes competence-based trust and out-group favoritism. The present case study sheds light on a cross-border acquisition and focuses on the effects of rather less involved employees. We present here an in-depth study on the dyad of buyer-target firms. Notably, the bidder firm is very hesitant to directly impact operations at the target. The target firm employees thus have a rather weak bond with the bidder firm (Bartels et al. 2006).

Social Identity Theory

Our case study is partly grounded in the social identity theory advanced by Tajfel and Turner (1986). It starts from the presumption that a (social) group membership is important in the creation of a self-concept of people (Bartels et al. 2006). People perceive themselves as sharing the same fate with other people in their organization (Mael and Ashforth 1992). That means they identify with their organization. Mael and Ashforth defined it as: "perception of oneness with or belongingness to an organization, where the individual defines him- or herself in terms of the organizations(s) in which he or she is a member" (p. 104). Social identity theory offers an explanation of why employees often react so negatively to organizational changes such as mergers or acquisitions. Employees affected by a M & A feel threatened because their stability and continuation is endangered (Hogg and Terry 2000; Bartels et al. 2006). However, some of the employees would be part of the in-group and supporters, while others would be in the out-group facing difficulties and not having support from the new firm.

Japanese Steelmaker and German Engineering Firm: Case Study

The present M & A case study involves one of the biggest Japanese steelmakers in the world. In December 2014 a medium-sized German firm in the waste energy power plant production industry with 195 employees in Duisburg was taken over by the Japanese firm. The deal can be considered as a horizontal integration in nature, which means that the Japanese bidder has experience in the same field of business (besides producing steel). Positive about a horizontal acquisition, the Japanese bidder can support the target in strategic ways and with its knowledge. In a negative sense, sometimes the bidders have to let go of employees of the target firm as some jobs become redundant. It is also worth to mention that before the Japanese investor overtook the firm, it was previously held for many years by several European financial investors. With the acquisition, the German target's management intended to realize several benefits. It aimed at becoming more globalized as a result of the deal. There is a steadily increase in competition in the European market for engineering solutions in waste disposal industry and for the establishment of waste energy power plants from biomass and gas. In spite of attractive (new) markets in Asia, the German small firm could not bid by themselves as they lacked human resources necessary. One of the German managers was quoted saying: "we could not make it to China without any support from outside. We just did not have anyone to introduce us to these markets."

The Japanese bidder side was interested in competing with the German technology of waste disposal energy power plants in Asia. In contrast, the German target firm thought of receiving Asian market access for their energy plant engineering solutions provided by the Japanese side. In this context, the technical leadership of the German target for waste energy power plant was a trigger for challenges from the overtaking the firm. Another German manager, Schmidt is quoted as: "They took our technology and we (the Germans) are left out." Interviews with German top management showed that the German management intended to receive bigger projects with a financially and more solid ground by the Japanese investors. For this, the Japanese investors were seen by the German target management as strong financial parent to be able to compete for bigger projects in Asia. Furthermore, it was attractive for the German firm to have Japanese engineers with especially experience and language skills in other Asian countries. After about a year, German management sees themselves as being almost wrongly informed. "They (the Japanese contact of the bidder firm) told us at the beginning that we go together to China to sell our (German) solutions; now they go by themselves." Also, even the Japanese headquarter gave the German target firm high autonomy for the European market. However, many business changes were decided at the Japanese headquarters and the Germans then only had to run it. A surprise was that the Japanese headquarter asked the Germans themselves to come up with ideas to implement synergies. Besides strategic issues, communication issues were also mentioned to be a source of problems faced by the German managers.

Communication Difficulties

After the acquisition was done, the Japanese bidder firm moved their 20 Japanese employees from other European cities to the target firm. The aim was to establish the new European headquarter at the target firm location. However, even after 6 months, there was virtually no contact between the Japanese managers and target employees as all Japanese were located in the building next to the German firm – and even the dining hall for employees is separate (for Germans and Japanese) so that there is hardly any communication possible.

Mr. Meier from the German side expressed: “I never see any Japanese around. For what did they take us over?” Also, at interviews (6 months after the acquisition), the German top managers complained about a lack of communication from the Japanese bidder to the German target. Mr. Schulz (from the German side) said: “The Japanese was talking last week to all of us here in this room (where the interview took place), but I have the feeling no one understood what he was telling us (the Germans).”

Japanese Expatriates to German Target Firm

Expatriates are managers sent to foreign subsidiaries for a limited time. This strategy is a common way for multinational firms to internationalize all over the world. Also the Japanese steelmaker sent two additional (English-speaking) Japanese managers from the Japanese headquarters to the target. These two managers even share their office at the same floor as the German target top management (in contrast to all the others who stay at the neighboring building). However, target management still complains that there is not enough information flow. The target top management feels that the Japanese bidder uses their technology in the Asian market – without any exchange given to them in return. Mr. Yamamoto (Japanese sent top manager) was asked about the speech he gave a week earlier to the Germans (mentioned above). He is quoted as: “I clearly told the German managers what my (Japanese) headquarter wants them to do.”

It is clear that it is not only the language but also the behavior of people that brings frictions and problems. Japanese managers were satisfied with their information flow to the new venture. Mr. Yamamoto said: “I gave all German managers lots of information.” He admits at the same time: “The problem is that I am just transferring what the head office tells me. That means, decisions are taken in Tokyo – and I tell this to the German managers.” The German managers on the other hand, however, what decisions took place at the Japanese headquarters.

Due Diligence

A successful acquisition depends on a careful ex-ante investigation about chances and weaknesses of the target firm. This investigation is called “due diligence.” Common are due diligences in different areas, e.g., in finance, in environment, and in human resource (Hassan et al. 2016). Hassan et al. (2016) look at one potential reason for M & A failure: the business evaluation process. How do the components involved in this process influence the outcome of M & As? The authors find that careful assessment and selection of target firms can improve M & A performance. Interestingly, the German managers mention that target firms are often not reasonably assessed due to the acquiring firm’s reluctance to use professional outsiders for this and the vague definition of valuation parameters. Moreover, literature finds that “the professionalism [of the evaluation] has also been tailored to suit the excitement of the management to enter into the M & A transaction” (Hassan et al. 2016).

In this case study, the due diligence process was conducted by a professional law firm, but only lasting a few weeks in time. The German top management was surprised by this action because lawyers from big consulting firms are not familiar with peculiarities of the given industry (in this case, of waste disposal plants). Mr. Meier said: “They did a due diligence with us in a week – and did not even ask about what we have in our (product) pipeline!” That means synergies were not satisfactorily investigated at all. Also, just a handful of target managers were involved into the deal. No others, even team leaders did not know anything about the deal before until it was signed.

What was seen as an efficient way to conduct business (by the Japanese management) at first glance turned out to become a more serious problem after the deal was done. In the first few months after the deal, the German management wondered what the Japanese want them to do. Mr. Schulz expressed: “I have no glue what they want us to do in the future.” There is no clear concept offered yet by the Japanese side, of how synergies should be realized. In this, German managers feel frustration because the Japanese side does not tell them where and when they want them to go and how that future is to be shaped.

Case Study Questions

1. How autonomous should the target be left after the merger deal?
2. Why are problems expected to increase in case the target employees have a low contact with the bidder firm?
3. To what extent should the Japanese business system be adopted to suit the German business context?
4. Identify the difficulties in communication between bidder managers and target employees that are apparent in the case study.
5. How fast should bidder managers move into the target?
6. What expatriate behavior is best for Japanese managers who are sent to Germany?

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Case 5: Dorian LPG's Rapid Fleet Growth: A Story of Maritime HR Planning and People Management

Maria Progoulaki and Konstantinos Tasoulis

Introduction

It was another Friday evening at the office, when Dimitris was looking at the view of Piraeus Port, thinking some words from the last meeting: 'We need to do what needs to be done, in order to be fully compliant, over and above regulations, industry standards and principals' requirements. Our commitment to compliance "by-the-book" is our way of doing business, and money should be spent for this concept'. Dimitris is the Chief Operating Officer (COO) of Dorian LPG Management Corporation, the wholly owned subsidiary of Dorian LPG Ltd. Dorian is tasked with the technical management of the fleet owned by the parent company. Dimitris has been also a member of the shore technical management team since 2004, when the shipping company was a small one, with 3 owned ships on the water (plus 2 under management from other owners), manned with less than 80 seafarers and 17 people ashore. The Chairman and CEO John Hadjipateras, holding a long experience on tanker vessels management, had announced the new strategy of the company. He envisioned his 200-year-old family shipping company running in a niche market, that of liquefied petroleum gas (LPG) carriers. LPG was considered one of the energy resources of the future, and at that time (2001), there were very few ships in the world specialised to carry this dangerous, liquid commodity. The number of competitors in the LPG market was limited. Entry barriers were high, due to stringent regulations and industry standards. Clients were also few, and already known to the management team, as the same oil majors were chartering Dorian tanker vessels for decades. The option to buy second-hand ships was not even considered, as the characteristics of the existing fleet (in terms of ship age, capacity, technology)

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did not match to Dorian's strategy which would focus on modern, fuel efficient ships with clear advantages over the existing ones.

The company managed to raise funds from Norway and US markets and invested in building new, high specification LPG ships. The original order book of Mr. Hadjipateras to two world-class shipyards in Korea with the best know-how for this type of vessel included six LPG ships. In 2013, Dorian purchased the newbuilding contracts of Scorpio Tankers Inc. Scorpio is an emerging competitor with a different strategy and operational approach. Deliveries started in July 2014, with 16 new ships being delivered only in 2015, and 19 by February 2016; the company had more than tripled its fleet within a period of less than 2 years.

The rapid fleet expansion raised a great people management challenge. A vessel needs people to navigate her.¹ Consequently, an extensive Human Resources (HR) planning for both sea- and shore-based personnel was required. Considering the clients' demanding standards, the limited sources of qualified and experienced seafarers for the specialised fleet of Dorian and the limited time for running the expansion and strategic HR Planning programme, the *Dorians* knew they were facing a storm ahead. Today Dorian manages a fleet of 22 very large petroleum gas (VLPG) carriers, with an original purchase price for the whole fleet of US\$ 1.35 billion. The Dorian fleet represents 10% of the world's very large gas carrier (VLGC) LPG fleet and holds the second position globally.

About Dorian

Constantine Hadjipateras, the great grandfather of today's company Chairman, John, was born in the small island of Oinousses on the east side of Greece. The family shares a ship managing tradition dating back more than 200 years. The company was named after the Dorians (in Greek: Δωριείς, pronunciation in English: Dōrieis), one of the four major ethnic groups in Greece during 2000 BC. The founder highly valued his family's reputation, on which trust with business partners and industry stakeholders was built and fructified throughout the years. The company's philosophy is based on five key values: (i) respect for the customer, (ii) commitment to quality, (iii) appreciation of each and every worker, (iv) contribution to community and environmental sensitivity and (v) tradition of hard work and modesty. The company is committed to safety: 'safety does not merely happen- it is the reward of good management, good housekeeping and good procedures' ('Dorian LPG – Health, Safety, Environment and Quality' [n.d.](#)). Dorian S.A. was established in 1973. The Hadjipateras family holds experience and expertise on managing tanker vessels for the transportation of crude oil, which later expanded to the management of LPG ships. In 2000, the company owned a fleet of three LPG vessels, managed by third parties. Dorian started to manage its own LPG ships in 2002. The forward thinking strategic decision to focus on the LPG market was based on the belief that LPG energy fuel production and consumption would increase in the future, as the

¹The use of the pronoun 'she' to refer to a ship is a common practice in the shipping industry.

world increasingly looks for cleaner energy. Thus, the LPG market was evaluated as an attractive and profit-promising segment in the shipping industry, with entry barriers feasible for Dorian to surpass. Competition back in 2000 when Dorian entered the LPG market was limited with very few players. Nowadays major global competitors in the VLGC market that Dorian operates include BW Gas, Exmar, Avance Gas, Astomos Energy and others.

Today Dorian provides in-house commercial and technical management services for its fleet, including its vessels participating in the Helios Pool LPG (Helios Pool) (Singapore). The company operates a fleet of 22 modern VLGCs, including 19 new fuel-efficient 84,000 cbm² ECO-class³ (eco-) VLGCs and 3, 82,000 cbm VLGCs (the latter built between 2006 and 2008). The fleet has a total carrying capacity of approximately 1.8 million cubic meters and an average age of 2.8 years (as of 30 April 2017). The company has offices in Stamford, Connecticut (USA), where the headquarters are located in London (UK) and Athens (Greece). Corporate and financial management is operated by the Stamford office. Marine operations; technical management; Health, Safety & Environmental Management (HSE); supplies; and accounting activities are run from the Athens office, while chartering, legal and commercial operations are conducted in London. Crewing (management of the sea-going personnel) is conducted by the Athens office, in collaboration with Magsaysay Inc. (Magsaysay) (the Philippines) and Pasat Ltd. (Pasat) (Croatia).

Timeline

In the first months of 2014, the executives' team had already started work in crafting of and executing a large fleet expansion programme. At that time, the team had to create a plan, seize its existing resources and needs and be prepared for carrying out a complex and difficult project. A year earlier (July 2013) the company had managed to raise capital from the Norwegian over-the-counter market (NOTC), which offered low liquidity, but whose players are familiar to the dynamics and conditions of the shipping industry. In February 2014, Dorian announced that it managed to complete a US\$ 100 million Private Placement (with a plan to use the proceeds for the partial finance of the ECO-class VLGCs under construction and for general corporate purposes including working capital and transaction costs) (Dorian LPG 2014). Dorian closed its initial public offering on 13 May 2014 at an offer price of US\$ 19 per share and successfully stepped in the public domain on the New York Stock Exchange market (NYSE: LPG). In October 2013 Dorian announced that it has successfully come to an agreement with Scorpio to acquire its VLGC newbuilding contracts, with associated deposits of US\$ 83.1 million and a cash contribution of US\$ 1.9 million in exchange for US\$ 39.9 million newly issued Dorian shares

²cbm: cubic meter (m³), a measurement of volume that an ocean freight shipment can take, equal to space of 1 m wide, 1 m long and 1 m high.

³ECO-class: ECO design of ship ensures improved fuel efficiency through incorporating hull optimisation, engine features and technical specifications.

representing 30% of the company's pro-forma outstanding shares. Concurrently with the completion of the transaction between Dorian and Scorpio, Dorian has also declared the two options that were acquired from Scorpio increasing its fleet to 16 'sister'⁴ eco-VLGCs with deliveries in 2014 and 2015 from Hyundai Heavy Industries Co. Ltd. (HHI) and Daewoo Shipbuilding & Marine Engineering Co. (DSME) (Dorian LPG 2013a, b). After the first few months of 2014, the enormous restructuring programme concerning the operation and HR management of Dorian in Greece began to take shape.

The company's ship newbuilding plan relied on the construction experience and expertise of HHI and DSME. Ships were designed to meet future international environmental regulations and deliver economic performance (ECO-class) with low fuel consumption engines and optimised hulls. The first two newly built eco-ships were delivered in 2014, followed by a mass delivery of 16 in 2015. The last eco-VLGC was delivered in 2016, completing the fleet of 22 (including three regular VLGCs). On 1 April 2015, Dorian and Phoenix Tankers Pte Ltd. (Phoenix) began operations of the Helios Pool, a commercial pool of VLGCs whereby revenues and expenses are shared. The intention of Dorian is to pursue a balanced chartering strategy by employing its vessels on a mix of multi-year time charters, some of which may include a profit-sharing component, shorter-term time charters,⁵ spot market voyages⁶ and Contracts of Affreightment⁷ (COAs) (Dorian LPG 2017). Dorian's major clients include Exxon Mobil Corp., China International United Petroleum & Chemicals Co. Ltd., Royal Dutch Shell plc and other oil- and gas-producing companies. Also, commodity traders (Itochu Corp., Vitol Group) and importers (E1 Corp., Indian Oil Corp.) form an important part of its business.

The Market of LPG Transport

Liquefied petroleum gas (LPG) is mainly a fossil fuel, which can be manufactured during the refining of petroleum (crude oil) or extracted from petroleum or natural gas streams emerging from the ground. LPG energy source, commonly known as propane or butane, is flammable but non-toxic gas, with multipurpose applications in commercial business, transportation, production, farming, power generation,

⁴Sister vessels: ships that are of the same class or of virtually identical design; can be easily chartered under COA.

⁵Time charter: type of chartering where a merchant (charterer) hires the ship for a specific period of time, which may vary from days, weeks, months or years.

⁶Spot market voyage: type of chartering where the ship is chartered to carry an agreed quantity of cargo from port A to port B (voyage). The spot market is highly volatile, because commodities are traded immediately ('on the spot') and ships are employed voyage by voyage.

⁷Contract of Affreightment (COA): a contract according to which the shipowner agrees to carry goods for the charterer in the ship, or to give the charterer the use of the whole or part of the ship's cargo carrying space for the carriage of goods on a specified voyage or voyages or for a specified time. Under this chartering type, the agreement is usually on a consecutive voyage basis, and multiple vessels may be involved.

heating and cooking. LPG is transported in bulk via specialised ships or pipelines. The gas (propane, butane or in a blend of two) is carried in forms of ambient temperature under pressure, or insulated tanks at liquefaction temperature (-5°C to -45°C , depending on the gas mixture) under atmospheric pressure, or in combination of liquefaction temperature under pressure. Thus, the gas in an LPG tank is squeezed and occupies 274 times less space as a liquid, compared to the actual amount of energy contained. Demand for LPG has been steadily increasing the last few years (UNCTAD 2012). As of 1 July 2016, 234 fully refrigerated VLPG carriers were in service globally and 52 on order (Corkhill 2016). The main trading route in this industry has been traditionally from the Arabian Gulf to Asia. With the emergence of Houston as a major LPG export hub and the 2017 initiated new locks of the Expanded Panama Canal, the US Gulf to Asia has become a faster, thus a more busy, trade route (from 45- to 25-day voyage).

Following Porter's (2008) five forces industry analysis model, Hokroh (2014) assessed the bargaining power of specific groups of stakeholders. In terms of competition, the international seaborne LPG transportation services are generally provided by two types of operators: LPG distributors and traders, and independent ship managers like Dorian. Vessels in the LPG market are operated under time, bareboat⁸ or spot charters, or alternatively under COA. LPG distributors and traders use their fleets not only to transport their own LPG but also to transport LPG for third-party charterers in direct competition with independent LPG shipowners/operators (Dorian LPG 2017). The buyers of transportation via sea are oil and gas companies, including several states of the Organization of the Petroleum Exporting Countries (OPEC) and members of the Oil Companies International Marine Forum (OCIMF) (e.g. Saudi Aramco, Pemex, PDVSA, Petrobras, Statoil) and international oil companies (ExxonMobil, Royal Dutch Shell, BP, Chevron and others); the latter is known as 'Big Oil' ('Oil Majors' in the past). The market is generally considered concentrated, while since 2014 a large number of investors were attracted to the biggest publicly traded oil companies (Rapier 2016). OPEC's decisions play a major part in pricing, because the OPEC countries produce the largest percentage of the world's oil supply.

The oil and gas industry has specific key entry barriers, affecting the decision to invest in this market: large initial capital requirements, patents of technology and innovation, ownership of resources, huge fixed costs of setting up a fully integrated operation, government regulations, predatory behaviour by cartels and relationships with governments (Gupta 2016; Jones et al. 1978; Llewellyn Consulting and Puma Energy 2013). Several market experts predict that new entrants will put negative pressure on spot freight rates as more vessels compete for same cargoes. The unprecedented levels of LPG produced for export in 2015, in combination with a balanced VLGC fleet drove spot rates for such vessels to near record highs of US\$ 3.7 million per month by July 2015. A tonnage influx equating to a 30% increase in

⁸Bareboat chartering: type of chartering agreement wherein administrative and technical assistance is not provided by the shipowner. The charterer is responsible for providing crew, operating expenses, insurance and port expenses.

the VLGC fleet in 2016 had driven VLGC spot rates down to US\$ 1.7 million a month by January and as low as US\$ 405,000 a month by July 2016 (Corkhill 2016). Yet, the LPG market has a much more mature spot market than other gas markets (e.g. LNG); it is not as big project-based as LNG. This allows Dorian to exploit the advantages of a multiple chartering strategy and the benefits of joining the Helios Pool, where the majority of its fleet is chartered in the spot market.

Strategic HR Planning and People Management

Considering the time schedule of the new ships' delivery, Dorian executives' team decided to craft a maritime HR planning and people management programme and execute it alone, without involving external consultants. Utilising the experience in managing and manning a fleet of 6 vessels (2 oil tankers and 4 LPG), the challenge of HR planning was now linked to the company's fleet expansion strategy, thus the order of initially 3, then 6 more, followed by the acquisition of 13, ending with 19 new VLGCs and a fleet of 22 in total. The greatest challenge was to be prepared for the mass delivery of the new vessels in a very short span of time (about 18 months from first to last vessel delivery). The aim was to man the soon-to-be-delivered vessels and enhance the staff ashore for the effective and safe operation of the fleet. The management team knew that due to the complexity of the rapid fleet expansion project in such a specialised market, the strict clients' requirements concerning Dorian employees' profile and the limited sources of available and appropriate seafarers, the cost for people management would increase enormously. However, the relative cost was taken as an investment in people, not a waste of money, and a necessary element for the success of the whole project. The profitable market at that time did not require from the company forced economising; on the contrary, the conditions of the project allowed the executives team to proceed to operational actions needed for the future fleet to be managed effectively. The Big Oils clientele of Dorian had specific requirements for the qualifications and experience of the staff. Based on Tanker Management Self-Assessment (TMSA) programme, issued by OCIMF, vessel operators are encouraged to assess their safety management systems, measure them against listed key performance indicators (KPIs) and improve them based on the provided best practice guide. Oil companies exercise due diligence in selecting well-maintained and well-managed ships for charter (OCIMF 2008); part of their auditing process focused on the recruitment and management of the shore-based and vessel personnel.

The special conditions of Dorian's rapid fleet expansion dictated a difficult and complex people management system for the seagoing and the shore-based personnel. In the case of the office in Greece, the organisational structure of the company has been evaluated, and after analysing the workload, possibilities of merging departments and other options, the organisational structure remained the same during and after the fleet expansion; only the people flow increased significantly. The offices in Greece, the UK and the USA managed recruitment (i.e. advertising job posts, receiving CVs, short-listing, interviews, selection and hiring) on their own

under the approved plan, but all key hirings (i.e. manager level) were being individually approved by the Stamford office too. The number of Dorian shore staff in Greece grew from 17 in 2002 to 47 people in 2017. Its sea staff strength grew from approximately 100 in 2002 to around 1000 in 2017, including stand-by seafarers. The pool of seafarers is managed by Dorian through a crew department in Greece (with a team of five) and the two manning outsourcers (Pasat and Magsaysay). Concerning the shore-based staff, an HR Coordinator manages administrative issues (hiring process, screening, short listing candidates), while key HR decisions (identifying the needs, setting the criteria, interviewing and approving candidates) are taken by the company's top executives.

For the office in Greece, the management's desire was to hire people ready to take on duty immediately. This led to headhunting and lateral moves of professionals for positions ashore, and luring with attractive remunerations, crew rotation and regular employment for the seagoing personnel. Dorian's low turnover for both sea and office personnel was a goal, due to TMSA's requirements for monitoring the retention rate. The retention rate was 97% for the sea staff and even higher for the shore staff. Although this can be generally linked to personnel's loyalty and job satisfaction, the management team understood that they had to question whether high retention rates ensure extremely high quality of employees. The clients' external auditors have highlighted the risk of very high retention rates, as this may hide retention of less effective workers.

Dorian's special recruitment, training and compensation people management programme (further discussed below) cost about US\$5 million, for training the additional crew alone to meet the market's stringent standards. Today Dimitris confesses that:

the high cost of implementing the maritime HR planning and people management programme was worth it; in fact, essential in our opinion. The company's principals communicated the need for such a people management cost to the shareholders immediately and very clearly, everything was transparent, and most importantly, logically justified. The HR cost was budgeted in the overall fleet expansion project, because it was needed to make the fleet operational at the standards we had built our market reputation on. Everyone, and critically our executive team and shareholders, understood and acknowledged that need signing off the necessary investment early on.

Seagoing People Management

The complicated fleet expansion project relied heavily on the careful crew planning, so as to ensure that within a year the company would have adequate number of fully qualified and experienced officers to lead the new fleet. TMSA aimed to ensure that all vessels in the fleet have competent crew who fully understand their roles and responsibilities and who are capable of working as effective teams. Further, the clients' requirements emphasised on the qualifications and experience of the top

four heads in the ship's hierarchy,⁹ i.e. senior officers. The biggest challenge in the hiring process was linked to the level of skills required per rank and the years of experience needed both on the specific ship type and the specific company's management system. Recruitment specifications were determined by Crew Requirements Matrices, slightly different among the Big Oil principals. In order to satisfy these complicated and demanding restrictions, Dorian decided to follow the stricter matrix. The main problem came from the 'time in the same type of tanker' requirement. In the case of Dorian, this meant LPG ships and more importantly similar LPGs to the ones Dorian was building (i.e. VLGC, the largest available size). This requirement narrowed the pool of available officers significantly. For this, 'the only remedy was to accept LPG qualified officers from different LPG types and sizes, and train them on the existing LPG fleet during the same period (4 months in total, two times of 2 months each)'. The COO explained that in terms of the required seagoing personnel, it was extremely difficult to manage compliance to the customers' requirements if the top four senior officers are not rotated more frequently and the new-joining senior officers are trained on board. The crew rotation plan was developed to not only ensure principals' requirements but also satisfy crew's desire for a work-life balance. The idea was to identify the actual number of seafarers required in order to fulfil a position on board, depending on seafarer vacation (or employment) duration ratio.

The most difficult requirement during the expansion was the 'time with operator' part of the matrix, which necessitated the company to go with the training programme. Until the fleet enlargement the company was also employing Croatian cadets (i.e. junior officer trainees on board). This development programme was ceased for 1.5 year, due to the urgency to train new fully qualified, certified and experienced officers. Each available cabin on board had to be utilised for the urgent training programme. The onboard employment was following the ship type's safe manning¹⁰ restriction of minimum 22 (plus 2 cadets) while a few other vacant cabins existed. The cabins occupied by cadets were given to new trainees while two or three vacant ones (depending on the ship) were also reclaimed. A policy of maximum five trainees was imposed to ensure their training did not overwhelm the existing crew. It is worth noting that all newcomers were senior officers, thus fully qualified and active professional sailors, being asked to be trained by the same-ranked colleagues on the specific ship type (i.e. VLGC) and the specific company's Safety Management System (SMS).

⁹Ship's hierarchy and ranks: ship's staff is divided by the deck, engine, steward department and others. The captain (or master) is the ship's highest responsible person on board, acting on behalf of the shipowner. The main ranks on board are senior officers (i.e. captain, chief officer/mate, chief engineer and second engineer), officers (or junior officers, i.e. third, fourth assistant engineers) and ratings (lower-level crew of mariners without a certificate of competence). Cadet captain and engineer are unlicensed trainees that may also be part of the crew.

¹⁰Safe manning: describes the minimum number of duly certified deck officers and engineers, as well as overall personnel that every vessel must carry on board. The manning scales depend on the type and size of vessel, the trade in which she is engaged and other factors (see IMO 2011).

To assist on the speedy induction of the new entrants on board, Dorian developed in-house a web-based familiarisation programme that was offered before sign-on: the Dorian Training System (DOTS). While the company has been using third-party independent training providers for the sea staff, they found out that the web-based training was mitigating the burden to group seafarers and train them in-class. The familiarisation training programme, mandatory by international regulations, describes the company's safety, quality and environmental protection policies and procedures. For other training programmes, Dorian appoints independent training providers per occasion. In terms of the cultural synthesis of the crew, the top management team believed that there was no time for testing; thus, they decided to retain the known crewing companies for outsourcing foreign crew. Pasat and Magsaysay were already supplying the company with Croatian officers and Filipino ratings. The previous experience of the company with the employment of Croatian seafarers was utilised. Dorian's order to its officers' supplier Pasat was clear: 'The fleet expansion does not allow us to be dependent on a single country for the provision of senior officers'. In order to reduce the cultural shock, the supplier targeted countries that have similar or close cultural profile to the Croatian and compatibility to the Filipino culture for matching to the commonly used cultural mix on board. Since the market of Croatian senior officers with experience on LPG ship operation was saturated, Pasat was directed to turn for LPG officers in Latvia, Russia and Ukraine; these countries are the ones recognised for the seafarers' expertise on LPG ships, along with India. The two main concerns in the selection of the seagoing labour sources were the manning cost being influenced by the average market wages and the cultural synthesis of the crew per ship. For instance, a mixed nationality crew of Croatian officers and Filipino crew was less costly than a single nationality Croatian or Indian crew.

The compensation function of the seagoing personnel has been also affected by the fleet expansion and the maritime HR planning programme. The competition in the LPG market has long introduced a complex and expensive compensation system, comprising a base salary [way over the minimum wage of the seafarer collective bargaining agreement (CBA) as per the International Transport Workers' Federation (ITF)], owners' bonus and stand-by wages. Dorian aimed at developing an overall pay package that would attract experienced officers without resulting to an unsustainable crewing cost structure. Seniority bonuses (recognising serving time with the company) and pay allowance for time spent under shore training were some of the key benefits, apart from the basic salary and owner's bonus, that were adjusted for each rank individually to achieve that goal. All pre-existing benefits were honoured despite sometimes being not of insignificant cost. Other factors considered in the design of the compensation package included market perceptions towards the expertise of the seafarers of certain education and training, attractiveness of the salary in the targeted labour markets, competition with other shipping companies and cost of living in the source countries. On another point, stand-by wages represent a common practice in the tanker and gas market, as a way to retain an officer available for the company, while the sailor is off duty (not sailing). The freelancing character of the seafaring profession has been a common problem for

many shipping companies in the tanker shipping sector struggling to find appropriate quantity and quality of seafarers to man their fleet; offering attractive financial perks has been widely used as an attraction tool (Progoulaki and Theotokas 2010). Stand-by wages may be of the same or reduced level of a working salary, but represent an important element of the overall pay package.

The big investment of the company to new recruits, training, compensation and rewards was very much linked to the need for ensuring a high retention rate of the sea personnel. Retention can be a difficult task in a market where seafarers are freelancers (Progoulaki 2012). Apart from the stand-by wages, the company had to apply a working scheme (as agreed in the seafarers contracts) that would satisfy the need of the seafarers for sufficient time ashore to spend with their family and friends. The contract scheme that applies today varies: 3 months on board and 2 or 3 months ashore.

The crew planning and rotation was received by the investors and shareholders of Dorian as a proof of commitment and 'by-the-book' focused management aiming at retaining high quality at all levels. However, the existing seafarers felt threatened by the newcomers on board and the company's expanded pool. It was the personal intervention and declaration of Dimitris and other managers (i.e. Crew Manager) in conferences and officers meetings that eased their concerns; by explaining and communicating the company's strategic plan and clarifying that future jobs were to be ensured.

Shore-Based People Management

In the case of the office in Greece where the technical, operation and crew key ship management functions are taking place, the team of the shore-based personnel had to be enhanced. Hirings ashore have been taking place in parallel to the normal ship management operations and the recruitment of the seagoing personnel. Similar to the sea staff, the job description for all shore-based positions followed the requirements of the TMSA (OCIMF 2008). The aim of the TMSA is to ensure that the fleet is supported by key staff that is competent to carry out the full range of responsibilities and tasks. Thus, the recruiters of the company should check and verify validity of the new recruits' qualifications, offer a formal familiarisation and identify any training needs. Moreover, the ship operator monitors the job retention rate, encourages and supports additional and higher education courses and promotes appropriate interpersonal skills training.

Under the fleet expansion project, the shore staff recruitment strategy was to hire experienced and ready-to-work maritime professionals so as to enhance the existing teams and cover the extreme workload of operating the existing and expected new fleet, especially the 16 new vessels to be delivered all within 2015. The number of people ashore more than tripled; since there was no room for the newcomers, the Greek branch moved to new premises in Athens, in order to facilitate the enlarged shore-based operations. The recruitment and selection process was done using regular tools, like advertisements, screening of applications and multiple interviews. For

key positions, attractive remuneration schemes were offered to professionals being employed elsewhere. The single HR Coordinator was in charge of the process, while the executives' team conducted all interviews and the Stamford office approved the hirings, especially of new managers. Some additional rewards like private insurance and company mobile phone and laptop are also provided.

With regard to the cultural synthesis ashore, almost all of the people working in Athens were and are Greeks, while in the UK the majority are local nationals, with limited presence of foreigners (i.e. a Greek, an Indian and two Danes). The Stamford team generally comprises Americans with a couple of Indians too. In terms of turnover, there have been only two resignations due to promotions not being offered internally; thus, career stepping up was offered from other companies. Overall, retention rate was extremely high for the shore staff. The main challenge that the executives' team had to deal with when increasing the number of people in the Athens office was related to the varying corporate cultural values, working practices, professional behaviours and perceptions of the new entrants, when mixed to the old Dorian team. The new entrants were joining Dorian, coming from small or big tanker management companies. They were carrying knowledge and experience of strict regulatory framework and the tanker industry standards, but also a different working culture – sometimes more lax, more cost prioritising or less quality-oriented culture. As Dimitris noted, 'we managed this by clearly communicating from the very beginning the strategic priorities and expectations of the company, not simply with regard to the execution of the fleet expansion project, but mostly on how we want things to be done. The 'by-the-book' mentality towards safety and quality is in all our procedures and had to be followed by all employees, since deviations, alterations and of course, non-compliance is non-acceptable because it will ruin the reputation of the Dorian brand. This is extremely important for a NYSE-listed company'.

The term 'Dorianisation' of the new staff, either onboard or ashore, was coined internally to describe this process of getting all those new people on the same values and operating principles that Dorian had been working on to that point and intended to preserve going forward – its culture.

The Outlook

'With the delivery of the CARAVELLE [ship] and the sale of the GRENDON [ship], our fleet is comprised solely of VLGCs and firmly positions us as a leading operator of modern eco-VLGCs focused on providing safe, reliable and trouble-free transportation' – John Hadjipateras' words in 2016 which signalled the successful completion of the fleet expansion programme. Dorian's main source of strategic competitive advantage is indeed its large, modern, young ECO-class VLGC fleet. In terms of future goals, Dorian is still in a growth mood, continuing to consider strategic opportunities, including the acquisition of additional vessels through joint ventures or business acquisitions and repurchases of its own securities (Dorian LPG 2017). While Dimitris, the COO and an ex-seafarer himself, emphasises on the

importance of a strict vessel maintenance programme, he also underlines the humans' role, both on board and from shore: 'The truth is that anyone can order tomorrow a ship exactly the same like yours, if money allows. So, the only potential advantage can derive from the management of the fleet, which means, management of people that man the fleet or direct the crew from ashore. The expertise, experience of the seagoing personnel, the effective utilisation of these people, their learning ability, monitoring when the process has reached a plateau... people is the only thing that can make a difference in the long-run'.

Case Study Questions

1. Discuss the key people management challenges that Dorian faced.
2. Examine the links between Dorian's business strategy, organisational culture and its people management system.
3. Analyse and critically evaluate Dorian executives' decisions concerning the selection of crew, by examining the cultural compatibility.

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Case 6: Appraisal at Systel Technologies

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Part I: Appraisal at Systel – Review and Diagnosis

Systel Technologies is an embedded telecom solutions company that helps businesses across the telecom value chain to accelerate product development life cycles. It was established in 1989 and currently employs about 2400 people at offices in India, Canada, China, Germany, Japan, Sweden, the UK, and the USA. Among its clients are Fortune 500 companies such as Nortel, Nokia, and Motorola. The company was born in a small garage in San Francisco. The founding team consisted of four partners, all of whom were software technologists working in US companies. They invested \$200,000 to set up Systel in 1989. The company later relocated its headquarters to Bangalore in 1991. Systel's history can be divided into three phases. In phase one the company was just founded and the emphasis was on building technical competence. This was followed by a second phase, in which there was a sustained thrust on marketing. This was done through setting up of basic marketing infrastructure by recruiting marketing professionals and also modernizing the company website. During the third phase of its growth, Systel decided to restructure the organization into market-centric Strategic Business Units (SBUs). Accordingly they reorganized themselves into three divisions, namely, the semiconductor division, the terminal equipment division, and the networking services division. They are also in the process of establishing a new SBU for the service-provider market to focus on wireless LAN technology.

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Systel is a very organic type of organization, with very few hierarchical levels in the workplace. The total number of levels in the organization including the CEO is only five. The company is known in the software industry for its work culture and innovative human resource policies. One such well-known policy of Systel is to differentiate people only on the basis of performance and nothing else. Hence, it was a top priority for Systel to have a frank and fair system of performance appraisal. As it is almost impossible to have a perfect appraisal system, there has to be periodic review of the system itself with a view to improving it. The system in place was in operation for a few years and therefore the management thought that it is time for a comprehensive review. For this purpose they recruited a specialist, Mr. Nitin Parekh, to head their HRD department with a special mandate for reviewing the performance appraisal system as one of his immediate tasks.

Nitin Parekh is a graduate of the Xavier Labour Relations Institute (XLRI), Jamshedpur. While at XLRI he specialized in the HR stream and joined a banking organization in Delhi on graduation. He spent close to 5 years working in this organization, where his job was mainly to assist the senior professionals of the HR department. His initial job was to help the HR team of the organization in developing a set of guidelines for customer interactions of the bank's employees. Over the course of his 5 years with the bank, Nitin handled many responsibilities, in various capacities in the HR department, including employee recruitment, training, and assessment. At the end of 5 years, he left the organization to move to his hometown of Bangalore and took up an HR job in a software firm. He stayed with this organization for a period of 3 years and was working as the HR manager, with the special responsibility of the performance management system of the organization.

At this point in his career he was offered the job as the HR head of Systel Technologies in Bangalore. Before accepting this job, he wanted to have an idea of the HR policies of the company, and he obtained the following information. As mentioned above, Systel is a performance-driven organization. Such organizations require very good measurement systems and incentive schemes to identify and encourage good performers. Their efforts in this direction have led to innovations by their HR department in their systems and practices. These innovative, employee-oriented, human resource practices resulted in Systel receiving a Lifetime HRD Excellence Award from the National Human Resource Development (NHRD) Network. Systel's corporate credo, "People First," focuses on the importance it gives to its employees. They are what make or break an organization. This approach was successful at Systel where an atmosphere of mutual trust and respect exists, and the employees are motivated to work hard. Finally he found out that Systel was rated as one of the "Best Employers to Work for" in a Hewitt Study in 2001, first in "The Best companies To Work For In India," as well as first in terms of "Employee Perception." Systel was also a SEI Level 5 Company as of March 2002. In view of such positive features of the company's HR practices, he decided to accept the offer. On joining the organization, the first thing that Nitin decided to do was to examine the performance management system, as this is perhaps the most important HR function in an organization, and as he had good experience in this area. His own

views on the characteristics of an effective performance management system were as follows:

- The system should incorporate measurable characteristics.
- The system should not be susceptible to manipulation.
- Data on all aspects of the assessment as well as on the employee and his job should be easily available.
- Feedback should be provided periodically over the course of the evaluation period.
- Feedback should be provided on both individual and team performance.
- The system should enhance the effectiveness and efficiency of the deliverables.

The reason behind Nitin's decision to examine the entire performance management system was to see whether or not it was adequate for an organization of Systel's size and stature. The existing appraisal process starts with a self-assessment by the concerned employees of their own abilities and performance, both on the job and in their individual capacities. This was then considered by the manager, and he gave his own inputs to the subordinate. The evaluation is deemed to be complete only when an agreement on performance and goals is reached by both the manager and the employee. Nitin's examination of the system revealed some deficiencies. One of the biggest deficiencies he noted was the fact that only the manager to whom the employee was assigned was allowed to assess him. In a software company, especially a large one like Systel with a matrix structure, employees work in dynamic and virtual teams and do not always work under the same manager. There is a lot of movement between teams, especially when there are important deadlines to be met and work needs to be done quickly. Also when employees worked on-site in different offices, cities, or even countries, it would not be possible to report to one specific manager in a different location. It was hence difficult for that manager to gauge the employee's performance accurately and objectively.

Nitin felt that there is a need to improve transparency and to give clearer information on the reasons for fixing certain targets and goals. Another important problem he identified was that there was no system of normalization of the differences in the ratings given by different managers, that is, one manager rating good performance as 8/10 while another rating the same level as 7/10. In other words, there was no system in place to counteract errors of leniency or severity on the part of the manager in rating an employee's performance. Besides, there were also issues of central tendency errors.

Noticing these deficiencies, Nitin decided to conduct an organization-wide survey on the employees' views about the system. The study brought out some concerns of the employees. The major issues raised by them were as follows:

- The roles and expectations for the period of assessment had to be clearly defined.
- The existing process focused more on the deadlines rather than the quality of the jobs.
- Standardized benchmarks for evaluation have to be identified.

- There should be a standard format for the assessment.
- The present system did not allow for incorporation of changes based on the specialized nature of some jobs.
- There has to be a centralized “storage” system that contains all the information regarding the assessment system and also all details of an employee’s performance in the organization.

Nitin was shocked by the responses of the employees. When he had found some discrepancies on his own, he felt that he was being overly critical of an organization known for its highly professional HR practices. Such unexpected responses on the part of the employees led Nitin to decide on changing the performance management system in the organization.

Part II: Appraisal at Systel – Comprehensive Reforms

In his mission to improve the performance appraisal system at Systel, the first step taken by Nitin was to evaluate the present system of self-assessment that has prevailed in the company for over 10 years. Nitin felt that the present system was ideal for a company like Systel where employees were given the first priority, leading to employee empowerment, mutual trust, and respect. Self-evaluation was also the ideal approach for a company that has accepted the people-oriented philosophies, such as Total Quality Management, in an effort to improve organizational performance. He believed that self-assessment allows the employees to assess their own performance and to come to conclusions about their performance levels and act on those to create a plan for developing and furthering themselves in the organization. Self-assessment allows the managers to check their own assessment of their subordinates in terms of objective data.

Nitin strongly believed that self-assessment results in a significant increase in the levels of commitment among employees and also ensures that the employee is an active participant in the appraisal process, not just a passive recipient of the evaluation. It internalizes the need for change in the employee and encourages him/her to take responsibility for his/her actions. This results in motivation coming from within, as opposed to external inducements. Another reason for Nitin’s support for the self-assessment system was his belief that the employee is the best judge of his/her performance and has the best idea about the work and the thought put into it.

The self-assessment system also facilitates a high degree of involvement from the managers at Systel in evaluating their employees. They play a major role in assisting the employee formulate his goals and also in identifying the developmental needs for the employee based on the appraisal. Another important factor that made self-assessment the ideal tool for Systel was that employees often had to work on their own and that it was difficult to be observed by others. In this scenario, self-assessment is the ideal tool to provide an additional perspective on the employee’s performance. Nitin also felt that, as the self-assessment system had been in place at Systel for a considerable period of time, the employees were used to the concept. He

did not want to bring in a completely new system, as the potential fallout might be harmful to the company. Besides, the practice of self-assessment was highly appreciated by the employees in the survey that he conducted. Nitin concluded that the self-assessment system was the ideal option for Systel, but realized that the way it was being implemented could be the source of problems. He then decided to delve deeper into the actual implementation of the system and the practices followed for evaluating an employee. He considered each of the major points of dissent that were raised by the employees and decided to tackle them in his own way.

Performance Measures

A major concern expressed by the employees in the survey was about the lack of quality in the performance measures. The most important part of a performance management process is to establish realistic and challenging and yet attainable performance expectations and standards. Nitin decided that a proper framework of performance measures that looked at all aspects of employees' performance was necessary. He wanted to implement a system that evaluated performance based on the employee's traits, behavior, and achievements, thereby ensuring an all-round evaluation. At the same time, he wanted to stick to the five vital characteristics that any performance expectation or standard should possess. In effect, all the performance standards that he implements should pass the **SMART** (Specific, Measurable, Achievable, Relevant and Timely) Test. So he decided to implement a KPA cluster approach at Systel. KPA stands for "Key Performance Area," which stems from the job description and is result-focused. A cluster can be defined as a "grouping of similar things." In the context of "KPA cluster" it refers to the grouping of KPAs with a related focus. Nitin identified the following KPA clusters to be used as performance evaluation criteria for Systel.

- (i) **Project Cluster:** This refers to the goals that are to be achieved for the business to grow. They give a standard framework of what is expected of an individual, e.g., Requirement Analysis, Project Management, and Innovation (for Business Units) and Vendor Payments/Quality Certification and Sustenance/Space Management and Contract Updating/Salary-Revision/Anti-Virus Management/DBA (for Corporate Functions).
- (ii) **Process Cluster:** These are KPAs which concentrate on the means to accomplish the project KPAs mentioned above. They guide the employees on how they need to perform and give them the means of accomplishing their goals. They refer to adherence to software engineering and organizational processes as well as tailoring the existing processes or defining new processes, e.g., Process Adherence and Process Definition.
- (iii) **People Cluster:** These KPAs deal with the people skills of employees, their functioning in teams, and their customer interactions, e.g., Mentoring and Customer-centricity.

- (iv) **Developmental Cluster:** These KPAs refer to enhancing the existing set of competencies or acquiring new ones through formal/informal ways, which help in the personal growth of employees and improves their participation in organizational initiatives, leading to greater organizational effectiveness of the company, e.g., Self-Development and Participating in Organizational Initiatives.

Nitin devised a system where the factors of each cluster of the KPAs are chosen and are assigned weightages according to the job profile of the employees and the time these employees spend on specific tasks. For example, a lower-level programmer would have lesser weightage for the people cluster than for the project cluster so as to suit his job profile.

Goal Setting

The next step was to tackle the problem regarding the transparency and openness in setting of goals by employees and managers. In the existing performance management system, employees and their managers set goals for the coming time period, one quarter, which were agreed upon by both parties. The problem that existed in this case is that while the manager knew what his goals were for the next quarter and could allocate work to his subordinates based on that, the subordinate did not know what part he played in achieving his manager's targets. Thus, he did not have a clear picture of what he was doing and how it benefited the organization in terms of achieving its goals. This scenario percolated throughout the company from the CEO down to the newest recruit from an engineering college. This has created a situation where the employees worked to meet only their individual goals and paid very little attention to the overall organizational objectives. The general atmosphere therefore was not conducive to promote collective efforts by the employees to achieve the growth of the company.

In isolation, a performance appraisal system is just a procedure which involves the assessment of an individual's performance on a regular basis. But Nitin felt that it has to go much deeper. Performance appraisal lies at the heart of good business practice and it can effectively function only if the company has a clear picture of where it is heading, and has taken the necessary steps to ensure that it is taking its workforce along. Nitin decided to correct this situation by providing a more transparent system of goal setting and responsibility formulation for the next quarter. The first thing that struck Nitin on examining the system was that without a clear definition of the CEO's goals in the organization for the coming quarter, employees working directly under him would assume them without correctly knowing what these goals were, and hence fail to tailor their goals to meet them. Then the CEO would modify these according to his own thought process. In this exercise there was no dialogue which could clarify these assumptions. The same situation occurred at every level in the organization. Nitin proposed the following seven-stage framework for goal setting, hoping to remove the need for assumptions, thus bringing in transparency and clarity into the goal setting exercise:

- Planning: Employees plan their individual KPAs.
- Plan Forwarded: Employees forward the planned KPAs to the managers for approval.
- Plan Approved: Forwarded KPAs approved by manager.
- Plan Rejected: Forwarded KPAs rejected by manager, and alternatives discussed and agreed.
- Assessment Forwarded: Self-assessment completed and forwarded to the manager.
- Ratings Forwarded: Manager's assessment completed and forwarded to the employee.
- Accepted and Forwarded to HR: Ratings are accepted by the employee and forwarded to HR.

The advantages of this method are that the employees are allowed to question their manager's decision on their KPAs and then, depending on why they were approved/rejected, reset these goals. If there is still a disagreement regarding the goals between the employee and the manager, then the HR steps in and a compromise amenable to both sides is worked out. Another change brought in by Nitin was to make available to all employees the set KPAs of all superiors, right up to the CEO, so that they would be able to see the way goals have been set down the hierarchy and hence know his place in the fulfillment of the organization's goals. This would make it easier for the parties concerned, managers and employees, to set goals agreed upon by both parties.

Leniency, Severity, and Central Tendency Errors

In any organization, the criteria to judge the effectiveness of the performance management system are essentially the same. These are validity, reliability, freedom from bias, and practicality. However, certain errors can creep into this system, and they can undermine the effectiveness of the performance management exercise, which would have an adverse impact on employee motivation. It takes a sizable amount of time, money, and organizational effort to develop, implement, and use a performance assessment system. The benefits of using such a system must outweigh the costs of organizing it. Moreover, the system should be easy to use and should be widely perceived by both employees and management to be fair and free from any biases. There are two underlying issues that need to be considered in this regard.

Legal Issues of Fairness

An appraisal system would be free from legal problems if it is fair to all employees regardless of their race, sex, national origin, religion, etc. This is especially important for Systel, which has a presence in six countries. Nitin has therefore decided to adopt a uniform, company-wide HR metric, measuring all employees in the same manner, regardless of their designation or location, along the same four dimensions of people, project, process, and development. This information was made freely available on the company intranet.

Freedom from Rating Errors

Ratings may be biased, either positively or negatively. Such biases may be intentional or unintentional. Nitin has identified a few such common biases:

- Leniency Errors: Employees receive ratings higher than what they deserve.
- Severity Errors: Employees are rated more unfavorably than they deserve.
- Central Tendency Errors: The evaluator rates all his employees close to the mid-point of a rating scale, so that it is difficult to differentiate between good and bad performers.
- “Halo/Horns-Effect” Errors: This is the tendency of raters to allow their performance judgments influenced by a good or bad impression (incident) about the employee.

In order to counter these errors, Nitin decided to implement a standard seven-point scale with descriptions of achievement for each point, by which to judge employee performance across the board. Additionally he introduced a rigorous normalization methodology for reducing the impact of such errors. For example, if a particular rater gives a maximum of 80 on a 100-point scale, and another gives a maximum of 60, the two groups of rating are brought under normal curves to enable a valid comparison between the two groups (where the values of 80 and 60 are equated and other scores adjusted accordingly).

The Rating

In order to tackle the problem of benchmarks in rating, Nitin decided to introduce a standardized system of assessment with which each factor of the KPA can be evaluated by the manger. So he implemented a rating system with seven stages on a scale ranging from 1 to 4, where each stage clearly defines the level of achievement of the KPA for the corresponding score. The following table shows the rating scale he introduced (see Table 1).

The managers and employees are expected to map the respective “performance standards” against a performance measure defined in the KPAs to the ratings detailed above. Nitin also clarified that a minimum score of 2.4 is necessary for the

Table 1 The Rating Scale

Score	Rating point explanation
1.0	Results not met the expectations and no efforts towards meeting them
1.5	Results not met the expectations and inconsistent efforts made
2.0	Results not met the expectations despite the consistent efforts
2.5	Results met some of the expectations
3.0	Results met all the expectations
3.5	Results have exceeded the expectations
4.0	Unique and exceptional achievement of results

performance to be rated as satisfactory. Employees who score below 2.4 are to be classified as low-performing employees. But Nitin instituted a system of monitoring these employees and giving them sufficient opportunities to improve themselves before taking any action. He also decided to increase the frequency of appraisal to help monitor their progress better.

Standardization and Customization

Nitin noticed that even though the existing performance management system had a certain structure, this was not standardized, and differences cropped up when comparing scores across the organization. He also noticed that certain employees had to perform different roles at different points in the evaluation period of one quarter. This aspect was not recordable in the existing system and due to this a fair appraisal of those employees was not possible as certain aspects of their jobs were not included. Another point missing in the present system, as mentioned earlier, was the lack of a methodology by which employees working under different managers in Systel could be appraised by all the concerned managers. Taking all these points into account, Nitin decided on the KPA cluster as a standardized tool for evaluations. Within this tool, Nitin incorporated the possibility of recording scenarios where more than one job could be added into an employee's evaluation, and more than one manager could do the rating. Thus, the evaluation was not complete for any employee until each role handled was assessed, and each manager evaluated the employee and agreed upon the ratings. Thus, he made sure that the problems of the employee working under different managers, in different locations, or in more than one role with differing responsibilities are taken care of by an objective system which gives fair evaluations of all that an employee has done.

Comprehensive Portal

On examining the employees' request for an all-encompassing system of data retrieval and evaluation, Nitin realized that such a system would make it easier for managers to access all the required information regarding an employee's performance and also come to a fair assessment quicker and in a more relaxed manner. Thus, as a logistical issue alone, it was appealing. Taking into account the added advantages for the performance evaluations, he felt it was worthwhile, and developed a system which would thus grant access to all aspects of an employee's job, as requested by them in the survey conducted.

Part III: Appraisal at Systel – The Reform and the Aftermath

About a year after Nitin implemented these changes into the performance management system at Systel Technologies, he wanted a survey done on whether or not they were successful, both from the employees' and the managers' points of view.

Since the changes in the system were internally initiated, Nitin wanted an unbiased external agency to conduct the survey and analyze the data collected. In order to achieve this objective Nitin took the help of a professional HR consultant. The consultant prepared a questionnaire taking into account the changes made by Nitin and adding some questions regarding any other changes the employees of Systel might want. This questionnaire was handed out to a wide cross-section of employees, right from the top management to freshly recruited engineers. Their responses were tabulated and an average score was computed for each question, which are reported in Table 2.

From the responses obtained to these questions the consultant arrived at the following conclusions regarding the changes implemented by Nitin. The scores obtained on the first three questions were all higher than 3.80. This indicated a strong agreement of Systel employees on the matter of percolation of company goals through the hierarchy, suggesting that the changes implemented by Nitin in this regard were successful and yielded good results. The employees also expressed a high degree of agreement to question number 12, regarding their ability to accept, modify, or reject the evaluation done by their managers. This shows that the appraisal system implemented by Nitin was flexible and respected the appraisees' inputs. For question 19 the employees answered with a very high average score of 3.65. This indicated a strong agreement on the part of Systel employees that they were now properly evaluated by managers, even if working in different locations and under different managers. This was one of the main aims of the changes implemented by Nitin and has been a great success. For question 16, the average score obtained was 3.58. This tells us that any errors of leniency, severity, or central tendency have been successfully reduced by the implementation of a scheme of normalization in the ratings given by various managers. In addition to these conclusions arrived at by the consultant, he also made some recommendations, based on the findings of the survey.

360-Degree Appraisal

The survey registered a 3.97 score favoring a peer evaluation in addition to the existing system. So, the consultant recommended that Systel should implement a 360-Degree Appraisal System. This is a system of appraisal where performance assessment is made using various sources of feedback that would be relevant to the assessment. As Systel's current performance evaluation system uses the feedback from employees and their superiors, the consultant reasoned that adding subordinates and peers to the list will help in increasing the effectiveness of the system. The open and participative culture of Systel would make it an ideal environment to implement the new system. The consultant recommended that the system be implemented with a focus on development so as to avoid apprehensions among the participating groups about a win/lose attitude that so often accompanies promotion and compensation decisions.

Table 2 Survey results

Q. no.	Items	Average score out of 5
1.	Every employee understands where the management is trying to take the company (the long-term goals of the company)	3.81
2.	Your department's goal relates to the abovementioned goal of Systel	3.86
3.	You understand how your job contributes to the overall department and company goals	4.11
4.	Your training and development needs are reviewed regularly, to ensure that you continue to have the skills needed on the job	3.14
5.	The appraisal presents a true reflection of your work	3.36
6.	You would like the current appraisal system to be changed in some ways	3.58
7.	The appraisal system adequately covers all areas of your strengths and weaknesses	3.14
8.	You are happy with the quality and frequency of feedback that you receive from your supervisors/managers	3.47
9.	You would like to increase (5)/decrease (1) this frequency	3.58
10.	You are told areas in which improvement is expected as a result of the appraisal process	3.50
11.	You agree with your supervisors/managers on what is expected from you, as a result of the appraisal process	3.50
12.	The current system enables you to reject/modify the appraisal in some way after your manager's evaluation	3.92
13.	The goals, objectives, and action plans are clearly laid out in the performance appraisal system	3.47
14.	Adequate follow-up actions have been taken with regard to past appraisals	2.83
15.	The system is subject to leniency (5)/severity (1) errors (leniency/severity of manager on employee's performance)	3.18
16.	The appraisal system is objective (managers' personal feelings/biases are not brought into it)	3.58
17.	The system allows work done under other managers/departments to be included	3.34
18.	Innovation gets priority in the appraisal	3.44
19.	The performance appraisal system used is effective even if you and your manager are working in different locations (on-site assignments)	3.66
20.	You are happy with the compensation/advancement decisions made on the basis of your appraisal	2.57
21.	The client (for whom work is being done) should also have a certain role to play in the evaluation and appraisal process	3.56
22.	The appraisal captures any new skills/competencies acquired outside of, but related to, your work environment	3.36
23.	The feedback covers sharing of new/acquired experience or special knowledge	3.25
24.	You undergo training for your role in the appraisal process	2.97
25.	You prefer a comprehensive peer review at the end of a team assignment to assess individual contribution, enthusiasm, and teamwork in addition to the existing system	3.97

1 = strongly disagree; 2 = disagree; 3 = neither agree nor disagree; 4 = agree; 5 = strongly agree

Adequate Follow-Up

It was found from the survey that the employees registered a score of 2.83 on item 14, which shows a feeling that there was not enough follow-up on the previous appraisals. The consultant made it clear that performance appraisal is not an end in and of itself – it is just a means to an end. It is only a part of an ongoing performance management process that starts with planning and identification of the goals and objectives of the organization and ends with the training and counseling given to the employees to improve their performance based on the results of the appraisal. After discussions with the employees and managers, the consultant discovered that the initial feedback mechanism was designed when the organization was in its early years and was following a linear structure. However, after the restructuring of the organization into various Strategic Business Units (SBUs), the needs and requirements of the performance management system are now much broader than before, because of the inherent differences in the type of work done and roles played by the various employees in the different SBUs. It was thus obvious that the performance management should capture this difference in the new organization structure. The consultant recommended that the employees undergo training programs as identified in the appraisals to enable them to adapt better to the changing environment as mentioned above. These training programs are to be coordinated with each training cycle in the organization such that the employees are trained in whatever skills they are lacking in.

Appraisal Training

The survey results showed that the employees scored an average of 2.97 on item 24 regarding appraisal training, which shows that they were not being properly trained to participate in the appraisal process. Any appraisal process will prove to be effective only when it is performed correctly with the evaluators giving reliable and accurate ratings. This can be ensured by providing adequate training to the employees on how to participate in the appraisal process and what is required from them. So the consultant recommended that appraisal training should also be included in the training package for employees on a more regular basis, along with the follow-up training.

Compensation

The employees showed a strong disapproval for the way appraisal was used for making compensation decisions, as is evident from an average score of 2.57 on item 20, which is the lowest among the 25 items. This might have been partly due to the fact that the timing of the questionnaire coincided with the announcing of a policy change regarding compensation. But the figure is significantly low to be a cause of concern. This issue cannot be just looked upon as an HR issue, as it involves other

broader issues of company policy. So the consultant recommended that the Board of Directors sit with the HR department and review the compensation system in place and make the required changes in line with the organization's policies and goals.

Questions for Discussion

1. Distinguish between performance appraisal and performance management.
2. Discuss the feasibility and desirability of fixing and periodically reviewing the KPAs for each employee. Would it be better to do this exercise for job categories rather than for each individual employee?
3. While trying to bring about transparency in the appraisal system and processes, is there a risk of violating confidentiality? How should Nitin bring in transparency without violating confidentiality?
4. Which method of appraisal do you think is the best for ensuring fairness and objectivity? Is it possible to completely eliminate subjectivity from appraisals?
5. What should Systel do with the appraisal outcomes? Should they be used only for giving feedback to employees? Or should they be used for identifying training needs, improving performance, and/or deciding on increments and promotions?
6. Do you think it was appropriate on the part of Nitin to enlist the services of a consultant to review the appraisal system? What are the relative merits and demerits of engaging consultants for such reviews as against doing it internally?
7. Comment on the recommendation of the consultant to replace the present system with 360-degree appraisal. What other degrees (like 90, 180, 270, 540, and 720 degrees) could be considered in the case of Systel and why? What are the cultural and operational barriers of implementing 360-degree appraisal system in Indian organizations?
8. Based on a review of literature on appraisal, examine the rationale and legitimacy of different systems of appraisal. Which one would you recommend for Systel?

Case 7: Patanjali: The Black Swan

Shashwat Shukla

When one of India's foremost news magazine puts you on their front page, then you have certainly arrived. However, when the issue is closely read by stock market analysts who are understanding the dynamics of Indian stock market, then there is something happening which is disruptive to say the least and a black swan to say the most. The person in question is Ramdev Baba of Patanjali, the most dynamic businessman in India, who continues to create a complex supply chain of products based on his learnings not from Harvard but Haridwar, a pilgrimage site in the foothills of Himalayas. So why are the investors and consumers putting their bets behind this monk, fondly called Baba Ramdev by his followers? And here we enter the heart of the paradox. At one level he is a sadhu, an aesthetic and a monk, and as a monk he has to leave his family, adopt a new name and live a frugal life in a monastery or ashram as it is called in India. In these ashrams the monks are usually engaged in religious practices, reciting hymns, offering prayers, doing rituals, doing meditation and reading religious scriptures. Ashrams have Hindu devotees coming to them for listening to religious discourses of the monks and conduct religious activities. Baba Ramdev has done all this and continues to do so, yet paradoxically, surprisingly and astonishingly he has been able to use the ethos and working principles of ashram ecosystem to create India's most ruthless, ambitious and expansive business organization with global ambitions. He himself is one the richest men in India.

It is this paradox which has added to his leadership style. He was asked this question in a recent interview (<http://indiatoday.intoday.in/story/baba-ramdev-patanjali-yoga/1/714332.html>) as to "why is a self-proclaimed renunciate selling shampoo, toothpaste, detergent and anti-ageing cream?" The answer is as follows, "When I went to the Himalayas in my youth, I saw many sadhus who had given up the materialistic life. But what were they doing? Nothing for the welfare of mankind. That

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cannot be the purpose of life. In India, it's believed that sadhus can't do anything; they are supposed to live on donations. It hurt me. The real goal of a sadhu is not to attain moksha for himself but to serve the masses. My business is not for profit but to spread wellness". Some indicate that he is bringing in a new leadership mix to business organization. Black swan indeed!

Follower: Leader Interaction

Leadership in an organizational context can be viewed as an interaction between leader and followers. The premise is that leader and followers exchange certain psychological and social goods between each other. In Patanjali's case there was a pattern of communication choices exercised by the leaders in framing their business organization and engaging with the wider customer base. The next section focuses on the communication patterns by the leaders.

Communication: Use of Symbols and Sublingual

When leaders and followers communicate effectively amongst themselves, it may lead to the formation of a trusting relationship. It is this relationship which is the bedrock of effective leadership. Thus, one of the significant indicators of quality leadership may be the creation of trust between leaders and followers. The followers trust the leader's capability to lead them. The trust may broadly have two levels, namely, competence and intent. The followers should be able to trust that the leader is competent to lead them. The follower's perception of leader's competency is based on the past performance of the leader. The issue of intent is more nuanced and is based on the observations of the conduct and mannerism of the leader. The two merge to create a shared opinion amongst the followers which may influence their trust on the leader. Thus, the ability of the leader to communicate his competency and intent with the follower is very critical. In today's management scenario, performance criteria are very complex. Thus, the leader is faced with a huge challenge to establish his competency. He may do it by elaborating his past performance, but since performance at senior management level is based on a number of factors, it becomes difficult to communicate them. Often we find leaders indulging in monologues in order to elaborate on their performances; however, instead of creating trust, it leads to feeling of confusion and ambiguity amongst the followers. This defeats the very purpose of communicating about their competencies to create trust amongst followers. Another issue which emerges is that leaders are hard pressed for time and have limited opportunities to communicate with employees. The shortage of time also places constraints on the leader's ability to establish trust. Effective leaders have used symbols and sublingual methods to communicate with their followers. The use of symbols simplifies the core message and does not place too much time burden on the leader. Effective organizational leaders have used powerful

symbols to establish their credentials. Some of the symbols which are used are as follows.

Education

The educational qualification of the leader is one very powerful symbol which the leaders can use. Generally the employees of an organization enter in the organization based upon their qualifications. Thus, they tend to hold educational qualifications in high esteem. If the leader has superior education in respect to its employees, then it helps the leader to garner the trust of the employees. Therefore, it is common to find leaders in organization holding qualification from very prestigious institutes which are universally accepted as centres of excellence. If we look at the Indian scenario we find the use of education as a symbol is very extensive. Of the top 500 companies which are listed on the Bombay Stock Exchange, nearly a quarter have CEOs who have educational qualification as MBA (<http://www.livemint.com/Opinion/p2yxs2wI4dvdp0ouMDWRmK/The-Bschool-education-of-top-Indian-CEOs.html>). A half of this number went to Ivy League B Schools in the USA and Europe. Of the people who received education in India, one out of every seven CEOs calls IIM Ahmedabad as its alma mater. IIM Ahmedabad is the most sought-after and prestigious centre of excellence of management in India and was mentored by Harvard Business School in its initial years. This group of CEOs also includes many family-run businesses that would have got the leadership position as a matter of inheritance. Therefore, education has not only given business leaders intellectual depth but also legitimacy to hold leadership positions. They have been able to use their education as symbols of competence in order to establish their competence with the followers. The symbolism build around education is further strengthened by membership of educational bodies, professional associations and tie-ups with professional institutes. To use a specific example, let us take the example of the Aditya Birla Group which is an Indian multinational conglomerate named after Aditya Vikram Birla, headquartered in the Aditya Birla Centre in Worli, Mumbai, India. Established in 1857 in the tiny village of Pilani, Rajasthan, the Aditya Birla Group took shape when Seth Shiv Narayan Birla ventured into cotton trading. Today, with operations across 36 countries and revenues of US\$41 billion, the Group is a leading player in aluminium, cement manufacturing, viscose staple fibre, chemicals, copper, insurance services, telecom, branded apparels, fertilizers, software, viscose staple yarn, carbon black and insulators. Aditya Birla Group's CEO Mr Kumar Mangalam Birla, a much-respected figure in Indian Business and Policy circles, has adopted leadership choices that are distinct. Some excerpts of the publically available description from the Aditya Birla Group website are being put Exhibits 1 and 2 to highlight our above point (<http://adityabirla.com/about/kumar-mangalam>).

The key points which emerge from the above description are as follows: (1) Education has been given a prominent place in the description. (2) Even though Mr Birla is inheritor of the Birla Group and acquires legitimacy on grounds of his

shareholding, the symbolic value of education has not been overlooked. It is pertinent to note that Mr Birla already had a credible education degree as he was a qualified chartered accountant yet he chose to get a qualification from London School of Business. (3) He has continued his association with academics in various forms in order to renew the strength of his education symbols. (4) The description uses other symbols such as business performance to establish credibility. However, business performance of an organization is a cumulative effort. If the leader tries to usurp the whole credit or is perceived that he is doing so, then such an attempt will be counterproductive. Thus, a business performance symbol is accompanied by education symbol. In using education as a symbol the individual performance can be highlighted and given more prominence. Thus, one may surmise that in today's knowledge economy where intellectual property is a very critical resource, leaders have an incentive to use education as a symbol in order to communicate with their followers. The followers are likely to trust a leader whom they feel is competent. At the same time, it is interesting to note it is not merely the fact that the leader must be qualified, but also that his education in terms of prestige should have universal recognition for it to be used as a symbol.

Compensation

While the earlier section highlights how education of a leader can be used as symbol to establish trust of followers in shaping the competency of a leader, another key symbol is related to the intent of the leader. The definition of a leader embodies the fact that a leader is one who the followers look up to as benchmark for conduct and commitment. This brings in the issue of the ethical component of leadership. An ethically astute leader will have an equitable profit sharing arrangement in his organization. His/her compensation package should not be more than 50 times the median salary. In a specialized organizational framework, the final output should be viewed as a cumulative of individual performances. It is generally very difficult to justify that one role would be attracting compensation greater than 50 times than that of the median wage in the organization. The greater the gap, the more likely it will lead to feelings of inequity. If the leader asserts his veto powers and his compensation is perceived as inequitable, he will lose his ethical capital. Thus, a leader needs to be mindful of this aspect so that he may use compensation as symbol. If the leader is perceived to be ethical, then forming a trusting relationship with employees may become easy. Exhibit 3 takes a look at the Indian scenario at some of the well-known Indian companies (<http://www.livemint.com/Companies/LMSdocnyzGimu9ILcuctZP/Pay-gap-rule-India-ahead-of-US-only-in-timing-not-thorough.html>). The exhibit clearly shows that apart from honourable exceptions like those of some of the Tata Group companies who are traditionally known to be highly ethical and are one of the most trusted brands in India (<http://www.bbc.com/news/world-asia-india-37796748>), most other organizations have very steep differences between the median salary of employees and their respective leaders. This has led to a leadership crisis which has engulfed companies across a spectrum of

industry sectors from information technology to manufacturing (<http://www.gadgetsnow.com/tech-news/Leadership-crisis-in-Indian-IT-Top-companies-opt-for-outsider-CEOs/articleshow/50480729.cms>, <http://www.firstpost.com/business/infosys-governance-issues-board-not-keen-on-tata-style-row-with-founders-3277596.html>).

Demeanour and Mannerism

The leader may not be able to speak to each of his followers on an individual basis. Yet the followers recognize him as the leader and look up to him. In such a case where individual communication is not possible, the mannerisms and style of speaking of the leader allow the employees to get a glimpse of their leader. This fulfils to some extent the emotional need to connect with the leader. It also forms the basis for them to make an understanding of their leader. The larger social political environment of a country also has an impact on the expectation of the followers. In the case of India the politico-social environment has seen a lot of churning with the coming of a right-wing conservative party to centre stage. The public discourse has shown inclination towards blunt, statement of fact approach rather than diplomatic and political correct statements. For an excerpt of media report, read Exhibit 4 that points to this fact (http://www.business-standard.com/article/current-affairs/arnabs-republic-hints-at-mainstreaming-right-wing-opinion-as-a-business-117012600235_1.html). The leader's mannerism needs to factor in these aspects as he/she may use sublingual cues to communicate with his/her followers. The leader may conduct themselves in a manner that is in sync with the macro environment of the organization. This may lead to a wider acceptance of their leadership style. If a leader's conduct is perceived in a positive light, then he/she may be able to generate more trust with the followers. After having established the core symbols of leadership and how they are being used, we shift our focus to Patanjali the firm and Baba Ramdev the leader.

Patanjali

There are many technology startups which have come in India in the last few years. Most of the startups which have made it big are in the business of online retail. Some of the big names are Flipkart, Snapdeal and Shopclues. These startups have scaled up rapidly. Most of these startups have been started by technocrats who have received education in the elite Indian Institute of Technology family of institutions. The founders had good business exposure before they became entrepreneurs and they also received liberal venture capital funding. However, one startup which has made big in this group is not a technology startup. Neither does it have promoters who have been educated and have had business exposure of working in corporate setup. This startup has come up in a sector where usually few startups come.

This is the area of fast-moving consumer goods (FMCG), which includes toilet soaps, detergents, shampoos, toothpaste, shaving products, shoe polish, packaged foodstuff and household accessories. These items are meant for daily and frequent consumption and often have a high return. This startup is Patanjali. The startup has been named after the legendary Indian monk who had written the most authoritative text on yoga. It is also intriguing to note that not only does Patanjali break the rules by coming up in a mature sector, which is dominated by big giants like Unilever and Procter & Gamble but it did not receive any robust venture capitalist support which the other startups had received. To get an idea of the scale and extent of disruption and breaking of rules which has been caused by the birth of Patanjali, we need to look at the Indian FMCG market. The Indian FMCG market is a success story because India is the second most populous country in the world. With such a sizeable population and disposable incomes, the FMCG market in India is worth US\$ 49 billion and is the fourth largest sector of the economy (<http://economictimes.indiatimes.com/industry/cons-products/fmcg/indias-fmcg-sector-to-reach-104-bn-by-2020-study/articleshow/54697324.cms>). It is projected to reach a whopping US\$104 billion by 2020. With European and US markets maturing, a lot of multinationals are shifting their focus to India to maintain their profitability and deal with intense competition. Well-established distribution networks and intense competition between the organized and unorganized segments are the characteristics of this sector. The requirements of a wide distribution network, need for a powerful brand image and intense competition are steep barriers which make entry of new entrants difficult. Yet it is under these adverse circumstances that not only Patanjali has been able to gain a foothold in the competitive FMCG market but also make its presence felt. It is not often that the big Daddy of FMCG = Unilever acknowledges a new entrant but Patanjali has that to its credit as comments from Andrew Stephen, Head of investor relations at Unilever, who remarked that there are “a couple of great examples” in India in the herbal segment: “Patanjali, which everybody is looking forward to with lot of interest” (<http://economictimes.indiatimes.com/industry/cons-products/fmcg/unilever-admits-to-new-competition-in-patanjali/article-show/54926013.cms>).

Patanjali has grown at a phenomenal compounded annual growth rate of 64.7% in the period 2012–2015 (Abneesh et al. 2015a). Growth is being driven by the company's largest selling product, cow's ghee (edible oil made from clarified butter), followed by Dant Kanti (a herbal toothpaste) and Kesh Kanti (hair oil) (Abneesh et al. 2015b). Patanjali also has a robust pipeline of new products, which will help achieve its target of becoming a US 1bn \$ corporation by the year 2017. It has already achieved sales of Rs. 5000 Cr in 2016, and reaching Rs. 7000 Cr or a bit over US 1 bn \$ in 2017 is easily achievable (<http://economictimes.indiatimes.com/industry/cons-products/fmcg/patanjali-on-track-to-hit-1-billion-sales-in-fy17/printarticle/51422878.cms>). “Patanjali could become the fifth largest FMCG company in the country, after Hindustan Unilever ITC, Nestle India and Britannia Industries. This would bring it well ahead of traditional FMCG players like Dabur, Godrej Consumer Products and Marico” (<http://economictimes.indiatimes.com/>

industry/cons-products/fmcg/patanjali-on-track-to-hit-1-billion-sales-in-fy17/printarticle/51422878.cms).

“...The company is focused on top line growth rather than profitability. Its business ideology is inspired by Swami Ramdev’s ideologies to touch day to day lives of people through Patanjali products which will help the consumers and help Patanjali be present in all the segments where the consumers feel they can get a better product at a better price. The organization conducts its business on the following three main principles: (1) Providing world class products to consumers (making sure the company does not add any preservatives or uses natural preservatives as far as possible); (2) Producing products in the most cost effective manner so that the products are priced very reasonably; and (3) Whatever profits the company earns are ploughed back into business so that it can invest the same for launch of new products, cost effectiveness or further capacity expansion...” (Abneesh et al. 2015c). One of the factors helping the organization to scale new heights is the bold and dynamic leadership of its founder Baba Ramdev. In the next section we closely look at Baba Ramdev and his approach towards organizational issues.

Baba Ramdev

Baba Ramdev was born in a poor family of farmers to Ram Niwas Yadav and Gulabo Devi (<http://www.divyayoga.com/trustees/swami-ramdev-ji/>). There is little authentic source of information available about his early childhood. However, our focus is on the perceptions which are widely shared and promoted by Baba Ramdev through his official websites. It is said that he was a sick child to begin with. In order to overcome his ailments he started practicing yoga regularly. Yoga is an ancient system of Indian exercise comprising of stretching postures, breathing practices and meditation. The health benefits of yoga have been extensively researched and widely accepted. After intensive practice of yoga Baba Ramdev was cured of his ailments. This sparked his interest in yoga and Ayurveda: the ancient system of Indian living and healing through herbal medicine. He is said to have left his home and gone to Haridwar, a city in the foothills of Himalayas, to learn yoga. Little is known about the methods and process through which Ramdev learnt and mastered the skills of yoga. There is no certification from a government recognized agency for the practice and knowledge of yoga which he has received. While learning yoga, Ramdev became a monk. As a Hindu monk, he left his family to live in a monastery, an austere and simple life. The monastery system in India is very widespread and is well organized. The monasteries have historically performed various functions apart from being religious centres. Some of these functions have been shelter places for travellers, helping civic authorities in time of natural crisis and furthering research in Indian Ayurvedic system of medicine. These activities have been part of the spiritual ethos of social welfare and service to the needy. After being exposed to the monastery system, Ramdev was motivated to use his knowledge of yoga and use it for health awareness. The monastery framework allowed him to start his yoga camps for devotees of the monastery. These small camps were the foundation on which

future yoga and related initiatives of Ramdev were built on. In later years Ramdev scaled up the size of his camps. However, the turning point came in 2003 where he got the morning slot on a spiritual TV channel to teach yoga.

Ramdev simplified yoga postures and started teaching them through television. Some of his medical claims were unscientific, but it was his communication style wherein he mixed religious scriptures, national pride and common sense which struck a chord with the masses. In spite of several controversies he became increasingly popular. His typical yoga sessions included home/herbal remedies and yoga postures for specific diseases and disorders. In these yoga sessions he would bluntly target multinational corporations (MNCs) for exploiting Indian consumers with substandard products. He would extol virtues of Indian culture and cite that he is a monk and his only motivation was public welfare. This message from a monk found a lot of credibility and legitimacy in India, which was witnessing major revolution against corruption scandals at the time and increasing public disquiet about politician-business nexus. Ramdev would perform difficult yogic postures on stage which were cheered on by the crowds at his camps. Often he would randomly choose people in his camps to share their personal experiences of benefits they received from his system of yoga. With the live telecast of such camps Ramdev had become a household name. Soon Ramdev started to speak on national issues, specifically corruption and economic issues.

He started an enrolment exercise for a national movement against corruption and public welfare. Some of these volunteers became the future employees and distributors of Patanjali. With this backdrop Ramdev gave a call that he would be starting an organization which would free people of India from economic exploitation of MNCs. He declared that his organization would provide quality products at cheap prices using Indian Ayurvedic medicine principles. This has become the core value proposition of Patanjali's advertising strategy and all their brands emphasize the benefits of these herbal formulations. Ramdev has declared that all the profits from Patanjali will be used for charity. He said that since he is a monk he would not take any salary or make any property and Patanjali would use all its profits for creating public goods. These messages had wide acceptance and appeal with the Indian public. Allegations were made that all the promises of Baba Ramdev are not being adhered to but they have not yet been able to change the positive perception that he enjoys. In fact he has claimed that he is being victimized for taking up public issues. He has tried to re-enforce and supplement his nationalistic image by associating himself with movie stars, sport stars, security agencies and politicians by inviting them to his yoga camps. In spite of being the chief executive of Patanjali, a big FMCG company, Ramdev is often seen in press discussing health and economic issues with policymakers. Ramdev has motivated his employees by extolling to them on same lines that they are working for a national cause. It is a usual site to find posters of national pride and heritage at Patanjali exclusive outlets. The application form for becoming a distributor at Patanjali is being appended in Exhibit 4.

The distinctive features of the form are as its appeals to its applicants like "...By the blessing of H.H[His Holiness] Param Pujya Swami Ramdev Ji Maharaj and the determination of Patanjali Ayurved Limited., cheap and best quality Swadeshi

Product is to be made available to each and every household, I am a well-wisher and supporter of this movement and is committed to get rid of the foreign MNCs loot to make the country self-reliant and economic super power...". In this way it is enrolling its distributors for a national mission and a noble cause. Even though Patanjali is a commercial organization running on commercial principles, the form states that "The Person who deals with the trade of Intoxication Business are not eligible to fill the form because our organisation is a Social and Spiritual Organisation". It is also interesting to note that the form also asks whether the applicant is already a member of the Patanjali family by being a volunteer in Baba Ramdev yoga camps. Thus, the organization gives preference to its volunteers of yoga to become its distributors.

Baba Ramdev's attempts have borne fruit. A recent media report highlights that change is unfolding fast: "Patanjali is emerging as an 'Employer of Choice' as many professionals are independently coming forward to work with the company. During our visit and interactions we found there any many professionals who are managing different units and have past work experience in companies like Dabur, Shehnaz Hussain, SGH Labs, Alkem Laboratories, etc" (Abneesh et al. 2015d). These individuals have been inspired by the leadership style of Baba Ramdev. In its interactions with employees Baba Ramdev highlights the fact that he does not take any salary, lives as frugal monk and works tirelessly. The massive sales growth, increasing employee strength and the implementation of ERP indicate that his message has found support from his employees, distributors and consumers. There has been criticism that though Baba Ramdev does not take a salary and is a monk, he has a lavish lifestyle with all the comforts. Ramdev lives in cottage named as Shant Kutir or Peace cottage in Haridwar. An excerpt of a media report who took his interview at the cottage is as follows: "...Shant Kutir is a gated property spread over a couple of acres, and the cottage was built in 2009–10, modelled partly on Mahatma Gandhi's Sabarmati Ashram in Ahmedabad, Gujarat. The compound has no air of the frugality that Mohandas Karamchand Gandhi, India's independence hero, famously practiced. It is guarded 24 × 7 by the Central Reserve Police Force (CRPF), has a man-made water well and an artificial waterfall and watch towers. Neatly manicured lawns surround the main cottage. The cottage itself is air-conditioned, with Persian-design carpets and cushioned sofas in the room where Ramdev receives visitors. Ramdev, who is driven around in a white Range Rover Evoque..." (<http://www.livemint.com/Companies/hLEBBx17cFY5rPjTjmIP9O/The-Patanjali-story.html>). There are serious issues regarding corporate governance at Patanjali, which is not a listed company, and it is difficult to get any verifiable data (<http://brandequity.economictimes.indiatimes.com/news/advertising/baba-ramdev-in-trouble-again-25-patanjali-ads-violates-asci-code/53461109>). One of the reasons for not being a listed company might be to avoid harsh scrutiny of these issues. Yet till now Baba Ramdev has been able to emerge as an effective leader for his organization.

Leadership Issues

“...The media and analysts will agree that the top bosses of multinationals in India tend to be boring, strait-laced and politically correct. This is probably why Baba Ramdev, yoga guru, brand ambassador and maverick founder of Patanjali Ayurved, has been getting such rave reviews. He cheerfully does headstands while posing for press shoots, rants against MNCs for conspiring against him and ‘looting’ India, and puts forth revenue targets that are four times his last reported sales. The rise of Patanjali has inspired CLSA to write a wistful research note titled “Wish you were listed, Patanjali” heaping praise on the business model. Brand consultants have credited Patanjali with bringing about a “tectonic shift” in FMCG branding and there are stories a plenty about how Ramdev is set to oust the Unilevers and Nestles in India...” (<http://www.thehindubusinessline.com/opinion/columns/a-reality-check-on-patanjali/article8710429.ece?css=print>). Baba Ramdev and Patanjali are unique and have changed the rules of the game. Baba Ramdev’s leadership style has allowed Patanjali to become a very dynamic organization. It is relevant to note that few startups are attempted in the FMCG category. What is more surprising is that the leadership of this organization has come from a person who does not possess systematic business knowledge. It is this contrast the reader should ponder over in the context of leadership.

Exhibit 1: Mr Kumar Mangalam Birla’s Profile

Mr Kumar Mangalam Birla (49) is the Chairman of the US \$41 billion multinational Aditya Birla Group, which operates in 36 countries across 6 continents. Over 50 per cent of its revenues flow from its operations outside India. Mr Birla chairs the Boards of all of the Group’s major companies in India and globally. Its clutch of global companies features Novelis, Columbian Chemicals, Aditya Birla Minerals, Aditya Birla Chemicals, Thai Carbon Black, Alexandria Carbon Black, Domsjö Fabriker and Terrace Bay Pulp Mill, amongst others. In India, he chairs the Boards of Hindalco, Grasim, Aditya Birla Nuvo, UltraTech and Idea. The Group’s businesses are spread across a swath of industries. These include aluminium, copper, cement, textiles (pulp, fibre, yarn, fabric and branded apparel), carbon black, insulators, natural resources, power, agribusiness, telecommunications, financial services, retail and trading.

Beyond Business: Reaching Out to the Marginalized Sections of the Society

A firm practitioner of the trusteeship concept, Mr Birla has institutionalized the concept of caring and giving at the Aditya Birla Group. With his mandate, the Group is involved in meaningful welfare-driven activities that distinctively impact the quality of life of weaker sections of society, surrounding hundreds of villages that are amongst the poorest in India, Thailand, Indonesia, Philippines and Egypt. In India, the Aditya Birla Group is engaged in 5000 villages, reaching out to 7.5

million people annually and making a difference to their lives through meticulously conceived projects focusing on health care, education, sustainable livelihood, infrastructure and social causes. For instance, the Group runs 42 schools which provide quality education to 45,000 children. Of these, over 18,000 children receive free education. Additionally, over a 100,000 youngsters benefit from bridge educational programmes and vocational training. Its 18 hospitals tend to more than a million villagers. In line with its commitment to sustainable development, the Group has partnered with Columbia University in establishing the Columbia Global Centre's Earth Institute in Mumbai. To embed CSR as a way of life in organizations, the company has set up the FICCI – Aditya Birla CSR Centre for Excellence in Delhi.

Educational Background

A commerce graduate from Mumbai University, Mr Birla is a Chartered Accountant. He earned an MBA from the London Business School.

Personal Details

Born on 14 June 1967, in Kolkata, Mr Birla was raised in Mumbai. Mr Birla and his wife, Mrs. Neerja Birla, have three children, Ananyashree, Aryaman Vikram and Advaitesha.

Exhibit 2: The Earning Disparity in Indian Companies

Exhibit 2: The Earning Disparity in Indian Companies

EARNINGS DIVIDE

Among the top 20 companies in India, on an average, a chief executive earned 289.5 times the median salary of employees.

COMPANY	NAME	CEO/CMD salary (in cr)	RATIO OF CEO PAY TO MEDIAN SALARY	MEDIAN PAY OF EMPLOYEES (IN LAKHS)
Axis Bank	Shikha Sharma, MD	4.12	74	5.6
Bharti Airtel	Sunil Mittal, chairman	27.17	323.63	8.3
Cipla	Subhanu Saxena, MD and CEO	13.31	453	2.9
Dr Reddy's Laboratories	G.V. Prasad, CEO	12.93	363	3.5
HDFC Bank	Aditya Puri, MD	7.39	117	6.3
Hero MotoCorp	Pawan Munjal, chairman	44.62	631.11	7.07
Hindustan Unilever	Sanjiv Mehta, MD and CEO	14.17	93	15.2
Housing Development Finance Corp.	Keki Mistry, CEO	8.12	83	9.7
ICICI Bank	Chanda Kochhar, MD	5.1	97	5.2
Infosys	U.B. Pravin Rao, COO	6.08	124.15	4.8
ITC	Y.C. Deveshwar, chairman	15.28	439	3.5
Larsen and Toubro	A.M. Naik, group exec chairman	27.32	453.75	6.0
Lupin	Desh Bandhu Gupta, chairman	37.5	1168	3.2
Mahindra and Mahindra	Pawan Goenka, ED	10.38	157.21	6.60
Reliance Industries	Mukesh Ambani, chairman	15	205.71	7.29
Tata Consultancy Services	N. Chandrasekaran, CEO and MD	21.28	416.51	5.1
Tata Motors	Ravi Pisharody, ED	2.7	51.15	5.2
Tata Steel	T.V. Narendran, MD	6.47	77.64	7.8
Vedanta	Navin Agrawal, exec chairman	15.08	292.77	7.8
Wipro	T.K. Kurien, CEO	9.11	169.63	5.3

Source: 2015 annual reports

Exhibit 3: Right-Wing National Discourse

“...Goswami’s Republic indicates the mainstreaming of right-wing opinion as a business enterprise. Already, Swarajya and Open magazine – along with sundry portals like OpIndia and PGurus (not to speak of social media trolls) – are trying to carve a space for right-wing opinion-makers in the public sphere. Goswami at the head of a well-funded television network will undoubtedly lead the pack. In the United States, this has already happened and across media platforms – television, print, radio and digital. Fox News, like the Arnab-led Times Now earlier in India, leads CNN in ratings and has done so for a very long time...”

Exhibit 4: Application Form for Patanjali's Distributorship**Exhibit 4: Application form for Patanjali's Distributorship**

APPLICATION FORM TO BECOME DISTRIBUTOR OF PATANJALI AYURVED LIMITED	
FOOD UNIT <input type="checkbox"/>	COSMETIC UNIT <input type="checkbox"/>
<p>By the blessing of HH Param Pujya Swami Ramdev Ji Maharaj and the determination of Patanjali Ayurved Limited, cheap and best quality Swadeshi Product is to be made available to each and every household, I am a well-wisher and supporter of this movement and is committed to get rid of the foreign MNC's loot to make the country self-reliant and economic super power.</p>	
Name Of the Applicant : _____	
Name of the Company/Firm : _____	
Address : _____	
Email : _____	Phone No. <input style="width: 20px; border: 1px solid black;" type="text"/> <input style="width: 20px; border: 1px solid black;" type="text"/> <input style="width: 20px; border: 1px solid black;" type="text"/> <input style="width: 20px; border: 1px solid black;" type="text"/> <input style="width: 20px; border: 1px solid black;" type="text"/> <input style="width: 20px; border: 1px solid black;" type="text"/> <input style="width: 20px; border: 1px solid black;" type="text"/> <input style="width: 20px; border: 1px solid black;" type="text"/>
1. Level at which you can become a distributor	
A. District Level <input type="checkbox"/> District _____ State _____	
B. Tehsil Level <input type="checkbox"/> Tehsil _____ District _____ State _____	
C. Mandi Level <input type="checkbox"/> Mandi _____ Tehsil _____ District _____ State _____	
2. Do you Have Any experience of FMCG distribution / Wholesale distribution / Other distribution?	
Yes <input type="checkbox"/> No <input type="checkbox"/>	
Brief History of the products of the distribution business you have done so far : _____	
If not then give detail of your present business : _____	
3. Name of the company for whom you have already done the distribution	
<u>Name of the company</u>	<u>Duration</u>
1. _____	Year _____ To _____
2. _____	Year _____ To _____
3. _____	Year _____ To _____
4. Last One Year Turnover : _____	
5. Investment Capacity : _____	
6. If you accept the above terms and conditions and is ready to give us all the information's mentioned above then please attach your last year ITR (Income Tax Return) and balance sheets with this application form and send to Email ID. abhaydaivibhag@patanjaliayurved.org	
Note :	
A. Patanjali Ayurved Limited Reserves the right to reject or accept any application without assigning any reason, however the information given in this form would not be used anywhere and would be highly confidential.	
B. Are you already engaged with patanjali pariwar? Yes <input type="checkbox"/> No <input type="checkbox"/> If yes then mention the cadre. (Karyakarta/Yog Teacher/Life /Patron/Founder/Corporate Member, Others _____)	
C. The Person who deals with the trade of Schnapps Business are not eligible to fill the form because our organisation is a Social and Spiritual Organisation.	
Date: _____	SIGNATURE OF APPLICANT

Case Study Questions

1. How did Baba Ramdev emerge as a leader, even though he does not possess the symbols of leadership which are usually employed?
2. Is the use of symbols important in framing leadership as applied to the case study? Why/why not?
3. Based on the material presented here and other publically available information, were the strategic choices exercised by Baba Ramdev in framing the Patanjali narrative effective?
4. Discuss the strategic choices exercised by Patanjali's leadership in dealing with the institutional environment.

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Case 8: What Does Diversity Actually Mean, and How Does This Shape Corporate Diversity Policies and Actions?: Insights from Germany

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Introduction

This chapter is based on the insight that today's organizations in many national and societal contexts face the challenge of managing an increasingly diverse workforce. This increase in workforce diversity is partly due to a changing business environment, but also due to new technologies and social media, increasing individual mobility and profound socio-political and economic shifts (Urry 2007). Even though the need to manage a diverse workforce is shared across nations and societies, organizations nonetheless need to do so within specific frameworks. The latter are often country-specific and extend to the very meanings of diversity. For strategic international HRM, this is a relevant finding. It suggests that HR first needs to identify what diversity 'means' to those involved prior to being able to manage it or to assess the international and global scope of corporate diversity management campaigns. Based on this insight, this chapter highlights the meanings of diversity in the German context and provides the reader with the background knowledge for investigating the contextual dimension of diversity.

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Key Aspects of Workplace Diversity

Diversity does not merely refer to matters of difference: In the end, all individuals are different from each other. Diversity at work considers those aspects of ‘who individuals are’ or as ‘who they are perceived’ which might advantage some groups over others (Prasad et al. 2006). For analysing these effects, diversity studies focus on six diversity markers which contribute to our perceptions of ourselves and others. These are gender, ethnicity (or race), age, ability, religion (or worldview/*Weltanschauung*) and sexual orientation (overview in Plummer 2003: 25; Bührmann 2015: 23–42). For considering diversity, two arguments are given in the literature, namely, a business case (diversity increases performance) and the human case (individuals should have equal opportunities in life). In the words of Van Dijk et al. (2012: 73), the business case means ‘supporting diversity as a means to achieve, ultimately, organizational profit’, whereas the human case ‘depart(s) from the perspective that power inequalities in societies exist in organizations too and that, as a consequence, organizations should pursue diversity in order to empower minority groups and transform these inequalities’. In addition, the critical perspective not only advocates equal opportunities but also suggests favouring those groups who are historically or structurally disadvantaged or excluded, so-called positive discrimination (Prasad et al. 2006).

Diversity is also linked to our ‘social identity’ (Tajfel and Turner 1986), that is: who we are in relation to others, and the social categories to which our self is related. Social identity is not an objective category; rather, it refers to how others perceive us (ascription), to how we relate to our self (self-referencing) and to how we experience potential discrepancies between the two (Mahadevan 2017: 84). This reminds us that a self-identification also needs to be recognized by others in order to make a person feel that they ‘belong’ to a certain group (Hall 1990). Even a category such as ‘race’ is not a biological given, as it might seem. For instance, Barack Obama is often referred to as the ‘first Afro-American president of the United States’. In reality, however, his background is both multi-racial and multi-ethnic. Still, if he fails to be recognized as ‘Caucasian’ or ‘bi-racial’, he might – voluntarily or in-voluntarily – self-identify as ‘Afro-American’. As this example suggests, we tend to perceive social identities as more dichotomist than they might actually be. This is of particular importance when we consider those markers of diversity which are visible, in contrast to those which might be disclosed voluntarily or remain hidden.

Studies also suggest that hierarchies are attached to diversity markers and related social identities and that this might have critical implications (e.g. Tretheway 1999; Ward and Winstanley 2003; Zanoni et al. 2010; Acker 2012; Levay 2014; Mahadevan and Kilian-Yasin 2016; Mik-Meyer 2016). For instance, in international management, it is the ‘white, heterosexual, western, middle/upper class, able man’ (Zanoni et al. 2010: 13) who constitutes the implicit point of reference for all, and this makes other social identities a ‘minority’ identity. Therefore, when analysing social identities, one needs not only to consider diversity markers objectively but to reflect upon how some social identities are more ‘normal’ than others, as they are represented by the majority or those in power (Eriksen 2010). Furthermore, individuals tend to

value their own group identity (social identity) over others, and this is called an ‘in-group’ bias (Tajfel and Turner 1986). The likelihood of in-group biases tends to increase if competition is felt towards members of another group or if another social identity seems to challenge or endanger own identities (e.g. Weichselbaumer 2016). It might then be that some individuals are discriminated against, excluded or marginalized at work, based on ‘who they are’ or as ‘who they are perceived’ (Prasad et al. 2006). For international HRM, this is problematic, for it thwarts the assumptions that workplaces should be merit-based and provide equal opportunities to all. A critical condition emerges if perceptions of negative difference are even institutionalized on the level of structures and practices, for instance, if members of a certain religion are not selected for employment (practice) or if national laws don’t permit their employment (structures). To prevent explicit discrimination on the level of structures, most greater regional units, such as the European Union, or countries, such as Germany, have anti-discriminatory legal frameworks considering the Big 6 diversity markers (Bendl et al. 2012: 79). Often, however, discrimination is more subtle and does not show in formal structures (it is implicit), and it is this type of discrimination that is the hardest to be tackled by (international) HRM, for it is related to what we consider ‘normal’, how we have learnt to perceive ourselves and others and what we hold to be the most favourable social identity.

Diversity Recontextualization and International HRM

In multinational companies, HR managers need to design diversity management campaigns in a global context. For understanding how the meanings of diversity might differ across contexts, the concept of re-contextualization is helpful (Brannen 2004). This term was coined by Mary Yoko Brannen (2004) who investigated the success of Disneyland in Japan and its near failure in France. Her study showed that, in the case of Japan, the values and image of Disneyland was successfully translated into the local context, whereas, in the case of France, this did not happen. Brannen concluded that companies cannot be sure that intended meaning, for instance, what Disneyland ‘represents’, will automatically be interpreted the same way in another context. Rather, meaning will be subjected to an unforeseeable and dynamic process of recontextualization, and companies need to monitor this process and its success. When doing so, they should pay particular attention to the minimum ‘semantic fit’ which is required for meaning to be successfully linked to a new context.

A recent study by Fiona Moore (2015) has applied this understanding to diversity management campaigns in multinational companies, specifically to the BMW/Mini plant at Cowley, United Kingdom (UK). She showed that, whereas ‘diversity’ in a UK setting tends to refer to diverse ethnicities and also includes a certain class element of the gender role, in Germany it concerns questions of how to increase gender equality (Moore 2015). A German multinational company such as BMW operating in the UK might therefore experience difficulties in transferring certain diversity management initiatives to its subsidiary, in this case: to the production facility at Crowley, UK. The intended ‘global’ message by German BMW

headquarters – namely, to promote women to executive positions – was not understood in the local UK context wherein the learned and already established understanding was that ‘diversity’ concerns equal opportunities for members of all ethnic groups. At the same time, the focus on the gender dimension of diversity at BMW does not consider ethnicity, race or other potential factors. This suggests that every diversity management initiative has certain ‘blind-spots’ which are beyond what diversity ‘normally means’ and which are not considered in HRM policies.

Based on the previous considerations, HR managers need to become and remain aware of how diversity is normally understood in the national, societal and organizational context wherein they operate. It also suggests that we, as individuals, have also learnt certain context-specific meanings of diversity (an HR manager originating from the UK might instinctively promote ethnic diversity in a multinational company, whereas an HR manager originating from Germany might focus on gender equality). This implies that individual HR managers also need to reflect upon themselves and what they consider the purposes and meanings of ‘diversity management’.

Case Example: The Meanings of Diversity at Robert Bosch

Robert Bosch (short: Bosch) is one of the biggest German companies and located in the federal state of Baden-Württemberg (IHK 2016). It is headquartered in the Stuttgart region and known for its long tradition, innovation and excellent quality. Founded in 1886 as ‘Workshop for Precision Mechanics and Electrical Engineering’, the Bosch Group is present in 150 countries across the world, it has no less than 440 subsidiaries and regional companies, and at the end of 2015 it employed a total workforce of 374,800 (Bosch, Annual Report 2015). Bosch is one of the world’s largest automotive supplier, drive and control technology supplier and power tools and accessories supplier and its activities are divided into four main business sectors: Mobility Solutions, Industrial Technology, Consumer Goods and Energy and Building Technology (Bosch, Annual Report 2015: 21–25). The Bosch Group’s reported a sales revenue for 2015 of 70.6 billion euros and the earnings before interest and taxes (EBIT) rose to 4.6 billion euros, in comparison to the 3.0 billion euros generated in 2014 (Bosch, Annual Report 2015: 46). In the annual report of Bosch, diversity is presented as a core value of the group and a factor of success (Bosch, Annual Report 2015: 38): ‘we strongly believe that mixed teams of men and women, embracing different generations and lifestyles and from diverse backgrounds, promote excellence and increase our capacity to innovate’.

Bosch also dedicated a section of its webpage to ‘diversity’. In 2013 (Bosch 2013) the diversity webpage is further divided into ‘gender’ and ‘intercultural competency’. Diversity management goals were defined as follows (Bosch 2013): ‘Besides an equal representation of women and men in leadership positions, our most important goal is the involvement of different cultures in our worldwide work relations’. This means that two diversity markers are explicitly mentioned, namely, gender and cultural diversity. However, these are linked to different implications

and requirements: Whereas gender equality should be reached and is mentioned as a definite goal, the considerations regarding 'cultural diversity' remain fuzzy and are not further specified (what does involvement mean and how can it be measured?).

Accordingly, 'securing and promoting women' (Bosch 2013) is already institutionalized and implemented in the company on the level of practice and indicators. For instance, in 2013, the corporate webpage read (Bosch 2013): 'We want to increase the number of women in executive positions. In the last ten years, we increased the proportion to almost ten percent. Our ambitious goal is to achieve 15 percent at the end of 2013'. In 2017, the corporate webpage reads (Bosch 2017): 'Until 2020, 20 percent of all executive positions worldwide shall be filled with women'. What is notable is that the new webpage now explicitly mentions 'worldwide executive positions'. This suggests that, despite the fact that the total number of female executives being targeted has increased, it is not certain whether this increase will actually take place in Germany.

In 2017, the same webpage (Bosch 2017) is structured into 'securing and promoting women', '(not) a question of age', 'intercultural competency', 'work and private life' and 'individuals with disabilities'. The diversity management goals are presented as:

Besides an equal representation of women and men in leadership positions, it is also about valuing employees of different generations and nationalities. In addition, we continually work towards a flexible work culture and place value upon a good reconcilability of work and private life. This involves a change from a 'culture of presence' towards a 'culture of results', which does not put presence, but achieved results centre stage.

This suggests that certain diversity markers, such as age and ability, have become more prominent, based on the national and EU-wide legislative requirements for anti-discrimination (see the following section). At the same time, the underlying rationale for diversity is corporate success (Bosch 2017), which is a new aspect in comparison with the 2013 webpage. Furthermore, we can see specific interpretations of 'work-life balance', which is the international diversity term used, namely, 'reconcilability of work and private life'. This can be linked to a specific German understanding of work, namely, as work and private life being two separate spheres of living and as work requiring full-time presence (called 'culture of presence'). In the end, diversity is rationalized by a new 'culture of achievement and results' against which all groups need to measure themselves against.

In contrast, the goals on the subsection 'intercultural competency' are fuzzy at best and have remained so, throughout the years. In 2013, the corporate webpage on 'intercultural competency', stated:

multinational teams create openness, facilitate understanding and acceptance of the other culture and, this way, reduce obstacles to everyday interaction and working together. Due to the fact that working in international teams is a key aspect of our daily business, we develop the intercultural competencies of our employees continuously. Just in the past two years, we founded two intercultural forums, on the one hand, the Turkish Forum at Bosch (TFB), and on the other hand, the Cameroonian Forum. The goal of both is to promote intercultural

understanding and to contribute to more equal opportunities via more educational, athletic and leisure time offers.

The content of the 2017 Bosch webpage is more or less the same; however, the visitor is redirected to 'Internationality' of which its content is now a part. This suggests that intercultural competency is not understood as a diversity requirement at home, but rather as an additional aspect of 'international work'. The content of this item also implies that 'intercultural understanding' is somehow an outcome of voluntary activities and not a corporate obligation. It does not concern matters of ethnic or religious diversity of the German workforce.

Managing Diversity in Germany: The Wider Frameworks

The previous example shows how a specific German company interprets 'diversity management'. These meanings of diversity do not emerge in a corporate vacuum but rather are related to macro-environmental, meso-organizational and micro-individual levels; they involve structure, practices and individual action. For a more holistic diversity management, HR managers should investigate these effects, they should reflect upon current and past diversity trends, and they should uncover the underlying corporate rationale for managing diversity. We do so in the following for the case of Germany.

Structural Aspects and Wider Frameworks

Germany is a member state of the European Union (EU) and EU legislation prohibits discrimination on grounds of gender, sexual orientation, ethnic or racial origin, disability, age and nationality (European Commission 2015a: 4). Additionally, most of the member states have adopted at national level other criteria in order to offer a wider protection against discrimination. The French legislation covers, for example, discrimination on grounds of health, political opinion, physical appearance and place of residence (European Commission 2016a). In Germany, discrimination on grounds of race, ethnic origin, religion or philosophical beliefs, gender, sexual identity and disability is addressed by the General Act on Equal Treatment (Allgemeines Gleichbehandlungsgesetz – AGG) which was adopted in 2006 (European Commission 2016b).

This suggests that explicit discrimination on structural level regarding the Big 6 diversity markers is prevented by anti-discrimination legislation in Germany. At the same time, actively promoting diversity is not a corporate requirement in Germany. The only legal requirement is non-discrimination, as specified in EU law and the German AGG. For Germany, this implies that companies do not feel the need to move beyond demographic variables, which also Research suggests that the term 'diversity management' is not commonly institutionalized in German companies. For instance, in 2007, Süß and Kleiner found that 'no generally accepted catalogue

of diversity management actions [could] be found in the corresponding literature and no systematic empirical research findings existed for the German-speaking area' (p. 1941). They also found that 42.4% of the 160 German companies 'do not know about diversity management at all' (Süß and Kleiner 2007: 1943). To close this gap, they suggest a set of 12 diversity management actions for German companies, such as flexible working time agreements, mixed teams, determining the requirement for diversity management, mentoring programmes, integrating diversity management into corporate culture, consulting services for diversity groups, works council agreements, communicating diversity management, diversity trainings, institutionalizing diversity management, diversity-oriented facilities, diversity-oriented design of human resource management and evaluating diversity management.

Nonetheless, a so-called Charta der Vielfalt (Diversity Charta) exists, which has been signed by numerous companies. In 2016, a study by Ernst & Young and the Diversity Charta Association that promotes the Diversity Charta investigated the actual conditions of corporate diversity management: 349 German companies who had signed the diversity charta and 250 companies who had not participated in this survey (Ernst & Young and Charta der Vielfalt e.V. 2016). Across all companies, increasing the number of women in companies and the number of women in leadership positions, in particular, is viewed as the key diversity management focus (Ernst & Young and Charta der Vielfalt e.V. 2016: 15). At the same time, the study finds that '2/3 of the German companies did not implement any diversity management actions, and only 19% intend to do so in the future' [p. 17, *translated by the authors*]. 60% don't assume sexual orientation and gender identity to require any action, and 52% hold the same opinion for religion and worldview (p. 17). This brings about the question as to whether these topics might be taboo for some of the German companies. For instance, in the 2015 Eurobarometer on discrimination, 68% of the German respondents believe that it is being done enough to promote diversity in their workplace in terms of gender. Yet, only 35% and 46% of the respondents believe that enough is being done with regard to gender identity, respectively sexual orientation (European Commission 2015: 86). The following section investigates the underlying reasons for why this specific diversity management focus on gender might have emerged.

Two Diversity Trends and the Business Case for Diversity

Historically and presently, Germany is a societal context which depicts two divergent diversity trends. These concern firstly the markers 'ethnicity' and 'religion', as linked to immigration, and secondly, the question of gender. For instance, it is reported that 'about 20% of all German residents today have a background of immigration' (European Commission 2016b: 6). In this context, it can be stated that Germany has become a country of immigration, the accompanying discourse on pluralism/diversity shifting from the claim 'Germany is not a country of immigration', to multiculturalism (Schwarz 2007; Ramm 2010) and to intended integration

and labour market absorption of the immigrants (IMF 2016). From a social identity perspective, immigration in Germany is linked to questions of ethnicity and religion: Muslim minorities experiencing combined in-group biases (Forstenlechner and Al-Waqfi 2010), some of them also involving gender (Weichselbaumer 2016).

Diversity management in Germany seems to be driven less by the fairness perspective and more by a business case perspective. Süß and Kleiner (2007) suggest that the main driver for companies to implement diversity management is the expectation of gaining legitimacy: 'Large, listed companies in particular strive for legitimacy for their actions. They have to comply with public expectations that discrimination of minorities in companies should be prevented...' (pp. 1950–1951). Therefore, legitimacy in the eyes of the stakeholders and law compliance determine the adoption of diversity management in companies.

It is at this point that public images and dominant in-group biases become relevant to diversity management: For instance, if one group, e.g. women at work, has a more positive image than another group, e.g. migrants, it is likely that a business-case-oriented diversity management will focus on the more positive social identity, as stakeholders are more likely to accept such an initiative. Together, the previous considerations suggest that 'diversity' on the level of corporate strategy and practice is largely related to 'gender' in the German context. In the case of Bosch, we can see that gender is promoted, and, instead of ethnicity, 'culture' is chosen as the fuzzy 'international' and presumably more positive alternative. We can also observe that Bosch interprets diversity within the business case argument, unless otherwise specified by legal frameworks (e.g. regarding disability or age).

The Gender Equality Meaning of Diversity

The actual diversity findings regarding gender are paradoxical for Germany and also suggest a recent trend. For instance, the principle of gender equal pay for equal work was enshrined in the Treaty of Rome in 1957. Nonetheless, Germany had in 2014 the third highest gender pay gap (the difference in average gross hourly wage between men and women in an economy) in the EU – 22.3% – while the average gender pay gap in the EU in the same year was 16.7% (European Commission 2016c). The pension wage gap might be an even better indicator than the gender pay gap, as it contains 'cumulated employment outcomes over the entire life course' (Allmendinger and von den Driesch 2015: 36). While women receive lower pensions in all member states of the EU, Germany had the highest gender gap in pensions: 45% in 2012 in comparison to the EU-28 average (38%) and this gap translates into higher poverty risk for German women in old age (European Institute for Gender Equality 2015: 20–21). This suggests that the promotion of gender equality via corporate action is a recent trend in Germany.

The mechanism chosen for promoting women at work in Germany is a quota for women in top positions. This is linked to a general, EU-wide debate on the discrepancy between the high number of well-qualified women, which even outperform men in terms of educational attainment (European Commission 2015c: 1), and their

underrepresentation in top-level positions. Due to a slow progress in the gender balance of corporate boards, the European Commission decided in 2012 to introduce a legislative measure: by 2020, 40% of the non-executive directors of listed companies ought to be female (European Commission 2015d). However, the member states were free in designing their national policies, 'on condition that their approach delivers concrete results' (European Commission 2015d). The United Kingdom, for example, embarked on a voluntary-led business approach, with a voluntary target of 25% female directors to be achieved by 2015 by the 100 companies of the Financial Times Stock Exchange (FTSE) Index. In 2011, France (which was therefore ahead of the directive of the European Commission) introduced a mandatory quota of 40% (applicable to non-executive directors in listed and non-listed companies) to be achieved by 2017. In Germany, a mandatory quota of 30% was adopted and it became effective in January 2016.

Opinions diverge on the topic. Jutta von Falkenhausen, vice-president of the Initiative for More Women in Advisory Boards (FidAR), considers quotas a necessary instrument to implement change: 'We don't like quotas, we don't like coercion. But if we don't have mandatory rules, nothing will change' (Barrett 2014). The European Commission, though it also sustains voluntary measures in improving gender balance, argues in favour of binding legal regulation: 'The figures show that it is the legislative measures that result in substantial progress, especially if they are accompanied by sanctions' (European Commission 2012: 13). Michel Ferrary considers quotas a temporary but necessary measure: 'Quotas help to change unconscious barriers and allow companies to learn diversity. In a decade or two, when gender equality has been established, quotas can then be removed' (cf. Chan 2015).

Germany is among the few member states which registered a significant progress in the percentage of women on boards (+12.8%) between October 2010 and April 2015, reaching 25.4%. This is an advance of 4.2% in comparison to the EU-28 average (European Commission 2015d). The 2016 gender quota should accelerate the change, at least with regard to the numerical representation of women on German boards. However, in a special gender barometer of the European Commission, 6% totally agreed and 28% of the German respondents tended to agree with the statement: 'Women are less willing than men to make a career for themselves' (European Commission 2015e). For those respondents believing that women are less assertive than men in pursuing a career, imposing a gender quota might have seem senseless and it might be indeed so, if the quota does not bring in the long run also a change in mentality. In the short run the quota should be able to change the existing representations of the working world at the top. Together, this suggests that, whereas the structural frameworks of gender inequality have been addressed by the quota in Germany, the implicit meanings of gender – namely, women being the primary caretaker at home – has not changed.

Allmendinger (2010) identifies another paradox: while there was an ongoing debate on the existence of a shortage of skilled labour in Germany, the employers did not seem to consider the untapped potential of 5.6 million unemployed women (representing 28% of the women between 25 and 59 years old), of which only 1.8 million were officially registered as seeking for a job. Moreover, it has to be noted

that there are no formal or legal requirement to increase the number of men in jobs which are traditionally dominated by women, for instance, childcare or nursing. From a critical diversity perspective, these jobs are also rather low-paid and unattractive compared to favourable industry jobs, and therefore this only reinforce findings on the gender pay or pension gap as well as traditional 'gender roles' also on the level of whole industries and professions. Also the finding that women between 25 and 59 do not officially register as seeking employment contributes to the insight that the meaning given to gender roles in Germany is still linked to traditional gender role differentiation. For instance, the Special Eurobarometer 428 'Gender Equality' also finds that 20% of the German respondents 'totally agree' and 32% 'tend to agree' with the statement 'men are less competent than women at performing household tasks' (European Commission 2015e: 19). We can therefore identify a strong discrepancy between ideal (gender equality) and meaning (traditional gender roles) and need to doubt whether a structural diversity mechanism (quota) can actually change such meaning and prevent related in-group biases and implicit discrimination. In the case of Bosch, corporate diversity management also appears to focus on structural gender aspects (quota) which might result in a neglect of other diversity markers, such as ethnicity or religion. The paradoxical findings regarding gender equality in Germany suggest that gender roles in Germany might have remained traditional. This can be considered an additional blind-spot of the contextual dimension of German diversity management.

Suggested Case Study Questions

1. What are the specifics of the German context, both on corporate and wider levels, and how can they be differentiated into macro-, meso- and micro-levels?
2. How and to what extent are the policies of Robert Bosch representative of the wider frameworks wherein they emerge?
3. How and to what extent are the policies of Robert Bosch related to theoretical insights on diversity management – is this a 'good' policy from your perspective and why (not)?
4. Why could the Robert Bosch approach 'make sense' to the company?
5. Considering the previous question: It is always easy to judge HR limitations 'from the outside'. What are the meanings of diversity in your country of origin or societal and national contexts you are familiar with? Which corporate or organizational diversity management aspects have you encountered?
6. What are the challenges and opportunities, and strengths and weaknesses of the German approach to diversity? What are their blind-spots?
7. Why and how can corporate HRM never be 'context-free'? What HRM theories do you know that argue in favour of the 'embeddedness' of corporate HRM?
8. How can national laws and societal sentiments influence corporate diversity management to the better or to the worse?
9. What is re-contextualization and what are the HRM challenges associated with it?

10. Do HRM managers also need to ‘re-contextualize’ themselves in their role as HR managers? If so, how should they achieve semantic fit with multiple contexts in a multinational company or an international HRM environment?
11. Regarding Robert Bosch, please look into other countries wherein the company operates or compare this company with another company or national context you are familiar with: What aspects of the Bosch understanding of diversity management might be easy or difficult to recontextualize? Why? How would you achieve semantic fit, and is this even possible?

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Case 9: Stressed and Demotivated Public Servants... Looking for a (Motivational) Miracle at Paywell Agency

S. De Simone, L. Giustiniano, and R. Pinna

Introduction

Ms. Wolf is the Director of a large agency, a branch of a national public administration dealing with formal compliance and respect of the law. Her “military branch” is made of civil servants working as inspectors. Ms. Wolf has recently noted a growing level of absenteeism, conflicts at work, and rising employee turnover. Not being an expert in the field, she has started reading a book on people management but what she reads does not look totally convincing to her. She read: “Happy employees → happy customers → happy employees.”

Such an employee-customer-employee sequence is the underlying behavioral mantra for many for-profit firms, especially in the service sectors or more generally in the front-end customer contact activities. This applies to profit-oriented organizations, in which higher customer satisfaction could mean higher prices, therefore higher affluence and eventually the possibility to compensate the productive/effective employees via monetary rewards. The same applies also to non-profit organizations – such as public hospitals or volunteering associations – in which the satisfaction of the patients or those being served may be the ultimate trigger and act

The names used in this case are fictional to maintain confidentiality.

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A. Malik (ed.), *Strategic Human Resource Management and Employment Relations*, Springer Texts in Business and Economics,
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as a powerful implicit incentive for the employees. Unfortunately, for the enthusiasts of the happy-customer-happy-employee supporters, there are institutional and organizational barriers which prevent this from happening. This is especially the case of employees working for organizations whose mission serves a higher, overarching aim and clashes with the “satisfaction” of the very “customers” they interact with – the public audience or citizens. This case focuses on the judicial police officers of inspectors. Such jobs, compared to private employees, are generally performed by public servants, often presenting high levels of dissatisfaction with their job (Baldwin and Farley 2001; Rainey 1989; Steel and Warner 1990). These jobs also offer consideration of great(er) level of bureaucracy and they have to deal with the limited opportunity to realize their professional satisfaction (i.e., because of the lack of measurability of their actual performance, limited career opportunities, public awareness and recognition, and so on). In fact, relative to other types of organizations, these public administrations appear to be problematic in terms of work engagement, job satisfaction, and work-related stress (WRS) (De Simone et al. 2016b). Notwithstanding, such employees appear to be infused with an institutional mission they wish to pursue, a mission that often relies upon altruistic or higher-order needs, characterizing the so-called public servant motivation. When the possibility to offer “traditional” external incentive is limited, and the likelihood to leverage upon implicit incentive (i.e., customer satisfaction) is practically impossible, can organizations such as these still aim at enhancing the employee motivation? This very question is perturbing Ms. Wolf’s mind.

Public Servants and Public Service Motivation

Some jobs seem to be more stressful than others. Prolonged or intense stress has been proved to have a negative impact on individuals’ health (Cooper et al. 2001). In particular, work-related stress (WRS) is taking the center stage as one of the major health and safety problems in affecting the EU (EU-OSHA 2014) and the USA (AIS 2013). WRS affects both employees’ psychological and social conditions, adversely impacts productivity, and increases absenteeism and employee turnover. Furthermore, all these phenomena affect job satisfaction in a negative way, not just in terms of mere productivity but also in terms of absenteeism and turnover (Spector 1997). To this extent, being a judicial police officer of the inspectors puts the employees performing in such a job in a challenge of “chasing” citizens that had some issues with the judicial system and make them aware of the situation. As a matter of fact, inspectors cannot expect the individuals they interact with to be happy and expect happiness from them in return of their services.

Despite the stressors and the uneasy conditions in which they perform their jobs, public servants are motivated by a particular and specific type of motivation – Public Service Motivation (PSM). Following Perry and Wise (1990), such forms of motivation are substantiated by altruistic intentions to serve in the public interest. Hence, individuals operating in public organizations should be expected to achieve a significantly high levels of job satisfaction, performance, and commitment when

Table 1 Study 1: constructs and scales used in the questionnaire

Dimension	Definition	Scales
Work-related stress	The work stressors represent a set of occupational difficulties that affect well-being and organizational performance teaching (De Simone et al. 2016a)	HSE Management Standards Indicator Tool (Kerr et al. 2009): <i>Demands, control, supervisors' support, colleagues' support, relationships, role and change</i>
Public service motivation	Altruistic motivation to delivering services to people with a purpose to do good for others and society (Perry and Wise 1990; Perry and Hondeghem 2008)	PSM (Alonso and Lewis 2001)
Work engagement	A positive state of mind, related to work and characterized by vigor, dedication, and absorption (Schaufeli et al. 2002)	Utrecht Work Engagement Scale (Schaufeli et al. 2002; Balducci et al. 2010)
Job satisfaction	Overall feeling about the job	Brief Overall Job Satisfaction Measure II (Judge et al. 1998; De Simone et al. 2014)
Life satisfaction	Overall feeling about life	Life Satisfaction (Lance et al. 1989)

boasting high levels of PSM – or at the very least have higher levels of motivation, compared with individuals with lower PSM.

According to Alonso and Lewis (2001), PSM can be captured by the following five statements:

1. *Meaningful public service is very important to me.*
2. *I am not afraid to go to bat for the rights of others even if it means I will be ridiculed.*
3. *Making a difference in society means more to me than personal achievements.*
4. *I am prepared to make enormous sacrifices for the good of society.*
5. *I am often reminded by daily events about how dependent we are on one another.*

An individual experiences different situations at work that have an impact upon his/her personal and professional life. Any public administration aiming at enhancing the work engagement has to balance PSM with work-related stress and job satisfaction activities (see Table 1).

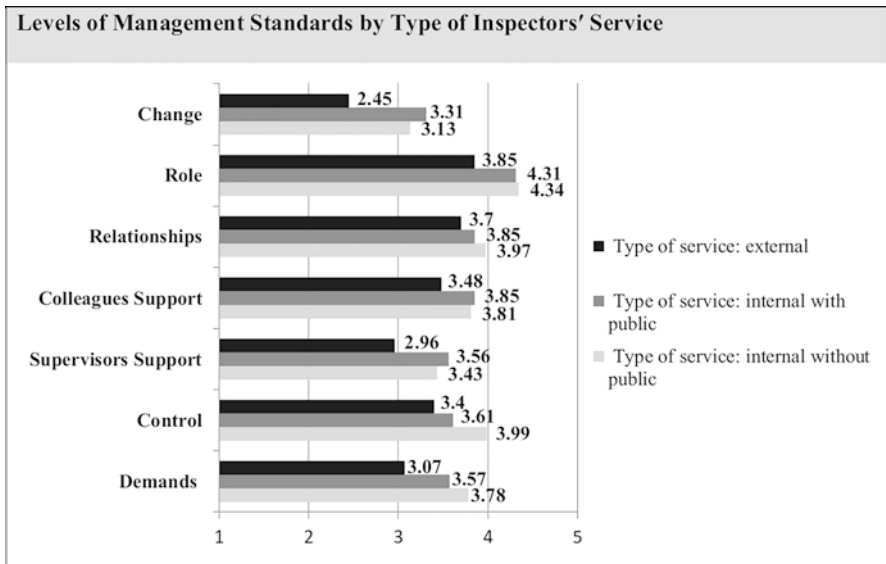
The Paywell Agency that Ms. Wolf is leading in a South Italian branch of the Italian Public Administration takes care of the formal compliance in work-related activities. Among other categories of employees, the Agency employs a large number of “inspectors” and knowledge workers who are in charge of verifying companies and firms that comply with the national laws. Such inspections might take place in three possible work settings: externally (i.e., at the firm headquarters), internally with direct contact with the public (i.e., at the front office of the firm’s representatives showing up at Paywell Agency’s windows), and internally without any contact

with the public (i.e., through back-office work wherein inspectors simply interact with their colleagues).

Following a grant received by the agency's management, these employees have been studied by a group of consultants with the aim of unveiling how PSM and WRS were affecting their professional and personal life. The analysis included two complementary studies: one based on an anonymous online questionnaire and the second study focused on conducting five focus groups involving members of the inspection service to unveil the specific stressors related to their jobs.

The first study was able to identify the main sources of stress at work and their relationships with PSM, job satisfaction, work engagement, and life satisfaction in a specific profession, that of inspectors (see Exhibit 1).

Exhibit 1



The results show the work setting seems to affect the individual perceptions of work-related features (e.g., stressors or management instruments). The three groupings were: internal inspectors in contact with the public working within the facilities of the Agency, providing assistance to citizens; inspectors in internal service without public contact working within the offices of the agency but interact only in contact with colleagues; and the inspectors who perform external service by carrying out unannounced inspections in local firms. Furthermore, the analysis of the data showed that the group of inspectors in external service had different levels of engagement, job satisfaction, and PSM, which were lower than that of the other groups. A more direct interaction with the inspectors, in the second study, allowed the consultants to investigate the specificity of stressors that characterize the work of judicial police officers of the inspectors. The inspectors took part to the focus

groups on a voluntary basis. The group sessions focused on the topic of “stressors at work.” Here some quotes:

I'd love my job more if I could do it—actually and mostly—in favor of citizens, getting rid of the rush for figures. [Here she refers to the “number of sanctions” as a parameter for performance evaluation.] (Mary, 56 years old (y.o.), female)

Rather than punish the companies we should inform them and give them the opportunity to remedy the deficiencies instead of issue penalties which are so severe that they have to stop the business and fire personnel. (Allison, 38 y.o., female)

To educate companies to be inspected in order to inform them of the risks related to penalties. (Bill, 52 y.o., female)

It's not surprising that the inspection activity is seen as unpleasant to a part of the [companies'] owner's culture, being resistant to any form of control. Controls on respect of rules exercised by the inspectors are seen as a major threat, something to tackle. What is unacceptable is that the management displays indifference and annoyance in the face of violence, threats, and retorts to which inspectors are exposed every day during their job. (Donald, 56 y.o., male)

The tension in doing our job is perceived mostly when we are outside [at companies]. You do not feel either protected or supported by anybody. You feel at the mercy of the mood of the others [visited companies]. (Katie, 44 y.o., female)

We need to be trained for coping with the aggressions we suffer from the subjects we control. (Samantha, 41 y.o., female)

The State we serve sees us as mere collection agents, leaving us alone without a lead ... with no guidelines, also physically, considering that also the police forces do not rescue us in case of aggression. (Chuck, 40 y.o., male)

The external perception of the role of the inspector is highly disappointing. Only a few people appreciate my job, while most of them disregard it. (Michael, 38 y.o., male)

I feel unmotivated and I'm almost convinced my job is socially useless. Maybe we should have more credibility. (Nick, 62 y.o., male)

We are not educated and trained properly. That generates high stress, since we are called to confront very updated subjects [companies' personnel]. (Violet, 39 y.o., female)

More than the job itself, the legislative changes create stress. (Felix, 56 y.o., male)

The main problem is often represented by the colleagues we work with. Not all of them are able to control their temper. Some of them are not well mannered or tend to boast about their job title (as it would mean anything, per se!). Some statements can often be misunderstood and generate conflicts with the users under their control. (Philip, 58 y.o., male)

I believe that having available colleagues and in line with your way of thinking is important for doing your job well ... here it does not happen though. (Arianna, 39 y.o., female)

I consider my job a service to the state and for the workers that refer to us, and I want to do it at the best. So even if we have plenty of duties and worries, I don't care as they are part of my job. (Leslie, 51 y.o., female)

Despite the common sense around public employees, I'm very proud of being one a 'state employee' working for the general interest. (Xavier, 57 y.o., male)

I love my job. I do it with attention, dedication, satisfaction, and professionalism. (Eloise, 60 y.o., female)

Overall, I'm satisfied by my job. (Todd, 47 y.o., male)

My job is stimulating. (Lilly, 52 y.o., female)

The data analysis showed five principal themes, which explain the work stressors of inspectors interviewed: job impoverishment, aggressions and protections, social recognition, need for training, and relationships with colleagues. After having read the first preliminary results of the studies, Ms. Wolf started to jot down another set of questions to ask to the consultants.

Questions

1. Does the work setting of the Agency (external, internal with/without the public) affect the perception of stress? Why/why not? Would it be possible to mitigate its effects in any possible way?
2. What is the relationship between work-related stress and job satisfaction? And between job satisfaction and engagement?
3. Is it possible to identify some typologies of inspectors, for example, considering the quotes, to analyze any gender- or age-related themes in relation to work stressors?
4. If the organization can offer a good quality of working life, can managers rely on that? Would that be enough to mitigate the work-related stress and trigger employee engagement in a sustainable way?

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Case 10: Managing Change and Employee Well-Being in an Italian School: Psychosocial Training Intervention as a Possible Solution

S. De Simone, R. Pinna, and L. Giustiniano

Introduction

Over the last 20 years the Italian education system has lived an intense and tormented epoch of reforms and radical changes culminated in the introduction of school autonomy and decentralisation. Such institutional pressures have created, in the Italian school system, contradictory effects at an individual and organisational levels leading to employee resistance or indifference on one hand and investment in training for developing coping strategies on the other. The Italian school system comprises of teachers – the largest professional group of workers within public schools, who are also viewed as individual participants of change. Managing professionals and their professions is increasingly gaining momentum as organisations realise the importance of attracting and retaining key talent and human capital. Managing change in a professional setting such as in the case of school teachers can be difficult as the nature of their profession affords them high autonomy; paradoxically, at the same time, there is a low level of observed cohesiveness amongst the teachers.

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The Italian Educational System

The education system in Italy is organised as follows:

- Pre-primary school for children between 3 and 6 years of age
- First cycle of education lasting 8 years, comprising of primary education (6–10 years) and lower secondary school for children between 11 and 14 years
- Second cycle of education offering two different pathways: state upper secondary school, for students from 14 to 19 years of age; 3 and 4-year vocational training courses organised by the Regions; and higher education

The principal institutional bodies governing the Italian education system are: at national level, the Ministry of Education, University and Research (MIUR, Ministero dell'Istruzione, dell'Università e della ricerca); at regional level, the Regional School Authorities and the Regions; and at local level, the Provinces, Municipalities and schools. In Italy, the responsibility of educational system general administration is the Ministry of Education, University and Research (MIUR). The MIUR is organised into three departments:

- Department for the Education and Training System, responsible for the general organisation of the school system
- Department for the Planning and Management of Human, Financial and Capital Resources, responsible for financial policy, procurement, administrative human resources in schools and managing information systems
- Department for Higher Education and Research, responsible for higher education

School education is organised at a decentralised level through the Regional School Offices, which operate at provincial level in Local Offices and support and advise schools on matters such as administrative and accounting procedures and the planning and innovation of the educational offers. The Local Offices, which operate at provincial level, are an internal division of the Regional School Office and have no autonomy. The Regions are responsible for the planning, management and provision of vocational education and training through recognised institutions. Through the State/Regions Conference, the Regions work closely with the Ministry of Education and the Ministry of Labour, which define the minimum national standards for the education system and the vocational education and training system. Local administration includes Provinces and municipalities have responsibilities in different areas and at different levels of the education system. Provinces are assigned specific functions for upper secondary education only. Municipalities, often representing small residential communities and restricted areas, are distributed throughout Italy and have their own or regionally or provincially delegated responsibilities for functions and services relating to pre-primary, primary and lower secondary schools.

Reforms in the Italian School's Institutional Environment

Since the year 2000, the Italian education system was significantly reformed with the aim to establish a new institutional structure opening new spaces of autonomy for educational institutes (Law n. 59/1997). They can now plan and implement interventions in education, training and instruction, adapting them to different contexts in line with the objectives of the National Education System. Each school draws up its own Educational Offer Plan (POF, Piano Offerta Formativa) which is the basic document setting out the cultural and planning identity of the school. It must be consistent with the general and educational objectives of the various kinds of study and specialisms set at national level and, at the same time, it must reflect cultural, social and economic requirements at local level. Schools are allowed to adopt flexi-hour timetables and activate personalised courses, create training programmes to answer the special needs of the territory and choose methods and instruments in line with the training/teaching opportunities on offer. Secondly, schools were strongly encouraged to build partnerships with other public and private stakeholders, in order to pursue their educational mission. Partnerships were explicitly identified as a potential channel through which to gain public or private extra-resources and enrich the educational provision. In this perspective, the “School Autonomy Regulations” (Legislative Decree No. 275/99) strongly stressed the possibility for schools to constitute networks with other schools and public or private actors in order to pursue their educational aims. In order to create greater flexibility and customisation of training from 1 September 2010, a reform of the upper secondary schools was launched (DPR 81/2009; DPR 89/2009; MoU MPO-MIUR [2012](#)). The spirit of the reform was in line with a search for greater clarity and the aim of facilitating the choice of the course of study and to better address university education and the world of work. Amongst the strengths of the “new secondary education”, there is definitely a closer link with universities and higher education, with the world of work (i.e. internships and project works) and with the territory (e.g. with the presence in technical and scientific committees, representatives of the business community in the area). Within this general framework, primary education plays a crucial role since learning is becoming increasingly more tied to the way the new generations learn through practical experience and cutting-edge practices and techniques with an enhanced use of laboratories, which make the school a centre of permanent innovation.

Schools are administered and managed by the school manager who is also the legal representative of the institution and responsible for its overall management, and the school manager acts autonomously in discharging his/her duties of direction, coordination and deployment of human resources, in order to organise school activities efficiently and effectively. In carrying out the management and administrative duties, the school manager can delegate specific tasks to Teachers' Council. It formulates the educational offer plan (POF) in accordance with the general management and administration guidelines issued by the School. The Council submits proposals to the School Manager on the organisation of class groups, teaching timetable and allocation of teachers to individual classes. The Council is also tasked

with evaluating the general development of teaching staff and verifying its effectiveness in line with the planned objectives and proposes and wherever necessary takes appropriate measures to improve the educational activities by making decisions on teaching methods. Finally, the Council selects textbooks, after consulting the Inter-class Council and the Class Council, as well as teaching materials within the financial limits laid down by the District/School Council.

The Reform of the Educational System in Italy and the New Skills of Teachers

The Italian public schools have been asked to play a role much more complex than what they did in the past, as they are now called to help young people to design a way of life, with a sense of contributing to the training of future citizens. The reform of education systems is essential to achieving higher productivity and the supply of highly skilled workers. In this context, the Ministry has defined the knowledge and competencies that all students are expected to have acquired on completion of their compulsory education. New curricula are now defined in National Guidelines that suggest the specific learning objectives, knowledge and skills that students are expected to acquire as the basis for building their competencies. The teachers need to help students to not only acquire “the skills that are easiest to teach and easiest to test but more importantly, ways of thinking (creativity, critical thinking, problem-solving, decision-making and learning); ways of working (communication and collaboration); tools for working (including information and communications technologies); and skills around citizenship, life and career and personal and social responsibility for success in modern democracies” (OECD 2011).

The roles of teachers are changing, and so are the expectations from them. Teachers are now asked to teach in an increasingly multicultural classroom, integrate with students with special needs, implement use of ICT in effectively teaching students, engage in evaluation and accountability processes and involve parents in school meetings. These changes have implied a critical redefinition of the teaching profession and the identification of new competencies needed by teachers. A competence is described as “a complex combination of knowledge, skills, understanding, values, attitudes and desire which lead to effective, embodied human action in the world, in a particular domain” (Deakin Crick 2008). The concept of competencies, in teaching, includes having a combination of tacit and explicit knowledge, cognitive and practical skills as well as dispositions such as motivation, beliefs, value orientations and emotions (Rychen and Salganik 2003). The new approach enables teachers to meet complex demands, by mobilising psychosocial resources in context, deploying them in a coherent way, and it empowers the teachers to act professionally and appropriately in a given situation (Koster and Dengerink 2008). It also helps ensure teachers’ undertaking of tasks effectively (achieving the desired outcome) and efficiently (optimising resources and efforts).

The knowledge, skills and commitment of teachers, as well as the quality of school leadership, are the most important factors in achieving the high quality of

educational outcomes. For this reason, it is essential for selecting and preparing teachers to fulfil their tasks.

General Changes

The changes in institutional setting and the definition of tasks and roles within the school context have been redesigned due to the profound changes that have involved the figure of the teacher. The advent of the computer age and the increasing demand for more important socio-educational, psychological, relational and management skills, for which the teacher has rarely received proper training and often remain confined to his or her initiative and its personal capacity, have certainly disturbed teachers' awareness of their professional skills. In addition, in many developed countries, the school environment has become increasingly multiethnic and multicultural. Furthermore, the numerous cultural exchanges enacted by globalisation, new policies for disability which have led to the inclusion of disabled pupils in the classes, the presence of an increasing number of single-parent families and the constantly growing number of women being introduced into the workforce have burdened teachers with more responsibility for the education of students. Finally, the relatively low salary, the lack of career opportunities and the – often – difficult relationship with colleagues, school manager, students and their parents are factors that seem to justify a situation of general dissatisfaction for the Italian school teachers (Ichino and Tabellini 2014).

Nature and Extent of Impacts

The radical changes that have affected the Italian school system in recent times have focused on creating a more flexible way of organising the work of teachers and the management of human resources in schools, thus making it more individual and more result-oriented. Together with this, the efforts were addressed towards the achievement of positive effects on health issues in the workplace or, more generally, on well-being at work. For several years, psychology and occupational medicine have been dealing with diseases that may arise in the workplace and that may depend on the relationships between people. In particular, despite the large number of European documents dealing with the issue of the risks from work-related stress, the Italian legislation has delayed this matter and made it the subject of regulation as late as 2008, with the Legislative Decree No. 81/2008 – “The Code on Health and Safety Protection of Employees in the Workplace”. More specifically, Art. 28 reads: “The risk assessment should include [...] all the risks to health and safety [...] including those related to work related stress, according to the contents of the Europe Agreement of 8 October 2004, and those relating to workers in pregnant [...] as well as those related to gender, age, origin from other countries [...]” (Legislative Decree No. 81/2008, Art. 28).

The fact that the European and Italian national legislations have focused more and more on psychosocial factors is related to the clinical risks that medicine and psychology scholars have emphasised during the last decade. Accordingly, a higher level of social awareness has also pervaded the job design in all areas. Stress itself is not considered a disease; instead, it is a functional adaptation of organisms to their environment and its stressors. One of the most common definitions of stress speaks of adaptation syndrome for relatively nonspecific stressors of the stimuli (Selye 1956). The adaptive response to stimuli can become dysfunctional – or what is commonly noted as distress or negative stress – because of the particular intensity of the stimuli, its duration or the individual's personal dispositions. People, in fact, can withstand intense stress situations very well, provided such stress is reduced over time. Amongst the employment sectors most affected by work-related stress, education is identified in the literature as a sector that is increasingly becoming prone to high risk.

Different researches (Austin et al. 2005; Johnson et al. 2005; Pithers and Fogarty 1995) have found that the teaching profession is exposed to numerous stressors. A recent study has identified workload, perception of work environment, teachers' perceptions of the head teacher's and attitude towards change as typical work stressors in Italian teaching (De Simone et al. 2016). In Italy, as a result of the Legislative Decree No. 81/2008, all employers should have a specific policy on work-stress issues for the management of the health of their workers. Work stress can be managed effectively by applying risk management assessment tools, which could enlighten the possible risks that the work environment might generate, and the specific hazards it might cause to employees.

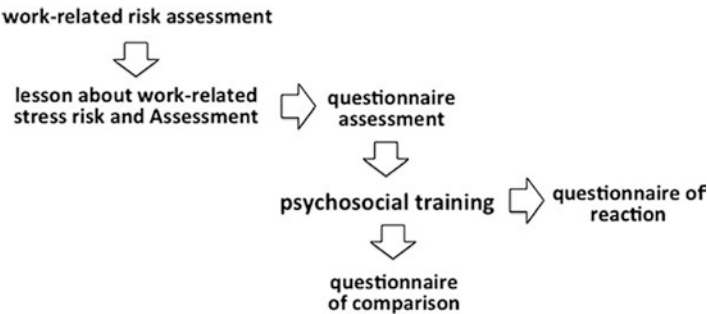
The Case of Margherita School

The case presented here is that of an Italian school committed to managing change processes invoked by the Italian education system. These changes have led to school autonomy. Margherita primary school is a southern Italian typical school, headed by a School Manager, a young man, who graduated in science, and this is his first experience as a school manager, responsible for managing human, financial and instrumental resources. The Teachers' Council is composed of eight members supporting the School Manager in some specific tasks, while the Teachers' College is composed of all teachers in service in the school and is responsible for the didactic-educational goals.

The Margherita school takes 126 teachers, predominantly women, and 500 students, about 6 to 10 years, divided into 32 classes (between first, second, third, fourth and fifth levels) in different sections. According to Legislative Decree No. 81/2008 that obliges all Italian employers to assess work-stress risk and to manage health risks of their workers, the School Manager turned to an external professional to measure the teachers' work-related stress risk. A medium-low level of risk was found and the School Manager decided to implement training intervention, as indicated in the Art. 36 of Legislative Decree 81, and to organise a lesson about

work-related stress risk conducted by an external trainer and addressed to all school’ teachers. At the end of the lesson, the Assessment Questionnaire was given to the teachers in order to identify the specific training needs and subsequently design training. From data emerged that teachers complain about relational and communicative problems linked to ongoing change processes (see Exhibit 1).

Exhibit 1: Description of Process



Based on the expressed needs, and taking into account the work-related stress theme, an intervention of psychosocial training was planned and performed, and subsequently its effectiveness was evaluated through the administration of a questionnaire of reaction and a questionnaire of comparison. The training lasted 4 months and involved 92 volunteer teachers. The questionnaire of reaction was administrated to all participants in the training at the end of each training module in order to measure the affective reactions and the utility judgements. The efficacy of the training was tested by a questionnaire of comparison that was administered before the training programme (test) and 2 months after the end of the training (re-test) also to a control group, composed of school teachers who did not attend the training (see Exhibit 2).

Exhibit 2: Assessment Tools

Tools	Objects	When	Who
Questionnaire of assessment	Training needs	At the end of the lesson	All school teachers
Questionnaire of reaction	Reactions of training participants	At the end of each training module	Only training participants

Tools	Objects	When	Who
Questionnaire of comparison	Subject dimensions: <i>Interpersonal strain</i> (ISW Scale, Borgogni et al. 2007, 2012) <i>Job satisfaction</i> (Brief Overall Job satisfaction measure II, Judge et al. 1998; De Simone et al. 2014) <i>Self-efficacy</i> (Bandura 1994, 2006)	Before the training (test) and after the end of the training (re-test)	All school teachers (<i>training group</i> and <i>control group</i>)

The Intervention

The intervention presented follows the model of psychosocial training, focused on social processes and based on practical activities and on experience useful to “help” the teachers to manage the change processes. According to a sociological learning approach, the psychosocial training is effective in producing change, when it responds to the training’ needs and it focuses on social processes. According to this approach, learning is the process whereby knowledge is created through the transformation of experience (Kolb 1984). Learning is based on practical activities and on experience: learning occurs through the interaction with others and learners acquire new skills and knowledge when they see these as relevant to what they do in practice.

The psychosocial training intervention consisted of four training sessions, one behind the other, of 3 h each, involving on a voluntary basis the school’s 92 teachers divided into groups of 20 participants. The training programme addressed the following topics: work-related stress and coping strategies, group dynamics, effective communication, problem solving and decision-making. The sessions with the teachers were highly interactive, with open discussion, role playing, teamwork and case study (Cicotto et al. 2014; Kolb 1984; Putnam and Borko 2000; Wilson and Beard 2003) to involve the learners. The tests were administered to make teachers aware about coping strategies, communication style, ability to work in a team and problem-solving ability (see Exhibit 3).

Exhibit 3: Psychosocial Training Programme

Training sessions	Goals	Contents/ activities	Methods	Time	Assessment
Start up	To share the training programme	Presentation of the training programme and definition of objectives Administration of the questionnaire	Interactive lesson Open discussion	3 hours	Questionnaire of comparison
Face the stress	To understand the stress and make the participants aware of their coping strategies	Definition of stress, antecedents, consequences Administration of two questionnaires, one on coping style and the other on problem solving	Interactive lesson Test administration Open discussion Teamwork	3 hours	Questionnaire of reaction
Communicate in group	To experience the communicative styles in group settings	The characteristics of the groups and the communicative styles Administration of two questionnaires, one on ability To teamwork and the other on communicative styles	Interactive lesson Test administration Open discussion Teamwork	3 hours	Questionnaire of reaction
Tackle the critical issues	Learn to analyse critical cases of school life and make appropriate decisions with the help of colleagues	The critical issues at school The decision-making process	Case study Role playing Teamwork	3 hours	Questionnaire of reaction

92 teachers, all women, participated in the training. The mean age was 45 years ($SD = 7.3$), the average tenure was 6.7 years ($SD = 7.4$), and the average employment seniority in teaching was 17 years ($SD = 8.7$). The absence of male teachers is not a surprise, since in Italy the majority of teachers are women (OECD 2012). An external trainer was chosen, a psychologist with experience in organisational

training; in fact the psychosocial training programmes require a psychological expertise. The trainer was well received by the teachers who participated with the involvement and motivation for the activities proposed, probably because it is in line with their needs. The teachers’ feedback and his monitoring of the data (questionnaire of reaction) suggested a high degree of appreciation, a signal that the contents and methodologies have satisfied the participants’ expectations. The participants’ evaluation of what they learnt was very positive, and this denotes that the goal to make the teachers aware of themselves and of their actions was achieved. The trainer said that during the course, the class group climate was collaborative and enthusiastic. The excellent interaction between teacher and class group favoured the learning process. These results underscore the utility, in the design phase, to include the needs expressed by the recipients of the training. The results of the questionnaire of comparison showed a decrease, slight but significant, in interpersonal strain, and an increase, slight but significant, in self-efficacy, as expected, while there has been no change in job satisfaction, a dimension not subject to training.

Exhibit 4: Effectiveness of Psychosocial Training

Psychological dimension measured	Definition	Outcomes of training
Self-efficacy	Beliefs relative to various activities and challenges at work	<i>Increased</i>
Job satisfaction	Overall feeling about the job	<i>Unchanged</i>
Interpersonal strain	Mental and emotional distance from others at work	<i>Decreased</i>

The case presented suggests the effectiveness of psychosocial training programme as enabler of change management (see Exhibit 4). Teaching profession is exposed to numerous stressors and the teachers interviewed expressed a need to train on how to handle stress at school and what strategies to adopt to deal with difficulties. The teachers claim to have learnt something useful for their working life, evaluating positively the psychosocial training intervention. Teachers have expressed substantially high beliefs of human agency that regards acts performed intentionally to achieve particular results (Bandura 2001). The training has implemented self-efficacy beliefs and reduced interpersonal strain. Furthermore, teachers said they are more aware of their coping strategies, communicative styles in group settings and decision-making styles, skills that can be used to prevent stress and improve results in teaching with students.

Case Study Questions

- Q1. Describe the nature of institutional changes in the Italian schooling system. How did these have an impact on the school in question?

- Q2. Explain the importance of teacher' competencies for the achievement of educational goals. What are the principal competencies that the teachers of the school in question should possess to keep the pace with the ongoing changes?
- Q3. Students may first discuss the nature of the stressors and then identify from a list the principal stressors for the teacher of the school in question.
- Q4. Evaluate the effectiveness of the training intervention. Did it work? Why/why not?
- Q5. Would you have done anything differently? Provide a rationale for your choices.

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Case 11: Gender-Inclusive Leadership for Innovation and Change: An HR Head's Reflections

Payyazhi Jayashree, Therese Sevaldsen,
and Valerie Lindsay

Introduction

Therese Sevaldsen was the Head of Human Resources at Philips Middle East and Turkey, based in the regional headquarters in Dubai, UAE. Throughout her years at Philips, she had led major HR transformation projects. Her passion, dedication and expertise had placed her as an influential role model at Philips. She was known to be business oriented, passionate about people and a strong advocate for women in leadership. She adopted a leadership style which was inclusive and based on trust. In addition, she tried to be an inspirational leader, providing clear direction, encouraging her team to challenge the status quo and leading them to implement new innovative HR solutions that better served internal and external customers. Prior to her role at Philips, Therese was the Head of HR for Schneider Electric in Dubai, a Fortune 500 Company with 2000 employees across 14 countries and 1 billion EUR revenue. Before this she had a number of business partner roles in Schneider Electric and other companies in the lighting and high tech industry. Therese was a mother of two school-aged boys. She enjoyed balancing her personal life with a very successful career. Activities like building Lego structures with her boys and family Sci-Fi movie evenings gave her immense pleasure. She had just returned from a Best Practices session, held this morning at the Dubai Business Women Council, as part of the International Women's

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Day celebrations for 2017, in which her CEO had spoken about the various steps Philips was taking to ensure gender equality. It was only 2 days before that Therese and her team at Philips MET had received news that they had won an award for being among the best places to work within the UAE. This accolade was further validation for the key value espoused by Philips, which had people at its core (Exhibit 1). Further, as the Performance highlights in 2015 indicated, 1.7 billion lives had been improved by Philips Green Products alone, 0.88 billion lives by Philips Care Products and 0.3 billion by Philips wellbeing products (Philips Annual Report 2015, and Exhibit 2).

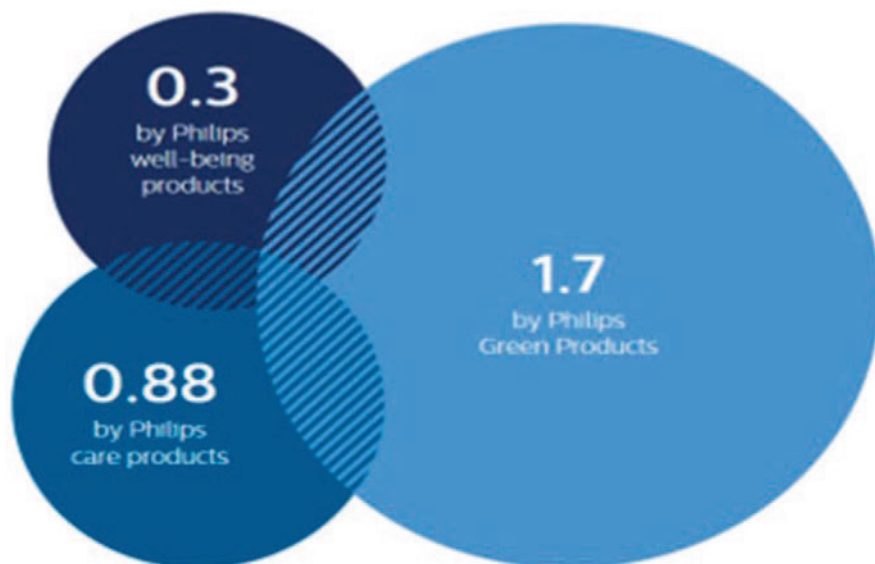
Exhibit 1: Philips Company – Our People

We attract, inspire and develop exceptional people who share our passion to improve people's lives through meaningful innovation. They demonstrate this by being eager to win, taking ownership and teaming up to excel – while always acting with integrity. Our people reflect our customers and markets. We develop our people to become outstanding leaders, to drive operational excellence and to provide world-class competencies in our priority areas.

Exhibit 2: Philips Group – Lives Improved in Billions

Philips Group

Lives Improved in billions



▨ Double counts

Conceptual drawing, areas do not reflect actual proportions

Source: Performance Highlights in 2015, Available url <https://2015.annualreport.philips.com/#!/performance-highlights>, Accessed 24-05-2017

About Philips Global

2017 was a milestone year for Philips, which had completed 125 years in business, with a steadfast commitment to its core value of improving people's lives through innovation. Since its origins in 1891, Philips had been a trailblazer in making lives easier, with its frame-breaking efforts towards producing a continuous flow of innovative products, from radio and television, to electric shavers. With this commitment to innovation and sustainability continuing into the twenty-first century, Philips had an array of technological breakthroughs in diverse areas, such as sound and vision, women's health care and household accessories. Their fundamental focus on improving lives was driven by the core assumption that, through challenging the status quo and taking solution-centred, collaborative and innovative approaches, any problem could be resolved to improve and impact lives of the people.

A Strategic Approach to Creating Value

A holistic approach formed the hallmark of Philips' value creation process. Specifically, its mission **to improve people's lives through meaningful innovation** and the vision **to make the world healthier and more sustainable through innovation** were driven by identifying and understanding the specific challenges faced by the people (Exhibit 3). An integrated Philips Business System, comprising four key strategic elements then helped to deliver on the insights gained (Exhibit 4). Specifically, the Philips Business System, developed to deliver sustained value, was driven by a clearly defined Group Strategy and resource allocation processes to further facilitate strategy execution. Finally, the Core Capabilities, Assets and Positions (CAPs) which included the people, technological innovation, insights gained from customers over the years and the brand value were then leveraged and invested in, to foster Excellence and Sustainable Value for Customers.

Exhibit 3: Philips Company: How We Create Value Understanding and Meeting People's Needs

At Philips, our starting point is always to understand the specific challenges local people face – whether they be a hospital director, a nurse, a patient, a consumer, etc.

Having gained these deep insights, we then apply our outstanding innovation capabilities, strong brand, global footprint and talented and engaged people – often in value-adding partnerships – to deliver solutions that meet these needs and make the world healthier and more sustainable.

We measure the impact our solutions are having around the world with our independently verified Lives Improved model. We take a two-dimensional approach – social and ecological – to improving people’s lives. Products and solutions that directly support the curative (care) or preventive (wellbeing) side of people’s health determine the contribution to the social dimension. The contribution to the ecological dimension is determined by means of our Green Product portfolio.

Our Business System

To ensure that success is repeatable, i.e. that we create value for our stakeholder’s time and time again and deliver on our mission and vision, we have adopted the Philips Business System. Having a single business system reduces complexity, increases speed and, crucially, allows us to spend more time with customers and driving improvement across the company.

Our Mission

To improve people’s lives through meaningful innovation.

Our Vision

At Philips, we strive to make the world healthier and more sustainable through innovation. Our goal is to improve the lives of 3 billion people a year by 2025. We will be the best place to work for people who share our passion. Together we will deliver superior value for our customers and shareholders (Source: Available <http://www.philips.com/a-w/about/company/our-strategy/how-we-create-value.html>, Accessed 20-05-2017).

Exhibit 4: Philips Business System



Philips Middle East, Turkey and Africa

Philips Middle East, Turkey and Africa (Philips MET) has its head office located in Dubai, through which all the activities in the Middle East are coordinated. The core team of talented and diverse members was drawn from within the region and deployed across key portfolios of Health and Wellbeing, Lighting, Consumer Lifestyle and Sustainability. In alignment with Philips' focus on building strategic alliances to drive innovation, several key partnerships were formed within the region, one of which included a recent MOU signed with Dubai Municipality. This is to provide sustainable and innovative solutions to the city, in alignment with UAE's 2021 vision to be among the top countries in the world on the Global Innovation Index,¹ and in alignment with Philips mission to 'improve people's lives with meaningful innovations' (Exhibit 3). There was conscious that one of the key contributors of innovation was an organisational culture that celebrated diversity and inclusion. Philips, with its rich legacy and commitment to improving people's lives, was in a much better position to achieve its goals of innovation, through building an organisational culture that fostered innovation.

People Strategy Aligned with Business Strategy

The Philips Business System, which formed the core of the Philips value creation processes, is driven by six key capital inputs, these being human, intellectual, financial, manufacturing, natural and social (Exhibit 5). These are strategically aligned to drive innovation and value creation, in the short, medium and long term. Specifically, the People Strategy at Philips is aligned with the Business Strategy, with a commitment to build six core competencies for driving innovation and transformation. It is worth noting that, with regard to human capital, the learning and development investments that were made in 2015 alone amounted to EUR 50 million, with an employee engagement index of 71%. Philips' commitment to building a performance- and innovation-driven culture (where talent and inclusiveness are nurtured) was further strengthened with the introduction of the **Accelerate Roadmap** (Exhibit 6). This roadmap focussed on three key strategic action points, these being: first, to execute the Philips Business System and transforming the organisational culture to address underperformance, through a combined focus on top-down economic interventions and bottom-up organisational developmental approaches; second, 'expansion of global leadership positions'; and third, 'initiating new growth engines' through investments in new regions and geographies, while continuing to strengthen core businesses.

¹Available http://www.mea.philips.com/a-w/about/news/archive/standard/news/2016/20160212_Philips_MoU_release.html, accessed 10th May, 2016

Exhibit 5: Creating Value for Our Stakeholders



Exhibit 6: Accelerate Roadmap



Source: Philips Annual Report, 2015, p. 13. Available, https://2015.annualreport.philips.com/downloads/pdf/en/PhilipsFullAnnualReport2015_English.pdf, Accessed 30-05-2016.

The Best Practices session that Therese had attended this morning at the Dubai Business Women Council had showcased success stories related to gender-inclusive leadership for women, within corporates within the AME region. The insightful discussions at the session had made Therese increasingly conscious that Philips MET was operating in a unique environment as compared to the rest of the AME region, with more than 70% of the women within the region having completed tertiary education. Therese had listened intently when Global Gender Gap Report (2016) data was shared by the facilitator at the Forum; these data included the following: that United Arab Emirates (UAE) was ranked 32nd out of 144 countries

(among the top Arab Middle East countries) with regard to investments in education of women, in alignment with UAE's goal to become among the top 25 countries in the world for gender equality by 2021. There had also been significant discussions in the session on the business case for having a diversity and inclusion strategy for fostering innovation. Since the core business of Philips was focussed on providing innovative solutions, it was imperative that diversity and inclusion were fostered. Therese reflected on her experiences at Philips, both as a woman leader and as an HR Director. From the available figures, 35% of Philips employees (out of the 104,204 employees worldwide) were females. Therese's review of the workforce demographics at Philips MET revealed findings that exceeded the global average, with 43% of core MET members being female and 36% of the extended MET members being females in the UAE office. Even in the Kingdom of Saudi Arabia (KSA), with a country average of 4% females in employment, Philips had 6% female employees. Further, there were 55 nationalities in the MET, mainly in UAE and KSA, with Turkey employing predominantly local talent.

Reflecting on the current workforce, Therese knew how hard she had worked with her team to help the organisation get this far in terms of creating the pipeline, but she also knew there was always more that could be done to foster the core value of a people-centred approach. There was enough evidence that it was not so much about the numbers as it was about challenging psychosocial assumptions that could still tend to operate from a binary space (the blue and pink, or male and female binaries), if there were no mechanisms in place to challenge it. She thought about her conversation with her team just the previous week concerning performance management practices. She was advised to 'tone down her communication style a little', as she was being perceived by some men not to display the warmth that is expected of the Head of HR. She wondered if this was a subconscious bias about how men and women are expected to behave. She reflected on this and felt that if her view was correct, and if such bias could be experienced at her level, then she should be concerned about how her younger female colleagues would fare. In Therese's view, these women might not have the confidence or assertiveness to bring any perceived bias to the organisation's attention. She was committed to the core values at Philips and knew her responsibility as Head of HR involved ensuring that every voice was heard, and she thought of ways in which she could institutionalise processes to ensure that this happened. As she pondered on this, she called to mind her own childhood and early socialisation experiences that had helped her to build independence and confidence as a young girl.

Growing Up in Denmark and Gendered Scripts

Therese cast her mind back to her early years in Denmark, a society where, in school, she was never conscious about different roles and expectations of men and women. She grew up believing that societies were equal. She remembered a specific incident when she was running against the boys during a school athletics event. She was very good at running 100 meters, and when boys and girls were all racing against each other, she generally finished in second or third place. Just competing at

her best and running towards the finishing line was what motivated her. And this, she sees now, removed the whole gender discussion. It was only about, 'do your best and get out there and compete'. In school, the children were all expected to participate, explore, criticise, ask questions and share and openly discuss problems. It was always about, 'let's solve this issue together, and let the best ideas get to the table.' Therese learnt, of course, that people had different strengths, but these did not come from gendered (pink and blue) scripts; rather they reflected people's individual uniqueness. She knew that her school system was the essence of who she was.

The Glass Ceiling

Over time, as Therese embarked on, and developed, her career, she saw the notorious glass ceiling in action. She also observed other women around her having the same experiences, and knew that not every woman was equipped to break through it. As she saw things, the glass ceiling consisted of the male network, the male club – a club that women often did not find the door to. Her own observations had shown her that men and women were different in the way they interacted and dealt with issues in the workplace. For example, she observed that when men were together, they generally kept things light and not emotional and tended to take a more task-oriented approach to issues. She saw the women, on the other hand, as being more connected emotionally and often thought about what might be influencing the issue; and before considering potential solutions, women usually assessed their implications for those who might be impacted.

Therese thought that perhaps the different approach that women took came from the constant mental and emotional multi-tasking that many working women took for granted – in other words, the tendency to always consider things from every angle, as well as their impacts on others. For example, women could seldom completely lose sight of their wide range of responsibilities, including as a mother, wife, daughter, sister and friend in need, so often associated with their female roles in society. These roles were most apparent in the Arab Middle East context, where many women came from largely patriarchal societies, with strong family traditions setting clear expectations for girls and women. While Therese could definitely see these influences playing out among some of her female colleagues, she was also noticing that women in this region were becoming far less constrained by these factors and were exercising a lot more independence. Her own organisation had made great strides in recognising the challenges faced by its women employees, but the potential for gender role stereotyping was still an overarching issue in Therese's mind.

Part of the glass ceiling problem, she thought, was that women did not have time to spend on networking, especially when it happened after work-hours. Networking led to visibility and, hence, to opportunities. She didn't think that men were being deliberately exclusive; it was not that they didn't want women in their club. Rather, it was more an outcome of a natural socialisation that was happening on the golf course, or at the boating club, where women were just not present. Therese experienced this first-hand, at a previous employer, when she was the only woman from

her management team invited to a boating trip. She remembered the conversation where the men in the management team had said, 'Ah, Therese, we are going out boating in the weekend. Do you want to come?' And she said, 'Uh, am I the only woman there? Because I'm not sure.' And they said, 'Yeah, because you're one of the boys.'

Given her upbringing, she would normally have just tried to fit in, regardless of whether these people were men or women. But, she didn't feel right about having that opportunity and the other two women from the management team being excluded. Both women were extremely competent, but they were not being given the chance to interact and share their insights, albeit in an informal setting. They simply were not perceived to fit into that particular male-dominated environment. This incident suggested to Therese that maybe this was the real problem and a key reason why women were prevented from reaching the upper echelons in organisations, especially where men dominated these positions.

Therese knew from her personal experience that women had to fight more to be heard, whereas, for the men who had already bonded, it was easier for them to get their ideas through – they had to argue less in order to be heard. If a woman had a different perspective, she would need to provide stronger and more convincing arguments. Therese believed that this was a big and real issue encountered by women in the workplace every day. According to her own values and as per the core values at Philips, diversity in a team was to be encouraged and decisions should be taken on the basis of their merits. Gender should have nothing to do with the legitimacy of the arguments or decisions. She wondered again what needed to be done to create an environment where everyone had a fair chance. She went back to her reflection on her motivation to join Philips and recalled that she was greatly influenced and encouraged by this organisation's focus on creativity and innovation through inclusive teamwork and collaboration.

Alignment with Core Values

Therese thought about how she had created room for herself in the Senior Management Team at Philips, in what was then a very masculine space. In her view, it had a lot to do with the alignment of her own and the organisation's core values. Therese knew that Philips was in a space conducive to fostering values of gender parity and inclusiveness, because these values were at the core of its identity. First, Philips is in the business of selling products that were female friendly, including baby bottles and pacifiers, and innovative products such as the Philips Avent uGrow digital platform, an app to support new parents track their baby's developmental needs. Second, Philips was in the core business of health care, which is about saving lives and making people healthier and longer-lived. Thus, the core value of the company was about 'caring' – a value that women could readily relate to, and which motivated many of the women in Philips to join the organisation. The organisation's clarity in its core values helped in recruiting people who shared the passion to improve people's lives.

Philips had for many years worked consciously at headquarters to establish systems and processes in alignment with the Philips vision and mission, making it possible for them to underpin everything the company did. Senior management was aware that companies that had more women in executive positions generally had a better bottom line. With a clear supporting business logic, the company had, over many years, worked hard to ensure that its recruitment mechanisms actively attracted women. Furthermore, Philips was able to create leverage from the 50% of its customers who were women, by tapping into this customer voice inside the company. And that, Therese knew, had actually made a difference to the product range and marketing messages created for the female consumer group.

Since taking on the position of Head of HR (Middle East and Turkey), Therese had developed a number of initiatives to further promote opportunities for women in the organisation. She started by putting diversity and inclusion at top of all the agendas, with a particular focus on the recruitment and succession planning processes. Therese was supported by a global data-based approach to succession planning, which was created to identify the career stages to which female employees had progressed, and the female representation in the various positions in the company. With top management agreement, she campaigned for some measures – for example, an agreement was put in place for one of the three core businesses in the Middle East division to be led by women, aligning with the global practice in the organisation. The general mandate was that, out of every director that Philips sourced for every position they had, where they were recruiting globally, one of the three final candidates had to be a woman. Therese was conscious that, while it was not always possible to get the right candidate, just having a mindset that was open to recruiting women was an important step in the right direction and would lead to long-term benefits for the organisation.

Leadership Capacity Development to Address a Leaking Pipeline

Therese was only too aware that creating a pipeline of women for senior management roles was just one step. Real change happened when the organisational culture became fully inclusive – but cultural change takes time. She also realised that changing attitudes of both men and women were part of the cultural shift needed. At the same time, men in the organisation could make a difference by being aware of the need to give women an equal chance – in some cases, potentially contrary to their culturally embedded beliefs. It became evident to Therese quite quickly that, in this regional setting, both organisational culture and individual mindsets influenced by national culture and tradition were at play in shaping the environment. Changes at both levels were needed. While Philips was making very positive progress with such changes, as evidenced by the increased recruitment of women into management roles, and with increased retention, Therese was acutely aware as HR manager that many of the women who were successful at the middle management level were not progressing to more senior levels, resulting in the women's pipeline becoming thinner at the senior levels. Global statistics showed that not all women

step into the next level roles because of various constraints, including familial responsibilities; hence, the pyramid becomes unevenly thin at the top, while fatter at the bottom. Therese had not investigated the local trends, but assumed that they may be similar to those at the global level.

In order to investigate this issue further and to arrive at steps moving forward, a women's leadership committee was set up inside Philips to investigate reasons preventing women from seeking roles at the senior managerial level. It was discovered that a key challenge was a lack of female networks, as Therese herself had noted earlier, and other key issues related to career management. This investigation had led to a request to the Philips University to create a programme for women in mid-level management positions to help them further their careers into senior leadership roles; this programme was called Next Gen Women (Exhibit 7).

Exhibit 7: Next Gen Women Programme at Philips MET Programme Overview

Increasing the diversity of the workforce has been identified as a strategic priority for Philips to support our growth agenda. To that end, Philips has committed to increasing our share of women in Senior Management positions and above all to strengthen the talent pipeline, as well as to creating a more inclusive workplace to fully leverage their diversity.

Our Approach to Achieving That Ambition Is Twofold

We have a strong focus on building a more inclusive culture to make sure that everyone has equal opportunities to progress in Philips and feels valued, respected and able to contribute in full. This includes, for example, revising some of our processes to ensure that they support our ambitions and do not create unintended barriers to inclusion.

At the same time, we are taking action to support the development of our female talents through a leadership programme specifically for women in Manager and Senior Manager positions. The idea for such a programme came out of the focus groups conducted around the world by the Women's Leadership Council in 2013 – and it is closely aligned with external best practices.

The new Next Gen Women Leaders programme addresses the most important challenges that women tend to encounter at this critical stage of their career: getting clarity on professional ambitions, understanding and leveraging personal strengths, building a persuasive personal brand and negotiating effectively.

The new leadership programme is a 3-month learning journey for groups of 8–12 participants that begins with a 1-h kick-off call and is built around three classroom modules of 3 h each. Between modules, candidates are required to complete additional assignments and to support each other in 'buddy groups'.

A key focus of the programme was on enabling the participants to understand their core motivations and key strengths and, importantly, to develop a career plan. Therese had been surprised to find that not a single woman out of the 30 who attended the programme had created a plan for her career, either formally or informally. In fact, many of them did not know who to go to for guidance, and had no mentors or network of female colleagues. Few had analysed their main strengths or figured out how to position themselves in the organisation. The participants learnt to develop something called 'the elevator pitch', whereby a female colleague could give a confident review of own performance in just a few sentences. The women were asked to map out strengths, ambitions, purpose in life, passions and major achievements. This programme enabled them to build an elevator speech, so that, at any point in time, they could make their achievements more visible and not be self-conscious about what they initially felt was bragging. Another feature that Therese thought was quite unique to the region was that there was a reticence on the part of women to not take credit individually, but to assign credit in collective terms, such as, 'We worked on that' and 'We did this'. The next step then was to create organisational awareness of the contributions that its female employees made, and to ensure that they had sufficient visibility to be considered for the senior positions within the corporate hierarchy, next to themselves raising the hand when an opportunity came up.

Changes in Individual Career Strategy

A key learning from the Next Gen Women programme was the awareness that many women needed to change their individual workplace strategies. Therese had heard her CEO saying this morning at the Best Practices session that when men entered a new position, they were busy looking out for the next one; when women entered a new position, on the other hand, they were more focussed on putting their head down and getting on with the new job and working to the best of their ability. How true, Therese thought, as she was invariably suggesting to women that, in addition to focussing on the things they were solving right now, they also must spend some time on planning towards the future, making their pitch, talking about their achievements, promoting themselves and actively seeking those projects where they would get broader visibility. She smiled to herself as she recalled that the programme, the first of its kind in the region, was so impactful that men in the company also sought to be part of it.

While Therese had always demanded parity in pay in her own career (and always succeeded), one area where some disparity had remained was in job titles. Despite taking on some very senior positions, there had always been some resistance towards giving her position titles commensurate with the responsibilities. She had also noted that no such reticence occurred when male colleagues took on the same or similar

roles. Her salary had never been inequitable, but this was because she had always negotiated strongly, going into the negotiation table, knowing that it could backfire – though she was prepared to take the risk. But she stuck to her steadfast approach to salary negotiation, because she strongly believed in fairness and was driven by her fundamental philosophy of life – that we are all equal. Therese and her team subsequently set up training programmes for women in negotiation techniques. In her own department, Therese had recruited very strong women, who had the confidence to be assertive when necessary. She coached her female colleagues to be familiar with market research on salaries, in order to build credibility around their own sense of worth to the organisation.

Therese strongly believed that the changes she was seeking for women in the workplace were the dual responsibility of their organisation and the women themselves. The companies could create an environment enabling women to progress along a career path, and the women could respond by asserting their value to the company. Something that had worked at Philips was identifying where employees were in the salary ranges and positions. Were they female or male, and what was their level of experience? How quickly did they reach that position and why? Were they relatively early in their career? Did they achieve rapid advancement, or was it more incremental? With this kind of information, it was possible for the HR Department to recommend the correct position and level for each person, thus ensuring that the company was better equipped to retain its valuable talent.

Organisational measures were one thing, but Therese knew that women must become more aware of their roles in the change process. She encouraged them to take steps towards greater self-promotion, making themselves visible and creating awareness around themselves in the work environment. They had to consciously ask questions of themselves, like: Where is it that I want to go? When do I want to go there? Do I have the support of my spouse, of my family? Is my network in order? And do I feel comfortable? What's my leadership style, and how can I use it to benefit the organisation?

Therese reflected on her own leadership style. Leading people came naturally to her and was very much a part of who she was. Throughout her childhood she was called 'Bestyrerinden' (The Manager) and was seen as someone who would be comfortable taking charge. She remembered being told that, at 5 years of age, she was asked what she wanted to be when she grew up; she replied that she wanted to be the Managing Director. Therese had always enjoyed taking decisions and liked giving directions and guidance when people sought her opinion. She also liked including everyone, listening to their needs and contributions and then making decisions collectively. She was the first to acknowledge when she made wrong decisions, but she did not dwell on these, as she believed it was more important to keep moving forward. Having to balance work and family later in life had also taught her to work 'smartly' and efficiently, and these were characteristics that she carried through in her leadership roles as she counselled others to do the same.

The Double-Bind

Therese had also tried to create an open and inclusive spirit around her team by keeping things light-hearted and fun. Just yesterday morning she had asked her assistant to, 'please send someone to Starbucks – we all need coffee and cakes to celebrate a great week at work'. Celebration of small successes is something that she believed differentiated her from others. Her own supervisor positively acknowledged her authentic approach to leadership. She also was comfortable with showing her emotions, which had not always been appreciated among her senior male colleagues. She remembered being told on a few occasions by her male colleagues 'to calm down', with the implication that this was not conducive to being 'a good leader'. Therese did not like that, she was expected to be assertive – but not too assertive; soft – but not too soft, when she believed in showing her authenticity. This was a 'double-bind' situation, where the expectations of her were contradictory and felt not respectful of the person she was. From these experiences, Therese realised that many women might frequently face the 'double-bind' situation at work and had little support to help them deal with it.

But Therese had also had some profound and enlightening conversations with some of her male superiors over the course of her career. She remembered her most recent conversation with her boss, who had told her, 'you know what, don't change.... because it's authentic'. This reminded her of another conversation, one that she had with a professional coach in one of her first jobs and which had opened her eyes as to what it meant to be a leader. Her coach helped her realise that it was essentially about being free of expectations that were limiting – such as 'you are not supposed to do that.' She recalled him telling her to challenge others' expectations, as well as her own self-limiting assumptions, through asking – 'Why? Who said that? Who said I'm not supposed to do that, or say that, or act like that?' She was so grateful for these conversations with her coach, her current supervisor and others who had influenced her so positively. As a result of these conversations Therese believed that a leader was someone who was able to remain authentic, while enabling those around them to find the best in themselves, without attempting to mould them into a template written by others. But organisational realities, as she realised herself, were not always so simple.

Balancing Work and Family

Therese knew that a key reason why many women had chosen to abandon their careers was due to the pressure of balancing work and family. Therese reflected upon her career and how she often found that men had a wife who supported the husband's career and managed the house, kids and friends in a way that would allow the man to focus on his career. She found that when women would dedicate a large amount of time on their career that it was not perceived as well by the society. Therese acknowledged that she could not have achieved this level of career growth, if she had not had a husband who was behind her and supporting her with the

children and with all the chores that comes with running a household. Often her husband would ensure that she and the children had a social life by being the one arranging dinner parties, playdates, etc. These sort of tasks were often associated with the women's tasks. Therese was very grateful for the support she had in her husband and the fact that he saw this as a team effort and challenged the society's belief why it is only the women who can do that, when men can also do that, next to their own career.

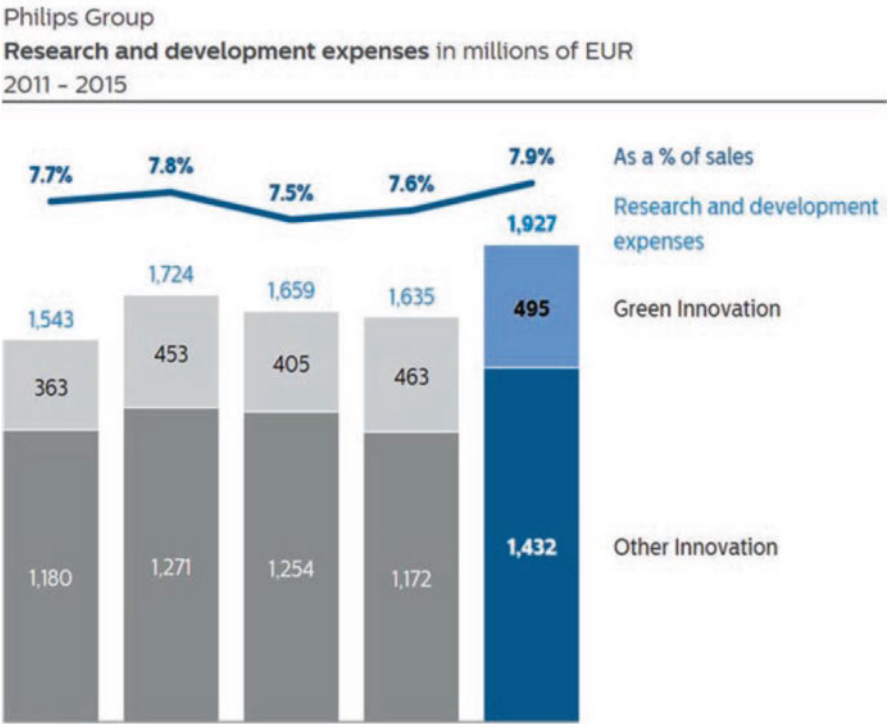
One of the reasons why Therese had joined Philips was because she was offered flexibility to balance work, with bringing up her young children. As further evidence of Phillip's commitment to providing a supportive work environment for women to balance work and family responsibilities, Philip's launched a nationwide UAE initiative in December 2016 for its mother and childcare brand, Avent. This initiative enabled breast-feeding mothers to return to work by providing breast-pumping facilities at work. 'At Philips AVENT, we believe that mothers, newborn babies and children represent the wellbeing of a society and its potential for the future. We are committed to supporting returning mothers and helping them to give their babies the best start in life. By launching the 'Mommy's Expressing Lounge' initiative we address challenges women face with breastfeeding, specifically fitting it in around work commitments. With research showing that 69% of women do not feel they have adequate or even existent breastfeeding facilities at work, the issue is a pressing one', said Vincenzo Ventricelli, Vice President Personal Health Philips Middle East and Turkey.² Therese had also taken ownership to create workplace flexibility herself. She was required to meet her goals, but had to learn to say 'no,' and, 'yes,' and delegate as much as possible. In this way, she was able to meet the dual demands of work and home. Even now, Therese was conscious that, because perceptions of productivity were still largely built on being visible at the workplace, her non-availability at work after 5 pm had the potential to impact her career growth, although this had not, in fact, happened. Given her own success in setting up a flexible work environment, she went on to actively encourage the adoption of flexi-time for parents in the organisation. Recently she encouraged one of her team members, who was struggling with balancing work and her family, to work 4 days a week and leave by 4 pm. Together, they agreed that, if she could still deliver what she had been delivering in a 5-day work-week, then it did not matter how or where she accomplished this. Therese remained an advocate for flexibility around on-site working hours and believed that senior leadership had an important role to play in communicating and embodying the importance of work-life balance for employee welfare, as well as sustained productivity.

² Source: Available, <http://www.mea.philips.com/aw/about/news/archive/standard/news/2016/20161207-philips-avent-launches-uae-initiative-to-support-breast-pumping-facilities--in-the-workplace.html>, accessed 15th May, 2017

Creating an Inclusive Culture – Next Steps

As she thought about next steps, Therese acknowledged that, while she had been fortunate in recognising and, for the most part, successfully challenging the barriers to her own career development, not every woman had the same confidence or opportunity – especially in organisations that did not yet practice and celebrate equality for women. Therese felt proud of belonging to her current organisation, Philips, which had taken some significant steps to attract female talent and achieve parity in many of the levels of management. Therese now saw that it was time to take gender inclusiveness to the next level and to try to bring about change systemically within the region and in alignment with Philip's existing Business Strategy. She knew this would require a major shift in mindset among women (particularly with regard to any self-limiting assumptions), within organisations (where gender-biased practices are replaced by gender-sensitive opportunities) and among men (with respect to inclusiveness towards women). There was now substantial evidence that companies with more women in senior management positions outperformed companies with fewer women in such positions; therefore, Therese knew that recruitment and retention of women in senior roles must be a strategic imperative for organisations. As Therese stepped out of office for her next meeting, she thought about how she might chart out a strategy for institutionalising an organisational culture focussed on the value of gender diversity and inclusiveness. Diversity and inclusion were key drivers for innovation and Philips had continued to increase its investments over the years, both in Green Innovation and other innovation in their path towards excellence and value creation (Exhibit 8). Therese believed that Philips, with a strong scoreboard of equity achievements so far, would be a good place to initiate her ideas, since the company could go even further in embracing a cultural shift and achieving its goals of improving people's lives in sustainable ways.

Exhibit 8: Research and Development Expenses 2011–2015



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Case Study Questions

1. Research provides evidence that organisations that invest in diversity and inclusion are more innovative in the long run and outperform organisations that do not.

- Critically evaluate the significance of diversity and inclusion (D&I) as a strategic imperative, with specific reference to the relevance of strategic alignment to achieve D&I goals at Philips.
 - What would be the key elements of this D&I strategy?
2. Stereotype threat 'arises when one is in a situation or doing something for which a negative stereotype about one's group applies' and has the potential to lower the motivation and performance of the person who identifies with the group being stereotyped.
 - Critically evaluate, using relevant literature, the conditions that foster stereotype threat.
 - Discuss the strengths of the HR interventions that are already introduced by Philips to build a gender-inclusive culture. Provide a clear direction for the specific talent-management strategies that Philips can develop, to ensure that a pipeline is created, to strengthen gender diversity at multiple levels of the organisational hierarchy.
 3. As stated in the case, Therese strongly believes that the changes she was seeking for women in the workplace were the dual responsibility of organisations and women themselves.
 - (i) Critically evaluate the significance of Leadership Capacity Development and proactively taking ownership for one's career, for women at the workplace, with specific reference to relevant literature and to the facts presented in the case.
 4. The Social Justice case for D&I has been argued in strategic human resource management literature as having longer-term impact in building an inclusive culture, as opposed to the Business Case, focussed on legislative compliance, which is considered to be short-term. Critically evaluate the above statement and discuss (in the context of the above case and relevant scholarly literature) the specific steps that can be taken by the leadership team, to foster an inclusive culture focussed on workplace diversity.



Case 12: Children of God: Corona Warriors

Malavika Desai and Divisha Agarwal

More than six months into this pandemic, this is not the time for any country to take its foot off the pedal. This is the time for countries to continue to work hard, on the basis of science, solutions and solidarity.

(Tedros Adhanom, Director-General, World Health Organization [2020](#))

When the first COVID positive case was reported in April 2020 in the densely populated Dharavi locality in Mumbai, India, health professionals warned that the situation could very quickly balloon into a catastrophe. Much to everyone's panic, the infection had spread indeed. However, in about 2 months, one of Asia's largest slums had made a dramatic U-turn from being on the brink of a collapse to a potential template of best practices which could be adopted in the fight against the novel coronavirus. The man helming the battle was Kiran Dighavkar, Assistant Commissioner at Mumbai's municipality. As it was impossible to socially distance residents who are crammed together in tiny spaces, the approach was to proactively 'chase the virus' (Ganesan [2020](#)) instead of waiting for cases to come to the authorities. Till mid June 2020, Dighavkar's team had checked temperature and oxygen levels of 47,500 households and screened almost 700,00 people in the congested dwelling since the first case appeared (Pandya [2020](#)). The initiatives seemed to have borne fruit.

While Dighavkar and his men realized that there is little room for complacency, their story of teamwork, improvising as the situation demanded and confidence building measures with the locals have been winning praises not just from the

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Government of India but also from international quarters, including the chief of the World Health Organization, Dr Tedros (Dey 2020). This story of an extraordinary turnaround inspires many frontline corona warriors tussling with this ferocious foe across India and the globe. One such braveheart, who gave his all to safeguarding his community, is Nagendra Singh, Superintendent of Police of Bhind district in Madhya Pradesh, India, from February 2020 to June 2020. The write-up delves into the leadership style that inspires the team to keep at the task at hand and innovate, collaborate and adapt as demanded by the situation.

Coming to Grips with the Pandemic

COVID-19 proved to be a leveller of sorts – since no one had, in his or her lifespan or professional career, seen a pandemic topsy-turvy the world to this extent, a new recruit had as much experience or requisite skill set as a veteran vis-à-vis implementing the guidelines. In the district of Bhind, the Superintendent of Police, Nagendra Singh, had a complicated, never-seen-before task up his sleeve. Borne on Madhya Pradesh cadre in 2014, Singh had been engaged in rural and urban policing, law and order maintenance and duties pertaining to crime control, ensuring smooth visits of high-profile dignitaries among other responsibilities during his stints in Indore, Gwalior and Sheopur prior to the assignment in Bhind. A new role in a new socio-cultural setting, coupled with the onset of a pandemic which redefined the rules of disaster management in most incomprehensible ways, made it a challenging situation for everyone involved, including Singh.

Singh, with his 1500 strong army, worked on two fronts in parallel. Firstly, announcements were made in the bazaars, residents were requested to cooperate, and police forces were deployed on the border and at multiple checkpoints throughout the district. There was an understandable apprehension among the masses who made a beeline for goods that were indispensable. The notion that they had about 4 h to hoard enough provisions to last them through this time of uncertainty drove the panic buying. In a first for Bhind, Nagendra's team started home delivery of these goods by the end of the first week of the lockdown so as to deter people from stepping out till the situation was brought under control. It took a week or two for things to settle down. As residents began to come to terms with the new normal, the once baton-wielding cops began functioning with a deep sense of empathy towards the troubles being faced by the people and a polite enforcement of the measures.

Keeping Calm and Marching on

As the firefighting began in Bhind, one Inspector in Singh's team, Ramesh Hari,¹ was understandably anxious and apprehensive of carrying out his duties in the corona times. Attempting to take the easy way out of the predicament, he requested

¹The identity has been changed in order to maintain confidentiality.

for an exemption from COVID duty citing medical reasons. Singh skilfully read between the lines and had a medical team sent to check him up and, if required, facilitate the treatment required. The thought of visiting a hospital in the middle of a highly infectious pandemic made Hari join duty back immediately. He was then counselled into understanding that he and his loved ones are in safe hands and that the leadership would leave no stone unturned to protect him while he served his nation. Inspector Hari was not the only one who tried to take the sick leave way out of the dilemma. He was joined by two sub-inspectors and eight constables who also followed suit and were handled by Singh in a similar manner.

Assuring the frontline workers was not the only arduous job that Singh confronted. The sheer enormity of task that the police force was up against posed multiple challenges to the team:

- People living in Bhind had to be educated and motivated to follow the lockdown, stay in the safety of their homes and avoid a law and order situation as much as possible.
- Singh had the uphill task of assisting the administration in furthering the policies, specially helping the medical and sanitation professionals carry out their duties while maintaining the health, morale and hygiene of the police forces.
- Motivating the squad to do their duty, one which had no prior standard operating procedures laid out, entailed long and uncertain working hours, was replete with ambiguity in terms of how long will the disaster management exercise continue and one that put them and their loved ones in danger. Nagendra, as a leader, inspired his men by leading from the front. Instead of issuing orders from the safety and comfort of his office, he preferred joining his men in the daily operations.
- Identifying those infected with the virus, getting them treated and preventing them from mixing up with the population residing in Bhind to avoid community transmission of the disease were causes of major concern for the frontline workers.

Nurturing the Frontline Workers

Teaming up with people who enthusiastically chipped in with their knowledge, abilities and skill sets whenever the need arose has been the hallmark of police functioning in Bhind. As precautionary measures began to be implemented, the frontline corona warriors faced an acute shortage of the much in-demand hand sanitizers. Ninety per cent of the police force had no option but to use soaps or other local hand cleansers which greatly compromised with their safety. This compelled the authorities to think on their feet and swiftly move towards producing hand sanitizers on their own. What was available at INR 50 per 180 ml in the market was produced at a cost of INR 50 per litre, thanks to the forensic experts within the team who worked in conjunction with local medical staff. The result was a product that complied with the World Health Organization norms. The first batch was ready for

use by the first week of April 2020. It was designed to cater to the needs of the police personnel in Bhind and then in the neighbourhood districts of Morena and Sheopur. After meeting the requirements of the police, more hand sanitizer was produced in a second batch for the use of the local people. The deficit in the availability of PPE kits was likewise plugged by fast-tracking procurement from multiple sources.

The Reserve Inspector was assigned the task to figure out ways in which immunity of the police force could be boosted. The government guidelines were followed and the approved alternative medicines were provided to the contingent to help them enhance their immunity. Taking interest in their well-being greatly added to their sense of belonging to the task at hand and their leadership.

The senior officials would move extensively between all the police stations and border checkpoints in Bhind in order to be more approachable to those helming the fight. Hearing the issues straight from the horse's mouth over a cup of tea or a meal would do a lot to boost their morale. It also helped those at higher levels assess the challenges being faced on the ground and recognize the hard work put in by the policemen. The rewards consisted of a combination of monetary prizes as well as motivating messages from top leadership. The Superintendent of Police has the power of giving a cash reward of INR 500 twice a month for extraordinary efforts. In addition to cash, appreciation letters, 'Samman Samarohs' or awards by local organizations are greatly admired and looked up to by the members of the rank. The Chief Minister of Madhya Pradesh had declared 'Karamveer medal' for all the policemen who undertook pandemic-related duties for more than 30 days. The management of this crisis featured enormous cooperation from the public, who, overwhelmed by the efforts made by these bravehearts, would shower them with flower petals as they patrolled the streets. The adulation received from the public was greatly cherished by these frontline workers who saw it as a huge acknowledgement of the efforts made.

Since the personnel were working on war footing, the unpredictable and challenging work hours and also the fear of transmitting the infection to their loved ones would make them hesitant in meeting their families too often. Singh attempted to address the issue by devising a twofold support mechanism to make the situation less inconvenient for the team and their near and dear ones. Sanitization, laundry and isolation facilities were established under each police station – rural as well as urban for the policemen as well as their kin. Schools and private buildings were utilized for this purpose and constables were housed as per social distancing norms in these makeshift barracks away from their families. In order to attend to the families, the Station House Officers (SHOs) at all the 27 police stations were instructed to ensure the basic facilities like ration and water are supplied to the households at all times. A secure line of supplies, available at all times, was set up for the police and subsidiary forces. The message was loud and clear, that they are all in this together.

Handling a high pressure situation is often fraught with flaring tempers which led to altercations between the public and the police. The leadership recognized that the continuous vigil expected from the men would lead to minor conflicts. A strong stand was taken to support them and stand with them in case of petty issues. Instead

of taking coercive action, the focus was on how to better the performance. They were protected while at the same time briefed on how to avoid such incidents in future. The knowledge that small mistakes will be taken care of and the freedom to take decisions on the spot greatly instilled a sense of responsibility in their minds besides increasing their commitment to the cause exponentially.

Optimizing the Resources: Many Hands Make Light Work

The police force in Bhind, like everywhere else in the world, was combating a foe which neither respects national or state boundaries nor discriminates on the basis of religion, beliefs, caste or creed. The need of the hour, then, was to get together with individuals and organizations across the political and ideological spectrum and act as one. Singh had the prudence to realize the need to act cohesively early on. Consequently, the team effected a string of measures that hugely boosted the morale of the police force as well as proved to be a welcome assistance with the humongous task at hand. By the second day of the lockdown in March 2020, the leadership devised a volunteering system for the local people in a ratio of 1:5, that is, five civilian volunteers for each police personnel. This initiative helped to make up for the limited manpower available in the police ranks in a very short span of time. All the volunteers were given the tag of ‘special police officer’ which, to them, was a big responsibility and privilege.

There were many police personnel who were on leave in their home districts at the time when the calamity struck. Since they were unable to join back due to the lockdown, the DGP devised a system wherein all such policemen had to report to the police station nearest to their location for active duty. In this manner, they could contribute towards managing the crisis. Additionally, reporting for work would ensure that no unnecessary leaves were being added to the terms of their employment. This particular initiative marshalled an instant 300 human resources to Singh’s team by mid April 2020, as numerous policemen, who were forced to stay away from work, joined work across police stations in Bhind the very next day.

To tackle the limited human and material resources, Singh further collaborated with non-governmental organizations and those organizations which were affiliated to various political parties operating in the district. These agencies were primarily asked to spread awareness and bust myths regarding the novel coronavirus, educate people on physical distancing and the precautionary measures, distribute food and other essential products where required and provide feedback on the work being done for possible improvements. Thus, Roti Bank² and Seva Bharti³ took upon

²Roti Bank is a non-governmental organization set up as a food rescue organization by charitable associations in Bhind such as Mansha Poorna Hanuman Sewa Samiti Trust and Traders Association of the district. It aims at preparing hygienic food to satiate hunger of the underprivileged (Sharma 2019).

³Seva Bharti, founded in 1989, is affiliated to the Sangh Parivar and serves as the community service arm of Rashtriya Swayamsevak Sangh. It encourages volunteering and social funding to con-

themselves the task to prepare and package hygienic food which was delivered via Dial 100 vehicles to rural areas while women self-help groups made face masks. Till his last working day as the Superintendent of Police, Bhind, Singh oversaw the distribution of 52,300 such packets to the needy. With the assistance of the administration and the generosity of donors, ration for 30 days was provided to 33,000 families in the district.

Completing the Feedback Loop

The dire straits that the country has found itself in, thanks to the novel coronavirus, have underscored the salience of a participative approach towards managing the challenges. Irrespective of the ideological differences, the Prime Minister of India corresponded with the individual states extensively in a bid to formulate a strategy for the nation to move forward. In order to understand the effectiveness of the decisions executed, Singh put into action a daily briefing mechanism at night. Since face-to-face meetings were to be avoided, he would touch base with the entire police force over a wireless set exclusive to the police.

It was through the feedback system that the police realized the difference in peak timings in urban versus rural areas. The work hours were adjusted in accordance with the requirements such that the time required for rest and recuperation by the police could be aligned with the lull hours in the area concerned. Thus, the urban areas required heavy duty during morning and evening, with a comparatively relaxed afternoon. In contrast, the rural areas were seen to have busy mornings followed by not so eventful afternoon and evenings. Studying the demands placed by different regions within the district also helped in the creating of shifts for duty. The aim was to optimize the quality of efforts put in by the team and give them some time off duty to prevent burnout. While basic systems were created hastily in the wake of the catastrophe, these were fine-tuned to serve the people better based on the first-hand accounts from those in the field.

There was further scope for upward communication through the morning review sessions Mr Singh had with his supervisors. This included senior officers and also the political leadership who would take stock of the situation at the operational level and the measures that were helping and those that were backfiring.

Unlearning, Learning and Relearning

The extraordinary situation called for dynamic strategies evolving on the basis of their effectiveness on implementation. The police force in Bhind too had to go back to the drawing board multiple times in its fight against the infection.

To start with, the police tried to enforce a strict lockdown along the lines of a curfew, where no one is allowed to come out of his or her house. However, against

the backdrop of an ever-changing picture, the men on the ground realized that this might be counter-productive. Measures had to be taken to allow restricted movement for procuring essentials and availing emergency services. As the lockdown progressed, the lathi charging and tear gassing police switched to more compassionate measures which included counselling sessions for the erring lot, in addition to fines and preventive legal measures.

The authorities had devised a policy whereby one person per family could step out to purchase essentials such as groceries or medicines or travel in case of an emergency. Also, the government employees and health workers required the permission to move in the district to carry out their duties. To cut down on any frivolous movement in the garb of 'work', petrol pumps were instructed to stop supplying fuel. In less than a week, the genuine cases began getting harassed because of this move. As a result, petrol pumps became sites for frequent brawls and unpleasant situations. Seeing the widespread commotion, this tactic had to be rolled back. In order to step out, the locals were required to get permission from the collectorate, thereby leading to unmanageable hoards. Eventually, by the beginning of May 2020, an online system was devised and helpline numbers communicated across the district. Taking the process online made it swift and decentralized to execute while also providing the authorities with the ability to conveniently access and analyse the logged data regarding the figures of people entering and exiting Bhind.

To handle the massive influx of migrants rushing back to their homes, quarantine centres had been created at the border of the district. The aim was to screen and isolate the infected people and assimilate the rest into the mainstream. The authorities were successful in screening every returning worker at the border but the story of the walking class was one of utter despair and deceit. Such was their longing to reach their native villages at the earliest that they would refuse to be held up at the facilities at the border, choosing to run towards their villages instead. The migrants had walked thousands of kilometres under the sun and the moon, along railway tracks and with little food or water. They preferred being quarantined in their own villages to being held at the border of the district. Additionally, maintenance of border facilities was costlier, tedious and more time consuming. Therefore, the team decided to create such centres at the level of individual villages, which would house the new entrants for a 14-day period before they could mix up with their folks.

Conclusion

It is usually troubled waters that test the mettle of the leadership. Due to the all-round work on multiple fronts by the police, administration, medical health workers and non-governmental organizations, not a single COVID positive case was reported in Bhind district for the first 45 days of the lockdown. A total of 48 cases were reported after the movement of migrant workers began, and all the cases were those people who came into Bhind from metropolitan cities. These cases have been safely isolated with no policeman or frontline worker being infected or complaining of any symptoms as yet. Singh was recognized for his extraordinary contribution in the

face of an unforeseen emergency and assigned his next role as the Assistant to Inspector General of Police, Bhopal, on 3 June 2020.

This is a long-drawn war against a ferocious enemy, one which cannot be ended by a Treaty of Versailles. In the absence of a cure or vaccination as yet, a permanent solution might still be sometime away. The ensuing months will continue to challenge the commitment of the frontline workers and test the sustainability and longevity of their efforts to address the problem. Theirs has been a saga of selfless service and steadfast devotion to their people. These ‘Children of God’ have given it their all, much like the valiant heroes guarding ‘The Wall’ in George R. R. Martin’s magnificent and iconic fantasy world of Westeros, under the oath:

I am the watcher on the walls. I am the fire that burns against cold, the light that brings the dawn, the horn that wakes the sleepers, the shield that guards the realms of men. I pledge my life and honor to the Night's Watch, for this night and all the nights to come. (Martin 1996)

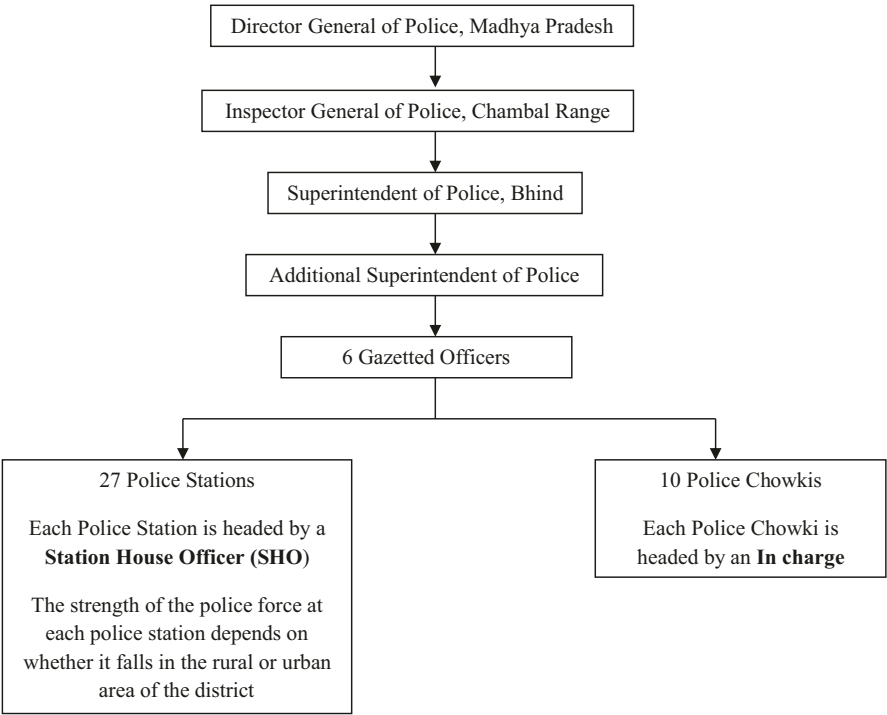
Questions

- Q1.** Comment on the leadership style displayed by Singh.
- Q2.** As the fight against the novel corona virus shows little signs of an end, what qualities, in your opinion, would help leaders combat the challenge effectively?
- Q3.** With many people getting fatigued by the restrictive COVID-19 lifestyle, would the leaders need to be more authoritative than democratic to ensure public safety? What could be the contributing factors?
- Q4.** Evaluate the role of regular feedback in crisis management. What could be the pros and cons of involving people in carrying out duties during a pandemic like COVID-19?
- Q5.** Discuss the challenges thrown by the pandemic to a relatively young officer. How effectively did he deal with them? What are the factors that could affect a leader’s handling of a disaster?

Suggestions for Further Readings

<https://practicehrm.blogspot.com/2009/10/leadership-styles-kurt-lewin.html>
<https://hr-gazette.com/leadership-role-human-resources-department/>
<https://managementstudyguide.com/role-of-hrm-in-leadership-development.htm>
<https://www.thebalancecareers.com/does-your-workplace-inspire-motivation-1918742>
<https://www.forbes.com/sites/forbesbusinesscouncil/2020/10/21/four-ways-to-motivate-your-remote-workforce/#7afe56a342a8>
<https://hrexecutive.com/how-to-build-a-motivated-workforce/>
<https://theconversation.com/lead-with-empathy-during-the-covid-19-crisis-135175>
<https://www.monitor.co.ug/uganda/oped/commentary/how-covid-19-has-changed-people-management-style-1908656>
<https://www.mayerbrown.com/-/media/files/perspectives-events/publications/2020/03/managing-hr-through-covid19.pdf>

Appendix: Organizational Structure: Police Force, Bhind District, Madhya Pradesh



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Case 13: Conflicts in the Municipality

Gianfranco Cicotto

Background

Mr Sanna is the mayor of a renowned tourist city in Sardinia. The country is inhabited by families who work in tourist-hotel structures and several breeders and farmers who have found luck in the pastures and fertile hills surrounding the country; moreover, the families of civil servants live there. The tourists adore the country's food, wine culture and delicate fragrances of the Mediterranean flora, and they enjoy the golden sand and crystalline blue seas. The inhabitants are hospitable, and the town is charming, tidy and clean.

Unfortunately, in recent months there have been several negative reports regarding the state of city squares, green areas and roads leading to the sea. The sidewalks in some places are impassable. Some stretches of the pleasant hills that accompany the sea are made ugly by waste. In the city squares, the paths are no longer as cared for as they once were, and even the country's gardens have a neglected appearance. There has been some unpleasant reporting of these facts on tourist brokerage sites. If the situation does not improve, there can be severe repercussions for all economic activities in the country.

Mr Sanna calls the local services manager to explain the reasons for this deplorable state, causing ruin to the country's good name. The manager reminds the mayor that a dozen over 50 years of age unemployed have been hired in the past year. These are people in need of money as they have meagre levels of education. Some have also had a history of alcoholism, drug addiction or small criminal records. They are in charge of maintaining the public green area, cleaning the streets and squares, collecting waste on the roadside, carrying out minor repairs to the road surface and paving the paths and sidewalks. Having been hired under special laws

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to protect disadvantaged categories of citizens, they feel perhaps exempt from dismissal and do not commit themselves.

During a meeting with the occupational doctor, Mr Sanna realizes that one of the workers has requested to be exempted from service. This employee told the doctor that in the group in which he works, there is a conflictual climate and that he has been undergoing harassing behaviour by colleagues for several months to the point of suffering from insomnia, irritability and a lack of appetite. He happened to be hiding some work equipment or some clothing from him. As a result, he is often made the object of ridicule and often has to work alone in the sunniest and most uncomfortable places. These instances would suggest the possibility of a mobbing case.

At the doctor's suggestion, the mayor immediately transfers the suffering employee to another service, and after a few weeks, the latter informs that he is feeling better and that he is working productively. Mr Sanna knows, however, that the real problem has not been solved. He wonders what to do so that the team can end conflicts and become productive. It was decided to turn to an expert in psychosocial dynamics and organizational behaviour.

The Intervention

Several trainers have used a three-phase theory-based framework (development, implementation and effectiveness) developed by Goldenhar et al. (2001) to conduct the organizational development (OD) intervention. According to this approach, it must be clear what the required changes are, the best ways to bring about these changes, the theoretical reference models that might apply in this particular situation and the group's degree of understanding and involvement. In addition, it is essential for the designer of this intervention to consider the knowledge and attitudes of the group. In this case, the change that was desired was to lower the level of conflict within the group and promote productivity. The training using a frontal classroom lesson delivered in the classroom was immediately renounced, keeping in mind the characteristics and attributes of the training cohort. The group would be bored with an academic lesson. It would not have benefited from the explanation of theoretical models that illustrated the mechanisms and dynamics of interpersonal and group relationships since they could not understand them because of their level of education. Constructionism was selected as the theoretical model of reference to act on the representations and behaviour of people effectively.

Constructionism has been used in the dynamics of change, discovery and innovation in social situations (Burr 2015). According to Papert (1991, 1993), immersing oneself in the situation and establishing contacts is how an understanding of things is obtained and meanings are built, deconstructed and reconstructed contextually and continuously. Knowledge and meanings are both built and reconstructed through personal experience. However, people are not always aware of this construction. Enabling them to metaphorically reproduce their theories and their cognitive schemes individually – by expressing their construction of the world – and

collectively, in which interactions shape cognitive products and, in particular, social relationships, allows people to acquire awareness process and the contents. This awareness is the basis of the psychosocial action of learning and change (Cicotto et al. 2014).

Keeping in mind the above, it was decided to use the game as an analysis/intervention/change technique (Salen and Zimmerman 2004), particularly the game with plastic bricks (Lego® type). When people build objects with plastic bricks, they reconstruct their worldview, and it is they who tell what they have built and what meanings they have, often combining anecdotes and reflections (Kristiansen and Rasmussen 2015). There is nothing projective. No specialist attributes meanings to the construction individuals have made, only they themselves by amplifying their awareness and explaining their perceptions, structures and organizations (Neidert and Bíró 2015). Other games were also used that contributed to the participants' construction of new approaches and readings of the reality and relationships using the following games: Tangram, prisoner's dilemma, lie or truth and Shanghai. Each game was preceded by a briefing and followed by a debriefing. Each session ended with a short focus group in which people discussed and fixed the learning they had shared, creating a new and different way of interacting between individuals based on practical and productive relational models. Verification of understanding and acceptance was the first level of verification. The second verification level was to evaluate if and how much the group had applied what they had learnt.

The Training

There were four training sessions, lasting 3 hours each, once a week for 4 weeks.

First Session

Using the plastic bricks, the group members had to build together a work situation in which there were unwelcome elements of their work and elements that they would have liked to be part of their work. They then had to explain the reasons for their choices. In Photo 1, there is the final result. First, they described a high-speed vehicle racing track. Next, each of them described pleasant elements: the opportunity to do a job with agreeable content, and that would allow them to highlight their skills.



Photo 1 The group members show the work done with the plastic bricks

There is a workshop, stands, a competition judge and also an infirmary. In photo two, they described the unpleasant work situation: the chaos and garbage they collected from municipal sites. In essence, therefore, they believe they are doing a job that does not allow them to show their real skills and that instead mortifies them. In the discussion, we then moved on to see and consider work, regardless of the task, as a means to reach an end – indeed, the best means to achieve real-life goals. It was then discussed their life goals and how their current job allowed them to facilitate them. Pay, working hours, sick pay, paid holidays and proximity to work from home emerged as positive elements of work (Photo 2).



Photo 2 Participants explain their job's positive and negative elements using plastic bricks

Second Session



Photo 3 The box of the lie detector game

In this game, the participant had to answer “yes” or “no” to some questions; a speech spectrum analyzer would recognize and distinguish lies and truths (Photo 3). They took turns playing the role of inquisitor and examiner, first with pre-formulated questions, then with questions conceived by the participants themselves. Beyond the fun aspect that follows the answers, from time to time labelled as true or false, they gradually understood how to manage the emotions in the group when they are revealing embarrassing information or not. They then figured out how to manage the discomfort of saying or not saying certain things.

Aggression arises in these small groups, especially from not knowing how to manage their emotions in the group, which can sometimes explode in disrespectful ways. The group members then discussed how negative emotions, if not revealed and smoothed out, can lead to aggressive interpersonal behaviours and damage the group’s unity.

Third Session

A variant of the “Prisoner’s dilemma” was played (Flood 1958). In this game, two people are arrested, following charges levelled against them. They are in solitary confinement and cannot communicate with each other. They were both present at the time of a crime. It is not possible to trace the main designer of the crime. Therefore, they are asked to confess or not. If they both confess, they will only get 1 year in prison. If they do not confess, they will be 5 years in prison. If one confesses and the other does not, whoever confesses gets 10 years in prison, and the

other is immediately released from prison. The desire of each accused is to have as few as possible years in prison. In deciding what to do, the prisoner is assailed by doubts. What is the best thing to do? The prisoner thinks selfishly: “If I do not confess and he confesses, I will go away immediately, and for him, that is 10 years in prison, but I do not care about him, but I could have 5 years if he does not confess too, and if I only confess and he is a bastard and does not confess then I will have to do 10 years!”.

The game is played in pairs. To avoid dyadic conflicts, which is being prevented from happening in the workgroup, the names of each are written on sheets and each person writes a “yes” (confess) or “no” (not confess). The papers are pulled out and about half of the participants confessed and the other half did not. Various combinations of pairs gave rise to different configurations. The atmosphere was of play, and there were no intentions of revenge to act upon. The participants laughed, and jokingly one said to the other: “bastard, we will see you again in 10 years when I get out of prison and... you will see...”.

This is a game to be played with the supervision of experienced psychologists. Otherwise, it degenerates and can even create conflicts when returning to work, but it is a powerful means of becoming aware and understanding a fundamental truth: selfishness is paid dearly. Thinking about getting away with a group draws negative consequences. They then became aware of the element that would make them get the best possible result: taking only 1 year each, agreeing on a simple strategy – hence the importance of communicating and telling oneself honestly and with no ulterior motives, not thinking only of one’s advantage.

Fourth Session and Final Discussion

In this session, they played with Tangram and with Shanghai.



Photo 4 Tangram

Tangram is a game made up of coloured cards with particular geometric shapes: different triangles, rhombus and squares. As seen in Photo 4, these cards are the cut-outs of a larger square. The game can be used in different ways to achieve different goals. In this case, it was used to make people understand how much collaboration,

listening to each other and considering possible alternatives can contribute to a good group result in terms of speed and effectiveness. To generate some sense of competition, two teams were formed. Each team received a set of cards. The team that in the shortest time possible made a square won. The participants did not know the solution, they had not seen the figure, so they had to try together to assemble the pieces until the expected result was obtained.



Photo 5 Shanghai

Shanghai. The typical game used in safety training in the workplace, and a metaphor is used according to which each wand represents a person, and the achievement of the black wand represents the work goal (Photo 5). In our actions (when picking up the wand), we must be careful, respectful of the safety rules. Otherwise, we create accidents (the other wands move), so our actions can harm others. We then discussed the importance of proceeding in compliance with the rules and respecting others.

Conclusion

At the end of all the activities, each of the participants expressed their opinion on the activities carried out and their significance for their working life. Furthermore, they expressed surprise at the mode of training (the game), which they greatly appreciated, especially concerning the possible alternative (frontal lesson).

Here are some concepts expressed in the final discussion and which accounts for what they have learnt:

- It is nice to speak together freely.
- We can get along well.
- It is better to do things all together.
- If there is a problem, it is better if we are talking together.
- We must not be cunning with those in the team.
- You cannot always say everything you think; sometimes it is better to shut up and move on.
- It is better to keep this bad job than to be unemployed.

The group members said that during one session and the other, they tried to apply what they learnt in class and said they got a good result. Hence, the group has

developed a useful awareness of the dynamics and processes determining the working climate during their working life. After some time, the mayor makes it known that no more conflicts have occurred to prevent the execution of maintenance work. As a result, the town has regained its decor and is ready to welcome tourists in its typical splendour.

Case Study Questions

1. Why has the town run by Mr Sanna been neglected lately? What were the causes of such neglect?
2. What is the nature of such OD interventions? Which intervention approach is used for dealing with what? What are the implementation challenges?
3. Why do you think a game was used instead of a lecture?

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Case 14: How Can AI Reduce Bias in Recruiting? (Interview with Polly, a Talent Matching Platform)

Roberta Pinna and Gianfranco Cicotto

Unconscious bias is a massive problem in the workplace, especially in recruitment, promotion, and performance management and is a significant barrier in efforts to improve diversity and inclusion. Moreover, one of the most crucial sources of competitive advantage is based on human resource efforts through attracting and retaining talented individuals. Competitiveness in recruitment has led organizations to spend more time, effort, and resources in developing tools for the efficient selection of employees with the required skills and aptitude to meet current and future organizational needs (Albert E., 2019; Stone et al., 2015). So how can technology, data, and science help? And what steps does it need to take to minimize bias through technologies like artificial intelligence (AI) rather than perpetuate it? That's the topic for this week's podcast, where my guest is Polly, a talent matching platform. With Polly, we will try to understand how AI and behavioral science can help companies reduce bias in recruiting and finding the right person for the right place.

Interviewer: This technology is still relatively new for HR professionals in particular. What are some of the misconceptions that you face?

Polly: Well, I think the biggest misconception that people have about AI, in general, it does not matter if it is applied to hiring or something else is what is it? I think many people conflate AI, "Oh I am gonna scrape staff from the Internet, and nobody knows that I'm doing that." Well, no, that is not what we do. AI is the simulation of some human processes by machines. John McCarthy (2007) defines it as "the science and engineering of making intelligent machines." We are actively collecting data from different people, that is, data scraping. We do not do that. We do not do

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passive data collection of people. Some people do, but that is not what we believe in. AI is that it is a black box, right. Another aspect of AI that people often assume is that by default, it will have biases of the human creators because, at the end of the day, artificial intelligence is simply a machine copying human biases. Furthermore, yes, that can be true if you are not careful. If you do not check your algorithms, they can then replicate all the human bias. Any technology is neutral, AI too.

Interviewer: AI use in recruiting is a quite new phenomenon. How can you explain its big success?

Polly: According to some authors such as Farr et al. (2017), human capital is a critical asset for any organization, and employee recruitment and selection cover the vital function of attracting and retaining a talented workforce. Talent comprises individuals who can make a difference in organizational performance, by demonstrating their special knowledge and skills. So, selecting and retaining the best talent acts as a competitive advantage, but it is equally important and challenging to find the right people. A critical task in talent management is to identify all the essential skills that employers require for their development in all the critical areas of business. Many big companies, the validation of the selection process through AITs are now in place, from screening/indexing of the résumé (almost obsolete in comparison to social profiles), up to automated interviews by screening facial mimics and eye movements (Mathis, 2018; Geetha and Bhanu 2018). The common opinion in recent research states that a correct parameterization of AI guarantees better hiring (efficient and durable) compared to hiring made by managers. Indeed, these technologies allow to eliminate cognitive biases and judgment subjectivity and to seek in the profiles just the features that have proved successful by individuals embedded in the organization.

Interviewer: So interesting talking about how you check the bias and validate against it. For example, can an AI system learn human biases? How do you do that?

Polly: Sure, now I explain to you. Developers have created games based on decades of well-established behavioral sciences research. These games assess 90 critical cognitive, social, and personality traits. Collectively, these applications provide a snapshot of the person's unique characteristics. Many competencies can be acquired on the job, but Polly focuses heavily on traits that are harder to train—such as flexibility, learning ability, and decisiveness. Our models utilize data collected from current company employees. When companies build a custom model for a job function within their firm, they provide us with performance data on incumbents with that job function. The selected incumbents then play our games, and a trait profile is generated for each incumbent. To build the company- and job-specific model, we compare the aggregate trait profiles of “high performing” incumbents against the aggregate trait profiles of a set of demographically matched professionals from our database. In particular, Neuroscience Games measure established building blocks of cognitive and emotional functioning so that measuring traits through behavior allows me to profile people very accurately and in high-dimensional space. When candidates play the games, 77 different traits are assessed, both emotional and cognitive, to identify tasks that would most reveal the traits that recruiters and hiring managers want to know (Fig. 1). More important, an AI system for

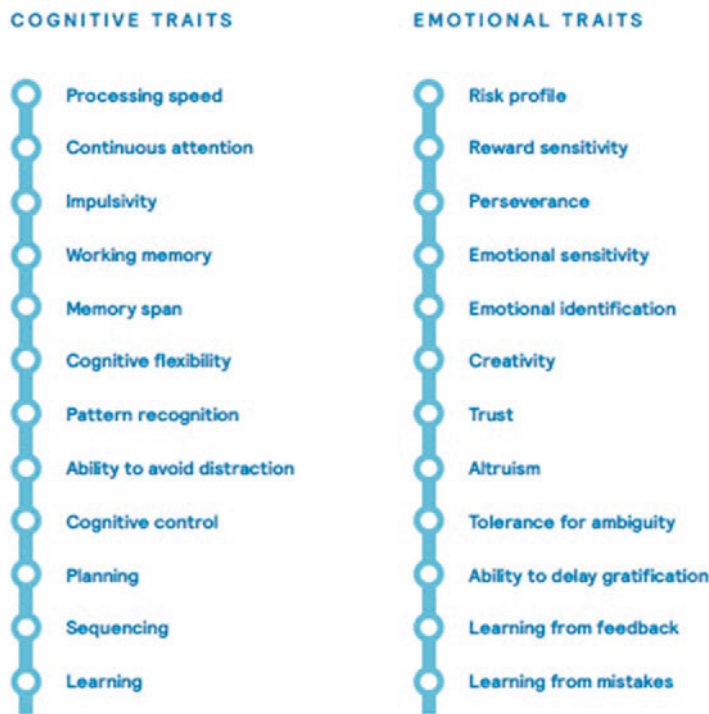


Fig. 1 The main cognitive and emotional traits (Pymetrics)

recruiting reduces unconscious bias by ignoring information such as a candidate’s age, gender, and race. My motto is “Matching talent to opportunity, bias-free.”

Interviewer: All this is very interesting. We are curious about the way you use the games.

Polly: Gladly. Gamifying the employee recruitment process can potentially reduce bias in employment decisions and help employers make better decisions in hiring, performance evaluations, and promotions (Armstrong et al. 2016; Tansley et al. 2016). When candidates play the games, there is no losing or winning, just assessing different qualities. The attributes required are vastly different. The game is programmed in a way it helps an organization assess candidates’ capabilities, like processing speed, attention to details, memory, emotion detection, risk-taking, fairness, and focus. Then there is also an assessment of the emotional traits of candidates by analyzing an image of a person’s eye while viewing the given conception. Together, the data coming from trait assessment provide a snapshot of a person’s unique characteristics. The games are non-directional, meaning that there are no right answers or preferred scores, unlike school or standardized tests. Instead, they measure traits where either end of the spectrum can be beneficial based on the demands of a particular profession. That is why they also provide career recommendations based on these traits. The assessment also includes a top career report, suggesting the best professions for you based on your strengths. In addition, Polly also

suggests jobs based on these reports and lets candidates connect with recruiters and companies with suitable job offers for them.

Interviewer: Talk to us about chatbots.

Polly: Well, recruiter chatbots are advanced tools that offer real-time interaction with candidates by asking job-specific questions and offer feedback, updates, and next-step suggestions. Following the collection of information and data processing, these intelligent systems choose based on the logical scheme of actions inserted into their programs, a scheme that determines the interaction between human and machine. The most surprising aspect of this new selection mode is the chatbot's ability to interview the person via video and even detect their level of enthusiasm. By being programmed to recognize the answers that head hunters expect from an ideal candidate, the software selects those people who meet similar criteria and transmit the information to the recruiters.

Interviewer: Can you tell us what are the benefits of using AI for recruiters?

Polly: HR professionals affirm that in the next years, probably their hiring volume will increase. This means recruiters are going to be expected to become more efficient in the recruitment process management. Generally, it is possible to affirm that there are two sorts of benefits:

1. Saving recruiters' time by automating high-volume tasks
2. Improving the quality of hire through standardized job matching
3. Unbiased recruitment

Manually screening a curriculum requires a lot of time, especially when 75% to 88% of the curriculum received for a role are unqualified. Generally, screening curriculum and shortlisting candidates to interview is estimated to require 23 hours of a recruiters' time for a single hire. It is possible to automate a high volume of repetitive tasks such as screening résumés or scheduling interviews with candidates through an AI system. The positive part of this is that the companies can standardize their processes to better and more objectively assess a candidate's ability and skill while removing the inherent biases found throughout the sourcing and selection process. In this way, it is possible to improve the matching between candidates' knowledge, skills, traits, experience, and job requirements. This improvement in job matching allows achieving the "person-environment fit," i.e., the congruence or alignment between characteristics of individuals and those of their organization. The person component refers to personal characteristics, like as needs, value, personality, and goals, while the environment component refers to organizational culture, goals, job requirements. The fit between individuals and their organization is related to higher satisfaction and commitment.

Early adopter companies have seen the following outcomes:

- 75% reduction in time to hire: 4 months to 4 weeks
- 75% reduction in recruiter time
- Reduction cost per screen by 75%
- 35% decrease in turnover

- 20% increase in performance
- 4% increase in revenue per employee

Moreover, the hiring of candidates takes place with machines and no involvement of humans. So, it leads to unbiased screening and candidate selection. The companies, such as Hilton, Amazon, Ikea, and so on, reported that diversity is increased, thanks to AI algorithmics, which constantly check for and remove ethnic or gender bias as they arise, leading to more female and minority hires. For example, Unilever, a global leader in consumer goods, to meet rapidly changing and dynamic consumer demands, recognized the need to attract talent from around the globe, appealing specifically to the millennial workforce. The company has adopted a new recruitment model in the last year, and, thanks to their intelligence, Unilever selected 800 individuals from a pool of 250,000 applications. Open positions are advertised on Facebook and LinkedIn, and the candidate is directed from here to a site where they can submit their application through their LinkedIn profile. At this point, the contribution of AI starts: an algorithm chooses the CV in line with the open positions; with gamification, candidates are offered a series of games to play on their smartphone to check the degree of resistance to stress, continuous attention, and short-term memory. The process closes with a video interview. With HireVue Assessments, artificial intelligence (AI) analyzed candidates' recorded interviews to filter up to 80% of the candidate pool. The proprietary algorithm surfaced candidates most likely to be successful at Unilever based on interview attributes - like facial expressions, body language, and word choice—demonstrated to be predictive of job success. Candidates received and provided feedback at each step of the process, even if they were not ultimately selected for a position. Unilever has deployed this reimagined hiring process in over 53 countries in multiple languages, and over 80% of candidate feedback is positive. In just 1 year, the Unilever team saved over £1 million, reduced recruiting time by 75%, and hired their most ethnically and gender-diverse class to date.

Interviewer: The experts affirm that the machine can remove the unconscious bias that influences the human decision. Could you tell us which are the more common biases in the selection process?

Polly: In an article published by Suzanne Luca, she lists some common biases in the selection process such as:

1. Cultural Stereotypes. Discrimination based on aspects such as race, religion, and gender could affect the recruitment decision.
2. Contrast Effect. These biases mislead the assessors because he expresses his judgments on a comparison to earlier performances of other candidates.
3. Negative Emphasis Bias. This bias occurs when the assessor judges a candidate based on some personal preferences, such as tone of voice, hairstyle, or high size.

Interviewer: Some recruiting and talent acquisition leaders are skeptical about these new technologies that promise to make their jobs easier. What do you think?

Polly: Well, I think that HR professionals are often bombarded with this trend that disappears just as quickly. Reasonably, they want to be sure that any AI system that will automate some activities of their work will be more performing than them. Well, we all agree on one point: AI may improve the recruitment and selection activities, especially in those more repetitive, and saving recruiters' time, but it will never take place the human judgment.

Interviewer: Are you never wrong?

Polly: No.

Questions

1. Does the process of recruiting and selecting impartially take place?
2. In the future, does the use of AI systems in recruitment and selection processes be considered substitutive of human work? If yes, what is the potential risk?
3. AI will change the HR professional's role. What skills do they have to develop?

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Case 15: Organizational Identity and Strategic HRM: A Case of Hindustan Petroleum

Shashwat Shukla and Shantam Shukla

Introduction

Human Resource Outsourcing has been growing steadily and has already become a \$5 bn industry by 2020 (Burden 2019). This trend is likely to continue in the post-pandemic economic scenario as organizations try to cut costs and improve margins. Consequently, the role of inhouse Human Resource Management (HRM) is shrinking as well as its ability to contribute as a strategic partner. This case looks at the new, emerging role of HRM wherein it has to reinvent the ways through which it is going to provide strategic edges to an organization. An important component of this reinvention will be the role that HRM function will play in the context of organizational identity. Organizational identity is one of the few organizational variables in a postmodern organization wherein the expertise of the HRM function is critical. This case focuses on various aspects of organizational identity and the role HRM function can play in addressing them.

With the advent of outsourcing and downsizing, HRM function has increasingly become associated with activities which are considered as incidental to the main task of an organization. In other words, the trend of treating HRM as a staff function rather than a line function has been further strengthened. As a staff function, the role of HRM is limited to providing assistance to the line function in performing its duties and is associated with the non-strategic part of an organization. Such a backdrop coupled with outsourcing makes various facets of HRM function automated and faceless. Consequently, HRM policies and practices of competing organizations

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tend to become almost identical and reduce the organizational space for creating competitive advantages through organizational behavior initiatives.

However, even as the role of HRM has been shrinking, its role in the process of defining an organizational identity for the organization has been increasing. Organizational identity can be viewed as the shared identity which the organizational members aspire for and influences them at a deep level. Since its impact is deep and comprehensive, organizational identity tends to shape all the different dimensions of organizational functioning. Yet, due to the reduction in the role of HRM function, the number of instrumentalities which are available to an organization to address organizational identity has been curtailed.

In such a scenario, it is important for the organization to be aware of the various aspects of the organizational identity and to find new imaginative ways to address it effectively. By doing so it can use it as a tool in the strategic management process. A composite organizational identity which is in sync with the strategy of the organization can lead to effective execution of an organizational strategy, while on the other hand a discord between the organizational identity and strategy can undermine effective implementation of organizational strategy and act as a drag factor. By relooking at the role of HRM function and recognizing its importance in the context of organizational identity, organizations can accomplish the task of bringing in harmony between core aspects of an organization as exemplified by an organizational identity and the strategy that it has crafted for itself.

Organizational Identity

Organizational identity is often a confusing concept with varying interpretations. However, its significance lies in the fact that it is an umbrella term or a unifying concept, which touches upon multiple aspects of organizational functioning. All organizations are posed with existential questions like “who are we?”, “what do we do?”, and “where do we want to be in future?” Organizational identity can be seen as the answers to these basic questions. Answers to these fundamental questions have a profound impact on the overall functioning of an organization. This is so because human beings are meaning-seeking organisms and they require clarity about what the organization stands for. It helps them in creating a meaningful work experience for themselves. If the issues related to organizational identity are clear and harmonious, the organizational members are able to integrate various aspects of organizational identity in their cognitive processes. This helps them in developing a clear idea of what they can expect from the organization and what the organization expects from them.

Albert and Whetten (1985) define organizational identity as a set of statements that organization members perceive to be central, distinctive, and enduring to their organization. The definition reveals three critical criteria: centrality, distinctiveness, and durability. Centrality refers to the features which are important and essential to the organization. By distinctiveness it is implied that the organizational identity constitutes those features which give the organization a separate identity which

distinguishes it from its competitors. Finally, durability indicates the enduring nature of organizational identity, something which has the ability to provide an anchor to the organizational members.

The meaning-making process which results from organizational identity can be understood in the background of social identity theory which posits that individuals tend to identify themselves with social groups. Through such identifications, the organizational members construct their own sense of self within the contours of the organization. Social identity theory traces its philosophical roots to the ideas which were proposed by Cooley (1902) through the metaphor “looking-glass self” or Mead’s concept of “I” and “Me” (Mead 1934). These ideas highlight the human ability to become reflexively aware of itself through its interaction with others. Broadly, social identity theory consists of two approaches, namely, the identity theory perspective (IDT) (Burke and Stets 2009; Stryker 1980; Stryker and Burke 2000) and social identity theory perspective (SDIT) (Tajfel and Turner 1979).

SDIT theories have emphasized that individuals have multiple identities and the identities which shape their behavior are those which have salience for them. According to the SDIT theory, the process of self-categorization does not require or exclude communication with the members of the social group. However, the IDT theory places importance on an individual’s communication with members of the group in the development of his identity through a process of eliciting validating responses from others. Lately, both the approaches have been brought together in an integrated framework to address different aspects of organizational identity and its relevance for an organization.

Strategic Management and HRM

Strategic management is closely linked to organizational change that is continuously taking place in the internal and external environment of an organization (Malik, 2018). It can be seen as the effort which an organization makes to cope with its changing scenario. Thus, the process of strategic management requires an organization to anticipate upcoming challenges by envisioning the future and take measures to address them in a timely fashion. Strategic management allows an organization to balance the demand and supply side of its resources so that they are utilized in an optimum manner. In order to do so, strategic management takes a systems view of an organization wherein the organization is seen as being composed of various elements which are interacting among themselves in a state of dynamic equilibrium.

An organizational system is broadly composed of two kinds of subsystems, namely, the technological and people subsystems. While the technological or operational subsystems are tangible and easy to define, the people subsystems are intangible and difficult to define. Therefore, both dimensions need to be handled through different approaches so that the organizational output which is a result of interaction between the two subsystems is ensured in an effective fashion. Working and planning about people subsystems require a dominant role of the HRM function. Such a

role can be identified as strategic HRM wherein the HRM function helps in developing the strategic framework of the organization by aligning the people subsystems with the technological/operational subsystems.

There are different ways in which a strategic HRM process can be carried forward in an organization. One such conceptual framework which could be used as a tool to carry out a strategic HRM exercise is “organizational identity.” Being an approach which is rooted in ethnographic traditions, it is able to capture the distinctiveness and peculiarities of a particular organization. At the same time, being an umbrella index it subsumes various elements in it and therefore reduces the need to work on a large number of organizational parameters, saving time and resources. This makes organizational identity a highly efficient and effective approach to capture organizational phenomena which can be of great value in a strategic management process.

The Case of Hindustan Petroleum

Hindustan Petroleum Corporation Limited (HPCL) is a Fortune 500 company which provides petroleum products to consumers and industries across India. Its range of products includes cooking fuel in the form of liquefied petroleum gas (LPG) and aviation fuel in the form of air turbine fuel (ATF). Such a wide range of operations and a large pool of customers make HPCL one of the largest commercial organizations in the Indian economy. To cater to the above requirements, Hindustan Petroleum has created a wide logistics network spreading across the country. Its logistics chain forms the second largest mesh of product pipelines in the country with a network of about 3,370 kms. It continues to augment its logistics network as India is an oil deficit country which has to import large quantities of crude oil and whose demand for petroleum products continues to grow significantly.

The logistics chain in the petroleum industry begins at oil refineries and ends with consumers receiving fuel in their vehicles. During refining crude oil is converted into a wide range of petroleum products such as petrol, diesel, kerosene, and lubricants. These finished products are transported to oil installations that have large storage capacities. From oil installations, small amounts of finished products are further shipped to locations that are near the retail outlets where customers can visit and buy the products. In the case of the petroleum industry, the retail outlet is the petrol pump station wherein refueling of vehicles takes place. Movement of products in the logistics chain is a continuous process wherein the volumes of product are closely linked to several factors such as the price of crude oil in the international markets, geopolitical situation, and state of the national economy.

The annual report of HPCL for the year 2018–2019 notes “...HPCL’s refineries at Mumbai and Visakhapatnam achieved the highest ever combined refining throughput of 18.44 Million Metric Tonnes (MMT) with a capacity utilization of 117% and recorded the lowest ever combined specific energy consumption during the year. Your Company continued the fast-paced growth in downstream marketing and recorded an excellent performance with highest ever sales volume of 38.7 MMT

achieving a growth of 4.9%. The Profit after Tax (PAT) was Rs 6029 Crore on stand-alone basis. The superior performance of your Company was widely recognized through several prestigious awards including 'Oil Marketing Company of the Year' award by Federation of Indian Petroleum Industry (FIPI) for the third consecutive year..." (HPCL Annual Report).

The above performance indicators show that operational and technological structures of HPCL are well organized. Consequently, innovations and upgrades have been easy to implement. However, if the focus is shifted towards the people side of the organization, a different picture gets presented. Herein, it is revealed that the organizational environment of HPCL is complicated and composed of various conflicting organizational factors which have not been reconciled. The genesis of these conflicting factors lies in the peculiar organization structure of HPCL. Being a public sector organization whereby the government is the major shareholder, it has to cater to its public sector responsibilities while at the same time it has to function efficiently as a commercial organization and survive in a competitive market.

This pulls the organization in different directions wherein the commercial interests demand that it works towards maximizing shareholder wealth and the public sector responsibilities demand that it takes several measures which fulfill its social objectives. These social objectives are additional requirements which it has to fulfill being a public sector organization. These requirements by themselves do not add any value to the organization but on the contrary put additional strain on its resources and reduce organizational efficiency. This situation is further compounded by increasing deregulation in the economy due to which HPCL has to operate in even tougher market conditions wherein margins are low and efficiency in operations is paramount.

The conflict between the commercial and social objectives of HPCL also has a historical dimension. HPCL traces its history back to the legendary Standard Oil of John D Rockefeller, which operated in India as Esso in the early 1900s. Later on, it was incorporated as the Standard Refining Company of India Limited in 1952, whose name was again changed to ESSO Standard Refining Company of India Limited (ESSO) in 1962. During the 1971 India-Pakistan war, tensions emerged between private oil companies and the Government of India over supply of oil.

As a consequence, the Government of India, considering the national security reasons, wanted to close the oil sector for foreign players and started to pressurize these oil companies to close their operations in India. *The New York Times* carried a news report on this issue on 24 Oct 1972, an excerpt of which is as follows:

...Esso Eastern, Inc., an affiliate of the Standard Oil Company (New Jersey) that has one of the largest private American investments in India, disclosed yesterday that it had offered to sell all its business or 74 per cent of its shares to the Government. A Government official said that India was "seriously considering" the proposal. Esso's general manager, Arthur Guy Neff, said: "We have made the offer very definitely on the basis that the Government is considering three alternatives, which are mainly joint venture, revision or scrapping of the refinery agreement, and nationalization." Esso operates a refinery in Bombay and maintains its countrywide distribution system through several hundred filling stations.... (<https://>

www.nytimes.com/1972/10/24/archives/esso-affiliate-offered-to-india-government-weighing-plan-for.html

Thus, HPCL was formed in 1974 pursuant to the acquisition of shares of ESSO by the Government of India. In 1978 another foreign oil company, Caltex Oil Refining (India), merged with HPCL. After acquiring the ownership of HPCL, the Government of India wanted to change the work culture, norms, and strategic vision of the organization and integrate it closely with the government's vision of an ideal industrial organization. Consequently, HPCL was legally made a Central Public Sector Enterprise (CPSE) with the government having a majority shareholding (51.11%). Apart from this various organizational changes were introduced in order to convert HPCL from a multinational corporation into a public sector organization.

The process of becoming a public sector organization from a private organization was a significant change for HPCL because the organizational environment of a public sector organization consists of several features which are absent in a private sector organization. Many of these features are closely linked to the political vision of the country. For example, in India the public sector came into existence as part of a socialist model of governance wherein foreign investment was discouraged. The socialist model did not view private capital or entrepreneurship in a positive light. It envisaged creation of state-owned corporations for catering to different needs of the economy. Thus, Indian policy makers took several policy measures in order to protect state-owned PSE from domestic and international competition. However, as the Indian economy became integrated with the global economy, the government had to open up its markets and the PSEs were faced with an onerous situation of facing competition as well as continuing to carry out mandated social objectives.

This became a very difficult situation for the PSEs like HPCL to handle given their complex governance structures. On one hand they had commercial objectives which were similar to those of private players, while on the other hand they had to also fulfill the goals of socioeconomic justice. For example, the pricing policy of PSEs tends to be such that goods and services can reach all sections of the society. This entails keeping the cost of products as low as possible. In some cases, the cost of the products is kept so low that even the operational costs of production do not get covered. Such policies result in heavy financial losses to PSEs and lead to a delinking of commercial viability with managerial performance. The HRM implications of such initiatives touch all the critical areas such as recruitment, career and succession planning, wage and compensation, and organization culture.

In the case of recruitment, it meant that several structural rigidities were introduced in hiring of new personnel because PSEs are mandated to follow various guidelines while making new appointments. They are required to fill a fixed portion of positions with candidates from the disadvantaged sections of the society. The entire process has to follow a fixed pattern consisting of various stages so as to fulfill the legal requirements. All the above makes recruitment of key personnel a long, tedious, and cumbersome process. Sometimes key positions which are critical for operational requirements lie vacant leading to compromise in quality of product and services. Attracting fresh talent also becomes a vexing issue because unlike private

organizations that can offer compensation commensurate with the skill requirement of an organizational position, a PSE is supposed to follow the principle of equitable distribution wherein the pay structure has to be equitable. Herein, there cannot be major differences between the salaries of professional and lower-level employees regardless of the quality of the skill which they possess. This leads to a situation wherein PSEs are not able to attract the best of the talent to work for them and several positions either lie vacant or are poorly managed.

In order to work around these problems and create some incentives for talent management, PSEs decided to create steep power hierarchies. Instead of providing higher compensation, the PSEs started to offer more authority to key management personnel as an incentive to hire and retain talent. Although this was a smart move, it made the entire organizational system close and opaque. It led to the exclusion of junior and nonmanagement staff from policy making and concentrated all the powers in the hands of the senior management. This made the organizational environment deeply political and secretive wherein career advancement was linked more to lobbying than performance. Since power becomes concentrated in the hands of few functionaries in such organizations, it is often observed that a culture of poor performance develops wherein suboptimal results were justified in the name of social justice.

Due to multiplicity of goals, conflicting ideals, and lack of cohesion, measuring organizational performance became difficult and organizational strategy was driven in an ad hoc manner without much due deliberation. The industrial relations in PSEs like HPCL become hostile and politicized wherein issues like wage, working conditions, and profit distribution started taking a long time to settle. The interplay of the above-discussed factors makes the workplace in PSEs like HPCL complex, chaotic, and tedious. At this juncture the top management team at HPCL decided to step in and resolve the situation. It had understood that a PSE is a complex organization system whose work culture and practices are shaped by many diverse influences, and therefore, the usual approaches to strategic HRM were not giving the desired results. In order to create a paradigm shift for the organization, it decided to look at things afresh.

HPCL Vision 2006

The previous section gave a glimpse of the chaotic situation which was prevailing at HPCL. Under these circumstances the top management team launched a strategic HRM initiative christened HPCL Vision 2006. The objective of this Strategic HRM initiative was to solve the business problem which was elucidated as "... How will HPCL cope up with private sector competition and change its employees' attitude from customer apathy to customer centricity?...". The Strategic HRM exercise was designed in a top-down fashion wherein in the first phase the top management team brainstormed and created a vision for the organization. The purpose of the vision was to integrate all the employees and make them aware of the complex challenges

which the organization faced. It was felt that through such a process the employees will be inspired to work with dedication and enthusiasm.

In the second phase the top management team communicated their vision to the regional heads of various departments like finance, HRM, operations, sales and business verticals like LPG, aviation fuel, and industrial and commercial through exhaustive presentations and lectures in departmental and interdepartmental meetings. The regional heads further selected some members from teams who were to act as internal coaches and spread the vision in their respective departments by hosting a series of workshops. The members who were selected by the regional heads for becoming internal coaches underwent training in conducting these workshops in a specific format at the corporate headquarters of HPCL. The design of the workshop was made in such a way that the individual aspirations of employees who were attending these workshops got assimilated in the vision which was created by the top management team.

The top management team believed that if different sections of the organization come on the same page, then there will be harmony and cohesion in the organizational environment of HPCL resulting in better organizational efficiency. In this light, the role of internal coaches was going to be critical as they would bring genuineness and authenticity to this initiative. This can be seen from the following excerpt which was confided by a member of the top management team:

...This vision released huge energy and commitment in the Top team and they repeatedly in the workshop talked about how they felt collectively connected and individually responsible for achieving the vision. But, this did not guarantee commitment down the line and they realized that the vision to be truly co-created our employees must participate in large numbers. This was a task which was important and critical to the organizational success and therefore needed specific focus by a team created for the purpose. Therefore, a team of coaches was inducted from various SBUs for implementing the change initiative. The team of coaches after intensive self-reflection articulated their personal visions and values. Thereafter they co-created the organizational vision and their team vision "HP Coaches Vision 2006"...

In the third phase, internal coaches conducted a series of workshops across the organization to cover all the employees in different departments and vertical units. Each workshop commenced with a personal envisioning exercise wherein employees were encouraged to do reflection exercises to create a vision for themselves and the organization. Thereafter, participating members were divided into four groups so that each group can discuss the personal visions of its members and consolidate them into a group vision.

Subsequently, there was an open discussion about each group's vision so that all the group visions can be pooled into one vision which covered all the members of the workshop. The duration of the workshop was of 1 day wherein the first half of the day was spent in consolidating the personal visions of participants into a single vision. The second half of the workshop focused on sharing the vision which was created by the top management team and in convincing the members of the

workshop that all the core elements of their vision were being reflected in the vision which was created by the top management team.

Internal coaches used lots of data, management games, and inspirational statements to persuade the members that there existed a lot of synergy between the vision of the group and the vision which was created by the top management team. The workshop concluded with a question and answer session wherein participants could ask any doubts about the organizational vision or raise any issues which had not been covered in the organizational vision. If the members felt that there were some elements which were not getting reflected in the organization vision of the top management team, then those elements were noted down separately and it was promised that these issues will be addressed suitably by the top management team. All efforts were made to convince the members of the workshop that the vision which was made by the top management team was comprehensive and in the interest of the different stakeholders of the organization.

In this way, all the management employees of HPCL were covered in this strategic HRM initiative. However, the nonmanagement staff who constituted three fourth of the employee strength were left out from the exercise. Nevertheless, the top management team believed that the different stakeholders would be greatly enthused by this exercise. It was confident that it will create a workplace wherein the employees have a clear vision about the organization's plans and their role in it. However, as subsequent events unfolded, it was observed that it was business as usual and there wasn't much change in the organization dynamics. On the contrary, there was resentment and suspicion in the organization that added to its lagging organizational performance. In the light of organizational identity perspective, reflect over the following issues.

Review Questions

1. Why do you think that the strategic HRM initiative HPCL 2006 failed to live up to its objectives?
2. Analyze the strategic HRM initiatives of HPCL in the light of organizational identity framework and post-modern HRM era.
3. Did the strategic HRM initiatives in the form of HPCL 2006 adequately represent the richness of the organizational identity issues which HPCL was facing?
4. Suggest an alternate Strategic HRM initiative for HPCL using the organizational identity framework.

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Case 16: Performance Management Systems at V-Pharmel

Arup Varma

Background

Vivek Kochhar was born and brought up in Lucknow (India). He is an only son and was doted upon by his immediate and extended family, which includes several uncles and aunts, as well as several cousins. He enjoyed his life in Lucknow, which is the capital of the most populous state, Uttar Pradesh. Vivek often attended musical programs at Ravindralaya and went for evening outings to Atal Chowk, where he happily consumed savory Indian snacks like aloo tikki and golguppay. He admired one of his Mamas (maternal uncles), who is a renowned doctor and intended to emulate him. In fact, he had heard a lot about pharmaceutical companies from this uncle and often wondered if he should work for a pharmaceutical company, once he is ready to join the Indian workforce. After completing his high school diploma from a very well-known school system that has the highest number of high schools in the world, he applied to many colleges and was lucky to get in to one of the better colleges in the city as his father knew the principal of that college. While in college, he managed to sail through with decent marks, but not outstanding performance, as he made a lot of friends and spent a lot of time on extracurricular activities, including participating in the college cricket team and the college drama club and also volunteering to help the underprivileged once a month. Nonetheless, he scored a low first division and was very happy with the outcome. His family was extremely happy and felicitated him with many parties and gifts including a new Hero motorcycle.

Once he was done with college, he started applying for MBA colleges but was unable to crack the IIMs or XLRI or FMS. He did, however, decide that he was not

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going to give up on his dream of pursuing an MBA, so he joined a university MBA which was ranked in the second tier nationally. After completing his MBA, he applied to and was selected by V-Pharmel as a management trainee (MT) at a salary of Rupees one lakh per month.

At V-Pharmel

Vivek was extremely excited about becoming a part of this large pharmaceutical conglomerate, as he was very eager to learn and grow. Along with nine other management trainees [MTs], who had been recruited and hired from various business schools around the country, Vivek was inducted into the company at a week-long event at a holiday resort near Lucknow. The ten MTs quickly bonded and became friends, going to lunch and dinner together as well as attending the various onboarding and other orientation programs. After a week at the resort, they were all asked to report to the company's head office to begin work in earnest. Sometime in the second week, Vivek noticed that there was another group of young men and women, similar to him in age, who are in the lunchroom but always in a separate group. His MT group assumed that those were executives or senior officers of the organization. However, on further inquiry, they discovered that the other group was also made up of fresh MBA graduates. As they got to know each other, Vivek and his cohort realized that members of the other group were hired as senior management trainees (SMTs) and paid almost 40% more than the MT group because they had graduated from the IIMs, XLRI, and other so-called top institutes.

The MT group was quite disappointed and confused because they believed that the company would not discriminate based on perceptions of quality of graduate schools. As Vivek's friend Madhukar reasoned, "if the government would just open enough IIMs, we could all graduate from an IIM and get the higher salary. After all, once we join the company, we do the same job!" He went on to say "After all, most of the faculty members at the IIMs themselves are not IIM graduates!" Indeed, it is true that many faculty members at the top institutes have themselves graduated from many of the so-called tier 2 institutes. After discussing it among themselves, the MTs decided to let Vivek and Narinder speak to JR Rathnam, the divisional manager who was the overall in charge of that office and was also overseeing the MT program. The next day, Vivek and Narinder set up a meeting with Rathnam to discuss with him the salary differential.

JR Rathnam and the Divisional Office

JR was a stylish man. He liked his Safari suits and the occasional unlit cigar hung from his lips while he worked in his office and especially when he was in one-on-one meetings with staff. He had recently joined V-Pharmel as the Divisional Manager from a well-known pharma competitor based out of Chandigarh. However, his appointment ruffled the feathers of several senior managers within the company

as they were expecting that one of them would be promoted to Divisional Manager. JR had settled in fairly quickly as he had brought his team with him from Boca Chemicals: an HR executive, two executive assistants, and one secretary. He left it to his team to deal with the folks in the new company and quickly got to be known as a tough manager who did not react well to challenges or questions.

Vivek and Narinder showed up for their 2 pm meeting at 2:05, since they ran into Vinay, the Marketing head, as they were leaving the lunch room just before 2. As they walked in, JR looked at his watch and smirked. But he invited them to sit down and relax. They explained to him that they had run into Vinay, who was known to be a good friend of JR. He acknowledged their comment and asked them to explain the purpose behind their visit. As they explained their concern and curiosity about the two-track trainee system at V-Pharmel, JR seemed to listen very carefully to them, though he was texting away and also took a couple of short calls. At the end of their presentation, he reminded them that they were given very clear guidelines and expectations during campus recruitment and had no reason to be upset about a difference in salary and status. He advised him to go back to their seats in the conference room and work hard and even told them – “5 years from now, 10 years from now, it won’t matter how you joined, it’s your hard work that will determine your future.” In fact, he went on to say, “one of you might become the boss of one of the other SMTs.”

MTs and SMTs

After the MTs reconvened in the evening on the lawns of their resort, the two MTs reported their meeting with JR over Kingfisher and Haywards 5000 beers. After hearing their experience, the MTs decided it wouldn’t be prudent to pursue the matter further, but they would try to find out if what JR had told them was true. Since V-Pharmel had the MT and SMT scheme for over three decades, they figured they would try to find out if any MTs had ever been promoted faster than an SMT and had become the boss of an SMT, as JR had suggested. They approached Mr. Dinesh Jain, the HR supervisor who was responsible for coordinating their orientation and arranging the reimbursements and so on. Mr. Jain confirmed to them that in his three decades plus of service at V-Pharmel, he had never seen any MT get promoted faster than an SMT nor had any MT ever become a department head, whereas many SMTs went on to become department heads and general managers and so on. Mr. Jain also advised them that it was best to let the matter rest and focus on their confirmation since they were on probation for the first year. As they left that evening, one of the other MTs, Parth, suddenly remembered that when the V-Pharmel representatives came to campus they never mentioned the SMT scheme, so technically, they had not really been transparent with the candidates. In confirming this with Mr. Jain the next day, they realized that the two schemes for management trainees were run completely separately by different managers and that the campus recruitment teams went to different institutes, based on the ranking. After this, the MTs decided to stop pursuing the matter any further, lest it get them into more trouble.

Time to Work

After a month of induction training, the MTs were assigned to different departments, based on the specializations in their MBA and began to work with individual managers. Vivek was assigned to Mr. Seth and he hit it off really well with his assigned manager. Mr. Seth had been with the company for over 30 years and was expecting to be promoted to Divisional Manager, when the company hired JR from outside. Mr. Seth was quite disappointed but did not want to change jobs at this stage of his career. He had two children slightly younger than Vivek. He told Vivek not to worry about the various schemes in the company and the political shenanigans, but to work hard and to trust in Mr. Seth completely and approach him for anything at any time.

Over the next several weeks, the MTs were introduced to the company's background, vision and values statements, and so on (Exhibit A). In addition, they were each introduced to the strategic plans of their respective functions and started to feel somewhat more into the company.

Overview V-Pharmel, headquartered in New Jersey, USA, is an integrated, research-based, international pharmaceutical company, producing a wide range of quality, affordable generic medicines, trusted by healthcare professionals and patients across geographies. It is ranked among the top ten generic companies worldwide. The Company has world-class manufacturing facilities in 5 countries and ground presence in 31 countries, and its products are available in over 75 countries across the globe.

Exhibit A

Vision and Aspirations The Company's vision is to achieve significant business in proprietary prescription products by 2024 with a strong presence in developed markets. It also aspires to be among the top 5 generic players with US \$1 Bn in sales, by 2024. Together with the committed ~4,500 strong multicultural workforce across the globe represented by 40 nationalities, the Company continues to aggressively pursue its mission to become a research-based international pharmaceutical company.

Careers at V-Pharmel A career at V-Pharmel means to learn and grow continuously, opportunity to work across the globe alongside with the finest minds in the industry, competitive salaries, stock options, and excellent benefits. We offer challenging assignments, a world-class working environment, professional management, and ample opportunities to train and learn along with exceptional rewards. If you have an appetite for challenges, we have an exciting career for you.

V-Pharmel Values

Values are to the organization what character is to an individual. At V-Pharmel, we are driven by our values in whatever we do. These cherished values guide us in our quest for excellence and growth.

- Uphold the highest ethical integrity in all business transactions.
- Achieving customer satisfaction is fundamental to our business.
- Provide products and services of the highest quality.
- Practice dignity and equity in relationships and provide opportunities for our people to realize their full potential.
- Ensure profitable growth and enhance wealth of the shareholders.
- Foster mutually beneficial relations with all our business partners.
- Manage our operations with high concern for safety and environment.
- Be a responsible corporate citizen.

The values find expression in various HR systems and processes and are thereby alive in the organization. They have been translated in Values in Action (VIA), which are our leadership competencies. These VIAs drive our recruitment, development, and appraisal processes. The Core Values in Action that each manager of V-Pharmel should subscribe to are:

- Performance focus
- Customer responsiveness
- Entrepreneurial drive
- Trustworthiness
- People development

An SMT to the Rescue

Labhita had joined V-Pharmel 2 years ago under the SMT scheme after finishing her PGDM at XLRI. She had been confirmed and made assistant manager and responsible for sales in the northern region. She had begun her tenure under Mr. Seth, who was the regional manager for North at that point. They got along very well and Seth had proved to be a true mentor to Labhita. Indeed, he helped Labhita learn the ropes of marketing and also guided her as to how to navigate her way through corporate culture. Soon enough, Labhita became well known in the company and was considered to be a star performer.

Among the changes that JR made on taking over was to transfer or terminate, where possible, people who were known to be close to Seth. One among them was Labhita, who was now becoming a mentor to the MTs even though she had herself started as an SMT. At lunchtime, Labhita would often walk over to the MTs table and dine with them.

Vivek had also become close to Mr. Seth and they would often spend time together in the evenings at Mr. Seth's house, enjoying drinks and dinner. Labhita also stopped by quite often and this led to Labhita becoming an informal mentor to Vivek.

A Sudden Transfer

One fine morning JR invited Vivek to his office and praised him for his work and said that he would now be needed in their branch office in Badarpur, as that location was tipped to become the next manufacturing hub. Vivek was quite surprised as he had heard many people say that Badarpur was considered a weak location and that there had been several conversations about closing that factory. However, since JR was presenting this as a reward for his performance, Vivek took it up as a challenge and agreed to go there for 6 months and try it out. JR expressed great happiness and even agreed to keep Vivek's cabin and his assignment unoccupied so that he could come back and take them over in case he did not like the Badarpur assignment. The next week, Vivek reported to the Badarpur location and pretty much immediately realized what he had suspected – that JR had moved him out of his way as he was getting too close to Labhita and Seth. Indeed, Bikram was known publicly as “junior Seth” as he modeled himself after Mr. Seth who had mentored him when he had joined the company.

The day after he reported to Badarpur, Vivek found out that JR had assigned his cabin to someone from another department and his original job assignment had gone to one of the SMTs, Mitzi, who was quite close to JR as they had both graduated from the same school in Mumbai. While Vivek was quite disappointed with this news, he figured if he did a good job at the Badarpur location, JR might let him come back to HQ in 6 months, as he had promised. That evening, he met up with Labhita at Seth's place and discovered that she had been transferred to Noida, on the other side of New Delhi. Labhita's commute had now increased by an hour each way and she would not be able to stop by Mr. Seth's place as often.

Vivek and the other MTs were quite disappointed that Labhita, whom they had begun to call Didi because of her mentoring, had suddenly been transferred to Noida, as they had just begun to get to know her. Not only was he helpful with administrative details, he was also able to share with them the unwritten rules of the organization. Nonetheless, they concluded that they could meet whenever Labhita visited head office or keep in touch with her via technology and meet up in the evenings whenever possible.

Back to Work

One afternoon, all MTs had been invited to HQ to attend a presentation by the new head of IT. At break, Vivek and Pillai and a couple of other MTs were talking about how they could convince the organization that all MBAs should be hired at the same

level, as this was something that kept bothering them. They had just stepped out of the HQ building for a smoke and were video chatting with Labhita when JR happened to walk by. JR asked them what they were up to and they responded that they were just chatting with Labhita. When they came back up after their smoke break, Dinesh, JR's assistant, told them that JR wanted to see them urgently. They were quite excited as they thought he might have a special assignment for them or might have reconsidered the SMT versus MT scheme(s).

When they went into his room, he praised them for their performance and told them that they would possibly be able to get jobs at much better organizations if they so choose. He even offered to help them find jobs at other organizations. Not surprisingly, the two of them were taken aback and were not sure what to make of JR's offer. Nonetheless, they both offered to think about his suggestion but left the room reiterating their commitment to V-Pharmel since they had barely joined the organization a few weeks earlier. As they were leaving the room, JR gently remarked that they should avoid talking to people at other locations as this might be seen by some as politicking.

Changing Alliances

When the MTs gathered for their weekly drinks and dinner session at Vivek's 2nd floor Barsaati (penthouse) apartment in GK-1, they were quite surprised to note that their overall experiences had been very different. While Vivek and Narinder were told to find other jobs, Sudha and Alka had been told that they would continue to work at HQ, directly with JR. Another MT, David, on the other hand, had been invited by JR to join him on a visit to the Chennai regional office which was celebrating a very successful sales quarter and where they would be handing out awards. Indeed, David told the group that he was doing all the preparation for the conference and that JR had told him that he could book himself in first class on the flight back and forth to Chennai as well as get an upgraded room at the hotel. Of course, JR had told David to keep this information private, as other MTs may get jealous. Over the next several weeks, the MTs kept noticing that they were being treated differently. More specifically, both Vivek and Narinder were being kept out of a lot of meetings because the other eight MTs continued to work at HQ while these two were working at a remote location and were not always invited to join the meetings. Indeed, Vivek and Narinder started to feel left out since they could not interact with the other employees on a regular basis, because of their remote location. They decided that during lunchtime they would ride over to headquarters and have lunch with the whole team. The following Monday, they went over to have lunch at the HQ lunchroom and joined the MT group. To their surprise, Sudha and Alka quietly moved away and sat at another table with SMTs. Not thinking much of this, they went back the next day since they really enjoyed being back at HQ. This time, they encountered JR right at the entrance as they walked in. He told him that he was very happy to see them and asked them to stop by his office before they went back to their remote location(s). They were very excited as they wondered if he was about to

invite them back to HQ since they had been repeatedly telling everyone that they were not very happy at the remote location. When they met with them after lunch, he expressed extreme disappointment in them and told them that he was getting complaints from MC Alag Khan, who was their boss at the remote office. They were quite taken aback and quietly went back to their offices and wondered why JR would say that to them without any supporting information. In the evening, they met up with Labhita, who suggested that they avoid going to HQ for the next few weeks and instead try to build a relationship with MC Alag Khan. Both of them were rather saddened and confused by these developments since the company's formal values and stated approach to people was very different from what they were experiencing. As time went by, the MT group also broke up into two or three distinct units. One of these became very close to JR and refused to engage in any conversation about his actions. This group included Sudha and Alka – if pushed, they would support JR's decisions strongly. Another group became aloof and did not want to deal with either group, while Vivek and Narinder were left completely on their own.

Realization Dawns

Over time, Vivek and Narinder noticed that JR was very complimentary of them in public, in meetings where all the MTs and many managers were present, as well as in meetings with other managers who were supervising the MTs. But, when they met up with him in his office with no one else around, he would berate them and suggest that they find alternative employment. Sometimes, he would urge them to look for other jobs by saying that they were too good for this company, while at other times, he would suggest that he didn't want them there.

One of the things that came up regularly was their close interaction with Seth. JR kept reminding them that they should spend more time with MTs and perhaps SMTs who have joined along with them, instead of spending time with senior officers, who, as he noted, may not help their case.

Over the next several months, most of the SMTs left the company. All the MTs stayed, but were unhappy, except for the two who were working directly with JR.

Fast-forward to the 6-month point when their evaluation was to be done, all the managers who were supervising MTs and SMTs got together to discuss the progress of all 20 trainees (SMTs and MTs). JR also attended, as did the HR manager. The meeting ended with the conclusion that all of them should be renewed and continued for another 6 months. Overall, they were all given average ratings with notes that they should continue to work hard. The only exceptions were Sudha and Alka, who were rated outstanding, and Vivek and Narinder, who were both rated "marginal."

Case Questions

- Question 1: In your opinion and/or experience, why do organizations create two- or three-tier systems for hiring management trainees? What are the pros and cons of such systems?
- Question 2: What is the impact of individual managers creating in-groups and out-groups among their subordinates? How does this impact the subordinates as well as the company's performance?
- Question 3: What do you think of JR's behavior whereby he would praise the MTs, especially Vivek and Narinder, in public but criticize them in private? What is the impact of such inconsistent behavior on the subordinate who is subjected to this and how should companies handle such behavior when brought to their notice?
- Question 4: Many companies have their values, mission, and vision statements posted on their website, as did V-Pharmel. However, very often, these are exposed to be simply statements on paper or the website but are not practiced in day-to-day interactions. What is the impact of this disconnect and how might companies fix this?

Case 17: Business Decline and Turnover Increase at Un-Food Distribution

Gianfranco Cicotto, De Simone Silvia, Pinna Roberta,
and Ashish Malik

Introduction

Like every morning, Mr Dollard, the CEO of Food & Un-Food Distribution, enters his office, but this time, the personnel and sales managers, Mr Hused and Mr Tracky, are waiting for him. “Just another?” asks Mr Dollard. “There are two”, Hused replies and continues “And they are two from the same shop, and with these, we have risen to 10 resignations since the beginning of the year”. “In the commercial area, we are not doing better”, says Tracky, “we have a drop in turnover in about a third of the stores”. “I don’t know what to do anymore”, Dollard complains.

For some time now, the supermarket chain has reduced its turnover and that several workers have voluntarily resigned. The company has had great growth, it has opened many stores, but now these do not perform as they once did and even the staff is becoming uninterested. The company used two main strategies to manage the crisis: the advertising campaigns and the training to improve the efficiency of in-store managers. Production bonuses were also implemented. Unfortunately, these strategies have not had great effects.

“...maybe I know whom to ask”, says Mr Hused, “When I was at University, there was an Organizations’ professor, Mrs Paddlefin, that she told us that customer

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satisfaction is largely influenced by the value of services provided to customers. Satisfied and engaged employees create value.” For this reason, employee engagement and satisfaction are the new “management mantra”. Employee satisfaction has a direct impact on high-quality support services and policies that enable employees to deliver results to customers. She told me that the actual cost of turnover in most service jobs is the loss of productivity and decreased customer satisfaction. In the retail sector, indeed, employees have direct responsibility for the customer relationship, and this relationship is an influential factor in a company’s success. Salespeople interact directly with the customers. Thus, their attitudes, behaviours and treatments will determine whether customers will become loyal to the retailers. Unfortunately, in the retail sector, the frontline employees often present high levels of disengagement and dissatisfaction with their job because it offers limited opportunity to realize their professional satisfaction, such as limited career opportunities, receiving positive feedback regarding job performance and lack of opportunities to develop new skills. Thus, large-scale retailing appears to be problematic in terms of work engagement, job satisfaction and turnover intention.

When the possibility to offer a traditional incentive is limited, what does the organization do to engage employees and increase job satisfaction? This is the question that is perturbing Mr Dollard.

The Large-Scale Retailing Context

In the past few decades, large-scale retailing in Italy has undergone continuous and significant changes and represents one of the most critical sectors in the Italian economy. Large-scale retailing is today one of the strategic sectors in Italy, contributing 7.2% to the national GDP and 10.2% of total employment. There was evidence of consolidation of Italian and foreign operators as they expanded their network, particularly in the south of the country. COOP has the most significant market share with 15%, followed by Conad (12%), Selex (10%), Esselunga (9%), Auchan (7%) and Carrefour (6%). The retailing sector is subject to various challenges in recent years, including the rise of e-commerce, the development of various types of stores within the same organization and intense competition, resulting in price wars between foreign and local retailers and expanding the range of the range services offered. Larger-scale retailers are starting to appeal to consumers by offering a one-stop convenience shopping, selling a wide base of products and services similar to larger retailers.

For this reason, retailers have changed their marketing strategy in order to obtain the preferences of consumers. Italian consumer has now become more knowledgeable and discerning and is not easily influenced by advertisements and promotions. They are price and quality conscious, but they concern about the service they receive when they make a purchase. The literature on service management highlights a positive relationship between employee and customer satisfaction, and it has been argued that employees are the key to the competitive advantage in large-scale retailing. The customer orientation of sales personnel is often regarded as the primary

determinant of retail firms' success. Employee's engagement and job satisfaction can generate several organizational benefits, such as reducing recruitment costs and improving interactions between customers and employees. For retailers, a loyal workforce can therefore represent a source of differentiation and competitive advantage. It has been argued that satisfied employees more likely service customer demands more effectively and that the business success of such services stems from employee satisfaction that is often subsequently 'reflected' in high levels of customer satisfaction and perceived service quality. Therefore, the management needs to increase workers' productivity by allowing workers to achieve their maximum potential. Generally, the consequences of a de-motivated workforce can be explained in terms of high sales force supervision costs, absenteeism and turnover rates. In the last decade in the retail sector, a significant majority of employees who were dissatisfied also expressed their intention to quit, and the potential employee turnover rate was three times greater than those employees who were satisfied. Thus, understanding the antecedents of turnover is vital for large-scale retailing chains to contain employees' propensity to leave, which is highly correlated with actual employee turnover rates.

Social and Organizational Support's Relationship with Employee Turnover

Antecedents of employee turnover have represented a key area of research in the HRM literature. Researchers have focused significant attention to the concept of perceived organizational support as a critical predictor of turnover intentions. Perception of organizational support may be defined as the degree to which individuals perceive that their well-being is valued by workplace sources, such as supervisors and the broader organization in which they are embedded, and the perception that these sources provide help to support their well-being. The support content may include information, appraisal, assistance with tasks or emotional support. The relationship with a supervisor is considered one of the main elements of employee work environment. When employees perceive their supervisor as supportive and care for their well-being, they feel attached to an organization and often feel obliged to reciprocate the favour back to their supervisor by staying loyal to the organization. When employees perceive the absence of support (e.g. feedback) in the workplace, they will not be able to make investments for resource gains, whereas those who received positive feedback about their performance are more likely to look for opportunities to develop their skills and implement plans of action. As supervisors are agents of an organization, they have the responsibility for directing and evaluating subordinates' performance. As such, employees would view their supervisor's favourable or unfavourable orientation toward them as indicative of organization's support. Studies of the relationship of social support to work-related outcomes suggest that organizational support among the employees results in employees' obligation to help the organization reach its objectives and increase work engagement. For example, when salespersons perceive their supervisors or top management as

supportive (i.e. showing concern for their feelings and needs and providing help, information and constructive feedback or learning opportunities), they will feel obliged to reciprocate by showing a favourable attitude in the form of high levels of work engagement. If sales employees receive strong social support from their supervisors and co-workers, they will most likely support their decisions and will have a stronger relationship with their work engagement than in situations where there are low levels of social support from their supervisors and co-workers. Supportive colleagues and performance feedback increase the likelihood of being successful in achieving one's work goals.

Empirical research shows that salespeople are more likely to quit their organization voluntarily when they are dissatisfied with their supervisors and when they believe that their supervisor cannot be trusted. Conversely, managers who create a trusting relationship and invest in positive outcomes for their sales employees can help foster a positive workplace environment in which salespeople develop feelings of attachment and loyalty to the organization. For instance, when employees perceive their supervisor as supportive and caring for their overall well-being, they feel attached to the organization and feel obligated to return a favour to their supervisor by staying back with the organization. Therefore, the quality of teamwork and co-worker support is also an essential factor. When employees observe a high level of co-worker support, they will view the workplace as a supportive environment, wherein they have abundant opportunities to learn from their co-workers and, as a consequence, will be willing to reciprocate by staying committed to their roles.

Explaining, Analysing and Illustrating Data

The top manager calls a team of consultants to understand the causes of high turnover and low productivity of 520 employees working in 44 stores operating in Italy. The consultants propose a study based on an anonymous questionnaire to identify the factors on which to act to improve job satisfaction and work engagement and at the same time reduce turnover intentions (see Table 1).

The data collected were subjected to statistical analysis, including structural equation modelling, which produced the results illustrated in the model (see Fig. 1).

The results show the direct relationship between organizational support and turnover intention and explain how job satisfaction and work engagement mediate the relationship between social and organizational support and turnover intention. The findings show work engagement and job satisfaction as key variables directly impacting employees' turnover intention. Specifically, all types of support indirectly influence turnover intention through work engagement. Organizational support directly influences turnover intention and also indirectly through job satisfaction. The results show that supervisors, colleagues and the organization are critical antecedents of the factors affecting employees' turnover intentions. Among the types of support, only organizational support has a direct effect on employees' turnover intentions. The study confirmed the importance of social and organizational support to create employees' positive attitude and result in a higher level of satisfaction and

Table 1 Constructs in the questionnaire

Dimension	
Work engagement	
Job satisfaction	
Organizational support	
Co-worker support	
Supervisor support	
Turnover intention	The intention to leave a job

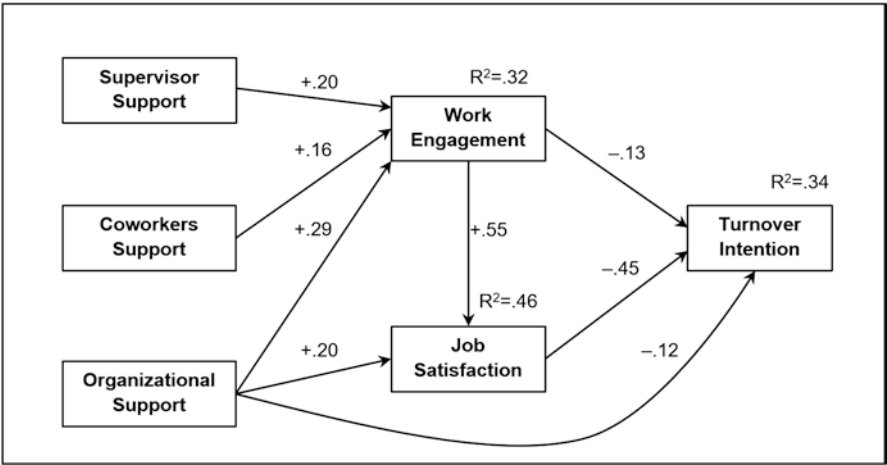


Fig. 1 Diagram of direction, strength and intensity of variance of individual and organizational dimensions

engagement at work, which has a favourable impact on customer satisfaction. In retail settings, supervisors are responsible for facilitating learning, but they also have a role in increasing employee skills for better communication with customers. Service employees reported high levels of perceived organizational support and lower turnover intentions, mainly when their managers supported their well-being and provided timely information, assistance, encouragement and feedback on their performance. The findings suggest that the sales supervisors have to help workers set priorities for day-to-day work, select approaches to doing work, make decisions about their tasks and create an enriched organizational environment for sales employees by providing them with an opportunity for stimulation, responsibility

and developmental opportunities. Management must also develop a culture of dialogue between the actors, whereby employees collect and share information in a project and organize activities around mutual knowledge sharing and co-learning. High levels of support can create greater levels of work engagement and job satisfaction from the sales force and ultimately result in lower turnover intentions.

Epilogue

After reading the report, Dollard looked at Hused and Tracky and said: “I have always worked hard to put the customer at the centre, but also the employees. However, I have never related the effect on customers of the complex relationships established between employees with our management and their coordinators. I thought that the lists of instructions and a greater directive power for the coordinators were enough, and perhaps these things are necessary. However, I did not believe that in the end, relationships and support were so decisive for greater involvement and productivity of the workers that implies everyone, inside and outside the company. Hused, you need to think about a new training program for our store managers. We have to go beyond rules and instruction lists. We have to involve everyone. It seems almost trivial to say it, but the company is made up of processes and activities ... the company is made up of people. Let us start again from them”.

Questions

1. What is the relationship between organizational and social support with turnover intention? Also, comment on its relationship with work engagement and job satisfaction and between work engagement and job satisfaction, with turnover intention.
2. What is the overall relationship between these sub-constructs?
3. The strategies used by management initiatives have been effective. Did they work? Why/why not?
4. Do you think it is helpful to improve social and organizational support? And why? What strategy do you propose to manage the crisis?



Case 18: Performance, Training, and Change Management: The Australian Banking and Finance Industry

Ami-Lee Kelly

A Rising Star Performer

Elizabeth graduated from a university with a bachelor's degree in Human Resource and Organisational Development, where she was in the top 1% of her class. She had ambitions to use her degree to manage large teams of people and eventually progress into a senior management role. She applied for numerous roles and finally secured a role working at YourBank, the largest bank in the country, as a team leader in a call centre. In her new role, Elizabeth is responsible for managing and operating a sizeable, busy call centre addressing calls from customers on their personal and business banking products. Her new role is to manage 1000 employees and the operational management of the company.

Elizabeth has some experience in a call centre environment working for a large telecommunications company, but she has no experience managing people. She knew this role was going to challenge her, and she was excited at the prospect. Before starting, Elizabeth spends time understanding the banking market both domestically and globally; she soon learns that banking products are a commodity. The only point of differentiation between the banks is the level of service they provide their customers. Elizabeth knew that her new role leading the call centre team would play a large part in the business's success and was tied closely to the bank's mission statement.

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YourBank – Organizational Background

YourBank is the largest bank in the country. The bank has over 100 million customers across various products, including credit cards, personal banking, loans, business products, wealth management, and many other products and services.

The bank is buying some smaller competitors to increase its market share and customer base. Many employees who work at the bank have not been in their jobs for a long time and report dissatisfaction in their roles. This results in staff turnover numbers being high. In addition, the opportunity of internal promotion is limited, meaning many people start in their positions and never progress any further, resulting in staff becoming frustrated and going to competitors for more money and progression opportunities.

YourBank employs 150,000 staff globally. The majority of the staff are located in Australia, where they are based out of many different offices spread across the city. Elizabeth's teams will be located in the city's CBD district office.

The roles at the bank are broken into different types; these are the operational roles that support the products, call centres, and back of office functions that process customer requests. These teams work in silos with little internal communication or engagement, making it difficult at times to service customer needs between the teams. There are a limited number of knowledge-based roles; these individuals manage products, run projects, or act in a compliance or risk function. There is little engagement between the operational and knowledge-based teams, resulting in the change occurring by the knowledge-based teams failing to disseminate to the operational teams. There are also roles with people working in YourBank branches; these employees often report little engagement and involvement with the operational and knowledge-based staff. As a result, they are often the last to know when changes occur, resulting in poor customer experiences and customer complaints.

The operational teams have experienced many changes over the past 24 months from product management and regulatory focus. These regulatory projects are usually imposed on the bank by the banking authorities. Often regulatory changes need to be implemented fast, and failure to do so can result in fines or breaches which may cost the company financially and cause reputational damage with a flow-on impact to customers, who might take their business to competitors.

The bank's mission statement is to support customers with their financial needs and to contribute to the financial empowerment of the community and Australian economy. The bank's core values are leadership, accountability, customer service, and commitment. The bank's long-term strategy is to become more profitable and have a larger market share; as such, they are focused on revenue and customer market share volumes. Annually the bank profits \$150 billion and holds a market share of 60% of all customers in the Australian domestic market and 45% of the global banking market. The bank's organizational structure is complex, with teams being broken down based on the customers they service or the types of products they support. The hierarchy shows an overly top-heavy organization with many middle management roles and a small volume of lower agent roles, demonstrating a

high amount of revenue invested into wages and salaries of senior managers. This means that more subordinate management roles are overworked and underpaid.

YourBank has recently purchased several smaller banks and financial institutions, which now form part of their more comprehensive organizational structure. Separate top-level managers run these smaller businesses. The bank is currently purchasing a further five companies that they will soon own and manage. The bank often keeps staff from the companies they are buying as these staff are generally familiar with the unique business needs. As the bank's business portfolio is growing, they are also looking to invest in technology businesses in the fintech market and telecommunication businesses, diversifying their portfolio and enhancing their market share. YourBank's goal is to be one of the largest institutions globally with a diverse and unique product offering to customers.

Processes

The processes that underpin the operation of the bank are identified as fragmented. The bank regularly invests in technology enhancements, implementing new technology to serve their customers better. However, internal investments in technology are not always considered significant. YourBank believes their people should function with these broken processes by implementing 'work arounds' when they do not function effectively. The bank therefore does not see these fragmented processes as a priority.

The Team's Call Centre Key Performance Indicators Indicate They Are Required to Meet the Following

- 90% satisfied customers measured through customer service surveys
- 100% adherence to policies and procedures
- Less than 5% of customer's making complaints
- 80% of customer inquiries to be resolved within 24 hours
- 80% of calls answered in 30 seconds
- Average call handle time per call of 90 seconds

Workplace Change

Change is a common occurrence at YourBank. Customers are frequently impacted by product changes that affect their ability to use the products effectively, often resulting in excessive calls into the call centre with customers seeking assistance on these changes. Change is communicated poorly to customers, with some of them receiving notification of the changes and others not. YourBank sends out paper letters of these changes to their customers; however, they often have incorrect addresses

on their accounts within their YourBank technology system. As a result, their methods of communication are ineffective.

Change is often poorly considered by the bank; instead, they are focused on fast change that needs to be implemented in the timeliest manner with little cost and effort. The bank is often the receiver of change through regulatory requirements; these can come directly from the regulators or senior managers agreeing to these changes as they see fit. There is a noticeable disconnect between lower-level management and upper management. Senior leaders do not understand the business and the work the lower-level management teams perform.

Employees face numerous changes occurring at once. People working in these operational roles report change fatigue in keeping up with their daily work and ongoing organizational change. As change comes from the operational senior management teams and the product teams, these changes frequently conflict. Change is imposed on the teams through the top and middle management; top and middle management leave individuals who are not knowledgeable on the change accountable for implementing and achieving the change requirements.

Internal Survey – Give Your Voice

Each year the bank surveys their staff, seeking input on a range of factors. This year the results have been the poorest to date. Staff engagement with the survey was low, with only 30% of employees completing the survey.

Employees who completed the survey reported the following:

- 20% of employees are engaged in their current role.
- 80% of employees are actively looking for new roles.
- 95% of staff report that the bank poorly manages change.
- 13% of employees report being proud to work for the bank.
- 82% of employees report that change is mismanaged, and there is a significant disconnect between upper, middle, and lower-level management.

Call Centre Engagement

Elizabeth has been reviewing the team's Give Your Voice results and sees an even lower engagement rate with only 15% of her team responding to the survey, with many employees demonstrating poor engagement and a poor view of the organization. In addition, employees report management as being too removed from the business, and many of the team are looking for new roles. Confirming this, staff turnover is exceptionally high with employees remaining in their positions for less than 6 months; the result from this is staff often go to work with competitors for better pay and conditions.

Training and Change Management

In her new role, Elizabeth completes some analysis of the existing training programmes. She finds that training and change management are often implemented through overly simplistic and ineffective passive mechanisms, primarily through rudimentary Microsoft PowerPoint presentations. Product managers design these presentations, and they fail to tailor them to a broad and diverse audience. This often means employees do not understand or engage with the change management and training. This has a flow-on impact with change often not being adopted, with employees reverting to old processes. This regularly goes undetected as product managers fail to complete change impact assessments after they have implemented change. Instead, they move onto the next major piece of change.

In her research of policies and procedures, Elizabeth identifies poorly executed documentation failing to show where change occurs.

Assessment of Performance

YourBank assesses their performance through the number of product sales, the amount of revenue they earn yearly, and the customer market share they hold. The bank also hires internal teams who conduct quality assurance on operational compliance, call centre audits, and adherence to laws.

Market Perceptions

While many of the bank's internal operations are poor, they have an excellent advertising programme that promotes the bank domestically and globally. YourBank is seen as a strong competitor with fantastic customer benefits and is generally well perceived in the market. YourBank releases new advertising campaigns every 3 months focused on their state-of-the-art technology as a differentiation point.

Recent News Headlines

YourBank has made recent headlines in the news for its lack of adherence to regulatory laws and poor internal operations. The headlines have reported senior leaders conducting the business inappropriately to maximize their yearly bonuses. Branches have made the news for their poor customer service for customers identified as financially vulnerable. There is speculation that the bank has approved large personal and mortgage loans to customers who cannot afford these loans so staff can meet their sale numbers. One of the regulatory bodies has identified YourBank has failed to adhere to multiple sanction laws resulting in fines and breaches of international and domestic laws.

Unfolding Scenario

Elizabeth starts in her role full of enthusiasm, gaining as much information as possible; she makes herself familiar with the call centre call volumes, handling time, and call answer timings. She immediately identifies the teams that are not meeting their service level agreements.

- Call volumes are 50% higher than they should be.
- Handling time is 60% longer than planned.
- Call answer times are three times than required.

Elizabeth knows this will be a challenging role; her new manager has told her she must fix these issues within the first 6 months of her employment and her team's performance needs to improve. Elizabeth builds a plan to address each problem and implements new staff incentives to deliver on these requirements. These rewards include team lunches, team awards, and training opportunities. In the first month of her employment, she is notified by a product manager that there are large-scale changes that need to occur with one of the products her team services. A new banking credit card has recently been introduced into the market that offers discounted fees and customer rewards. Unfortunately, the new credit card accounts have not been successfully migrated to the customer banking app, and as a result, customers see their old banking details with fees being applied monthly and annually, leaving customers confused and disappointed.

These issues mean call volumes will be larger than planned, and the call centre agents will need to spend more time on calls explaining these issues to customers.

Elizabeth meets up with the product manager Yen, to discuss the changes. Yen advises Elizabeth it is her job to assist with these changes, and she needs to upskill her staff immediately to address these issues. Yen advises that he will meet with Elizabeth bi-weekly to follow up on her progress. Elizabeth is now tasked with fixing these issues; she knows she will need to act fast. With the instructions from her manager, she soon sees there will be a conflict of deliverables. She will not improve the statistics for the call centre until these significant product changes have been implemented. Elizabeth decides to meet with her manager to discuss her concerns. Ian, her manager, advises that she must deliver both of these deliverables concurrently.

As part of her analysis, Elizabeth also identifies that previous training and change management on new product enhancements have not been successful as the audience is often disengaged with the content. People report the change as being poorly thought out and not in line with customer needs. Elizabeth's immediate task is to roll out the training programme to 500 call centre staff within the next month, then a further 500 staff the following month.

Elizabeth has been allocated a budget to hire a further 100 staff members within the next 3 weeks to assist with the training and change requirements and with the inevitable call volume increases. She has been provided with an old job advertisement which reads as follows:

We are the country's top-performing bank; we believe the essential ingredient for success is a passion for helping customers and a willingness to develop and learn. We are seeking applicants for new and exciting roles in our call centre. We are looking for:

- *People who have worked in customer service (any industry)*
- *Interest in banking*
- *Ability to use a computer*

Other factors that will increase your chances of success include working towards or completing any degree. We encourage all candidates from all walks of life to take advantage of this fantastic opportunity, and we look forward to reviewing your application.

Elizabeth notes the job advertisement is very broad and might not attract the right talent. Elizabeth needs employees who will be able to process high volumes of calls in a friendly and professional manner, along with an ability to work in a high-pressure environment. In addition, she is seeking talent who are technology savvy; YourBank has multiple internal systems that are challenging to navigate and use, so recruits need to be able to self-manage in a complex environment of uncertainty. Elizabeth has limited experience in recruitment and the selection process and feels Human Resources would be more appropriate to manage the interviews. Elizabeth contacts Human Resources and is advised that they do not assist with interviews, and their focus is on the overarching recruitment strategy of the organization. Elizabeth has received guidance from her manager that she needs to recruit as fast as possible and not focus on the applicant's prior experience. Elizabeth is informed that she just needs to hire anyone who wants the position.

Over her past 3 months of running the call centre team, Elizabeth has taken feedback on board from her teams through internal surveys and one-on-one meetings. Elizabeth has seen that complex change challenges often plague her large, diverse team. She notes her team members are resistant to change, and her teams do not enjoy uncertainty. There is evidence of change fatigue and a lack of understanding of how the change will impact the individuals within her teams. Often, change owners come to her with excessive content, making the change hard to digest.

The change is typically complex, which results in little adoption; there is an overall lack of engagement; there is a view that top-down change does not align with team capabilities. There is a lack of empowerment to enact successful change.

Elizabeth has now been in her role for 6 months; she has successfully delivered numerous changes across the call centre business, but engagement remains low in her teams. Elizabeth has become aware of a small group of employees who often spend time together in and outside the workplace. This small group of people is known to be troublesome and aggressive with other team members. There is one member of this group, Bob, Elizabeth is concerned with the most. Bob arrives late to work each day. Bob has worked with the organization for 13 years and does the minimum amount of work to meet his key performance indicators. Bob has been

caught not adhering to the group values and tends to gossip. Bob has been overheard making derogatory comments about another employee's appearance.

Bob's comments are causing other people in Elizabeth's teams to feel uncomfortable.

Elizabeth's line manager and Senior Manager have advised her to address these issues as fast as possible as his behaviour is not tolerated. Elizabeth has spoken to the internal Industrial Relations team, who have confirmed the behaviour is unacceptable. However, their guidance is that it is challenging to manage an employee based on a lack of adherence to group values without individuals speaking up or raising complaints against Bob. No one wants to confront Bob because he tends to lie and deflect feedback, refusing to take accountability for his actions. Elizabeth has had complaints about Bob, but these individuals do not feel comfortable raising specific complaints against Bob.

Elizabeth has had multiple discussions with Bob about these matters, but he continues to conduct himself inappropriately.

Two months has passed, and Elizabeth is in her first performance feedback discussion with Ian. Ian gives Elizabeth generally positive feedback on her performance. However, he notes that Elizabeth is too emotionally charged in her leadership role. Elizabeth tends to concern herself with low-level details of the business and she is instructed that she needs to improve her longer-term strategic focus. She needs to be more assertive in her ability to lead and influence the call centre. Elizabeth leaves the performance review feeling deflated but focused on showing she has exemplary leadership qualities for managing a large team.

A further 6 months has passed, and Elizabeth sees an internal expression of interest for a product management role. This new role manages a small team of assistant product managers focused on maintaining credit card products and implementing new product enhancements. Elizabeth applies for the role but knows there will be intense competition for this fantastic opportunity. The recruitment process is lengthy and takes several months. The first interview is with an executive panel where Elizabeth is questioned on her experience, education, and past exposure. Elizabeth thinks she has performed well in the interview. This is confirmed, and she progresses to the second round of interviews. In the second round of interviews, she is given a case study and asked to develop new and exciting ways to manage the scenario. Again, Elizabeth does well in this round and enters into the final round of interviews where she is interviewed by a general manager panel where she is successfully offered the role.

Elizabeth is thrilled and accepts the role immediately. Elizabeth starts in her new role, and she commences her first week by analysing the product she is now accountable for. She looks at sale statistics, customer service scores, and customer complaints data. Discovering the results are favourable for her product. However, she recalls from her experience that this is not how it is viewed internally. In her first month, Elizabeth is responsible for implementing two large-scale changes. The first is the Vulnerable Banking Program which will revolutionize how the bank manages customers who are deemed at risk in the community. The Vulnerable Banking Program was released as a regulatory initiative that needs to be implemented at all

major banks in the country and globally by an imposed delivery date. This change is a regulatory change which means these changes are mandated on the banking and finance industry by the governments globally.

The Vulnerable Banking Program will change the way banks deal with uniquely challenged customers such as customers in financial hardship, customers with disabilities, and the management of deceased estates. Elizabeth is directed to pay extra attention to customers dealing with deceased estates. These are the financial estates of people who have passed away and need to be handled with utmost care and empathy. Often customers who call about a deceased estate have gone through terrible losses and sadness. They want the banking matters of their deceased loved ones to be finalized as fast and professionally as possible.

The Vulnerable Banking Program will revolutionize the way the businesses call centres and operational teams perform their day-to-day tasks. The Vulnerable Banking Program is a mandatory requirement that the entire banking market needs to adhere to by the end of the financial year.

Consequences of not complying with this programme include financial fines, penalties, brand and reputation damage, and poor customer satisfaction.

The second large-scale change is a new product called the Nada Credit Card; this credit card is the first in the market to offer customers access to funds at a zero-interest rate. It also provides customers credits from shopping as they use the card, meaning customers will receive credits in monetary cashback on purchases. For many, this new credit card will mean much-needed access to funds during challenging times. Elizabeth needs to upskill the customer call centre teams on this change to manage customer calls effectively. Product managers do not implement this change directly with the teams. Team leaders usually manage this change in the call centres; however, Elizabeth feels she is best placed to deliver this change based on her education and experience. She meets with the new call centre team leader Guzman who now manages the operational effectiveness of the call centre teams. Guzman advises Elizabeth new products and regulatory changes are too much transformation for the call centre teams to handle. Elizabeth has already scheduled the new credit card to be in the market in 4 weeks. This date has been planned as a complex deliverable, meaning she cannot postpone or cancel this rollout. Elizabeth is also getting considerable pressure from her new line manager, Alex to implement the changes as fast as possible. She tries to explain to Guzman her position; however, she is met with stern resistance. Guzman instructs Elizabeth that he needs to execute all change and training. Therefore, Elizabeth will not be delivering the training to his teams. She is concerned that the messaging may be lost in its delivery, or even worse the training will not be delivered by the required date. She is also anxious about the quality of the training and ensuring it meets the broad audience. She decides to design a training programme using unique, innovative software Deliverit. Deliverit is software that has interactive quizzes and activities and is highly engaging. Elizabeth spends considerable time creating this new training package and is proud of the work she has produced.

Elizabeth delivers the training package to Guzman in a one-on-one environment and seeks endorsement. Guzman advises Elizabeth that the training in its current

form will not meet the team's needs and instructs Elizabeth to redesign the training into a classic Microsoft PowerPoint presentation. Guzman explains that this is the easiest and fastest way to deliver training. Elizabeth explains that this training method was not successful in her time running the call centre teams and often lacked the right level of engagement to be meaningful. Guzman vehemently advises Elizabeth of his position, instructing there is no compromise on the matter. Guzman expresses that the operational teams are change fatigued with the product teams coming to them with late and ill-thought-out change. Guzman also notes that Elizabeth should know better because she has managed these teams before and should understand their daily pressures. Finally, Guzman informs Elizabeth that the team's top priority is to support customers, not implement change.

Suggested Discussion Question Blocks

A: Team Performance

1. How does Elizabeth address the poor team engagement with her team? How does she drive engagement and reduce the call centre employee turnover? How does Elizabeth take feedback on board to cater her future training and change initiatives?
2. How does Elizabeth deliver training that meets a broad and diverse audience?
3. How does Elizabeth redesign the job description and advertisement to recruit the right type of people? What skills should Elizabeth focus on to employ the right talent in her teams?

B: People and Performance

1. How does Elizabeth manage the situation with Bob?
2. How does Elizabeth address Bob's behaviour?
3. Does Elizabeth implement a performance management plan for Bob? If so, how does she design the right programme to lift his behaviours?

C: Leadership

1. What leadership skills and qualities should Elizabeth focus on to deliver to her manager's expectations?

D: Training and Change Management

1. How does Elizabeth commence the change management process to deliver on the Banking Program's requirements?

2. How does Elizabeth implement this training in a way that caters to a large audience?
3. How does Elizabeth measure the success of the training?
4. What feedback mechanisms should Elizabeth employ to obtain objective and meaningful feedback on her training programme?
5. What characteristics of adult learning should Elizabeth focus on to ensure she delivers the right training package for the audience?

E: Change Management Processes

1. How does Elizabeth resolve the matter with Guzman and have her training implemented?
2. How does Elizabeth ensure the training is meaningful and meets the deadlines she has received?

How does Elizabeth demonstrate expertise in this situation when considering the knowledge of the organization, knowledge of structures, problem representation, attention, and metacognitive skills?

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Case 19: How to Prevent Nurses' Intention Turnover and Improve Patient Satisfaction? The Case of an Italian Hospital

Silvia De Simone

Introduction

Mister Bob is the Hospital Administrator of a vital hospital in southern Italy. In the last year, he has registered a growing level of absenteeism and primarily voluntary turnover of the nurses who work in the hospital he manages. Nurses' voluntary turnover is a worrying global phenomenon that affects service quality. Retaining nursing staff within hospitals is an essential factor in reducing the negative influence of voluntary turnover on quality care and organization expenses.

To motivate the nurses who work in the hospital he directs and reduce their transfers to other hospitals, Mister Bob at first used two main strategies: economic incentives in bonuses and the training to improve efficiency in nurses. However, unfortunately, these strategies have not had significant effects. Furthermore, patients begin complaining about the behavior of some nurses reporting that they are often rude, careless, and unwelcome.

Not being an expert in people management, the Hospital Administrator has started reading a book on HRM and has found that customer satisfaction is strongly linked to employee satisfaction, especially in the service sectors and nonprofit organizations such as public hospitals. Continuing to read and study, he also finds that turnover intentions are linked to employee satisfaction and work engagement.

Mister Bob wonders: "How can I improve patient satisfaction and their quality of life? How can I implement the satisfaction of the nurses who work with me and reduce voluntary turnover?" To answer these and other questions, Mister Bob asks for help from a consultant. This is the case of nurses working in a hospital in southern Italy, where there is high dissatisfaction with their job and high turnover rates.

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Furthermore, there is also an increasingly heavy workload to deal with and limited professional growth and development opportunities.

The Crucial Role of Nurses in Public Hospitals

In recent times, public hospitals had tough challenges to deal with as the financial cutbacks, the increasing number of patients, the increase of competition, and demands in terms of quantity and quality. In the health sector, employee psychological wellbeing and service quality are linked. Therefore, hospitals and healthcare organizations must continually promote the health and satisfaction of doctors and nurses to improve service quality. Specifically, nursing care is central to the achievement of healthcare outcomes. Nurses offer assistance to hospitalized patients: help in daily activities, support to achieve independence as soon as possible, and satisfy physical and emotional needs. In addition, nurses must establish a helping relationship with patients and must adopt an empathic attitude.

In recent years nurses' work demands have increased significantly and have requested increasingly personal and job resources with potentially damaging consequences as voluntary turnover. Moreover, the shortage of nurses is a global phenomenon, and nurses' turnover rates are worrying in many. In addition, the growing life expectancy will still increase the quantitative and qualitative demand of nurses (OECD 2016). In Italy, there are 6.2 nurses per thousand residents in 2014 (OECD 2016) and 5.8 in 2019 (OECD 2019). An Italian study showed that 34.4% of nurses planned to leave the hospital within 1 year after hiring, and 43.8% had already sent a hospital transfer request (Ambrosi et al. 2011).

The intention to leave is the main predictor of employees' turnover behavior. Turnover intention is a response to specific occupational and organizational conditions that evolve in leaving the current job.

Nursing turnover regards to the transfer of the ward or leave the hospital. High voluntary turnover among nurses produces an increase in costs and the workload of nurses on duty that harms the quality of patient care. Seeing the troubling turnover data in Italy (Ambrosi et al. 2011; OECD 2019), the research exploring which dimensions affect turnover is necessary to propose organizational actions to prevent voluntary turnover and retain nurses.

The Predictors of Nurses' Turnover Intention and Patient Satisfaction

A growing number of studies have found job satisfaction as the principal predictor of turnover intention in nurses (De Simone and Planta 2017; De Simone et al. 2018a, b). When the job satisfaction of nurses decreases, their intention to quit increases (Galletta et al. 2011). Job satisfaction among nurses is positively linked to other dimensions as self-efficacy and work engagement. Work engagement has a positive effect in preventing nurses' turnover intention and influences nurses' job

satisfaction and performance and therefore also patient satisfaction. Self-efficacy is negatively related to nurses' turnover intention. The agentic capabilities represent a new construct related to self-efficacy (Cenciotti et al. 2020), which has been little studied with nurses' turnover intention (De Simone et al. 2018a). According to social cognitive theory, people exercise control in their environment through skills, named agentic capabilities. Agentic capabilities are positively correlated with self-efficacy, work engagement, and job satisfaction (Cenciotti et al. 2020).

Patient satisfaction represents for healthcare organizations a vital instrument to the implementation of quality service. Several researchers have identified a significant relationship between nurses' wellbeing and quality of care perceived by patients, highlighting the association between nurses' job satisfaction and patient satisfaction. Patient satisfaction is negatively affected by nurses' turnover intention, and nurses' experience of success with patient care positively influences their wellbeing at work.

Explaining, Analyzing, and Illustrating Data

The top manager calls a consultant to understand the causes of the high turnover of 194 nurses working in an Italian hospital and the dissatisfaction of 181 patients hospitalized in the same hospital. The consultant proposes to start a study (De Simone et al. 2018a) based on an anonymous questionnaire. The objective is to identify the factors that reduce nurses' turnover intentions and improve patient satisfaction (see Table 1).

The data collected were subjected to statistical analyses, including structural equation modeling, which produced the results illustrated in the model (see Fig. 1).

The study results show that job satisfaction, work engagement, self-efficacy, and agentic capabilities were positively interrelated and negatively correlated with nurses' turnover intention. In addition, path analysis highlighted that self-efficacy, some agentic capabilities (anticipation and self-regulation), job satisfaction, and work engagement directly or indirectly affected nurses' turnover intention and that job satisfaction exerted a more substantial effect on turnover intention.

Correlation analysis revealed that patient satisfaction was positively correlated with nurses' job satisfaction, work engagement, self-efficacy, self-regulation, and anticipation and negatively correlated with nurses' turnover intention (see Table 2).

Results highlighted the importance of implementing interventions to improve self-efficacy, anticipation and self-regulation skill, work engagement, and job satisfaction to decrease nurses' turnover intention and improve patient satisfaction.

Epilogue

After reading the study report, Mister Bob decides to plan actions and interventions aimed at nurses to improve their working wellbeing, reduce their turnover, and consequently improve patient satisfaction. Mister Bob reads and re-reads the research

Table 1 Constructs and scales used in the questionnaire

Dimension	Definition	Scales
Self-efficacy	The degree to which nurses perceive of being able to handle nursing tasks, emergencies, and interpersonal relationships with colleagues and patients	Nurses' Self-efficacy Scale (Consiglio et al. 2014)
Agentic capabilities	Agentic capabilities are the cognitive mechanisms that characterize agentic thinking and agentic behavior. Agentic capabilities are forethought (ability to project oneself into the future, seizing opportunities and limitations of future scenarios), self-regulation (ability to project oneself into the future, seizing opportunities and limitations of future scenarios), self-reflection (ability to learn from experience monitoring one's own behavior), and vicarious (ability to learn through observation of successful behavior)	WAC – Work Agentic Capabilities (Cenciotti et al. 2020)
Work engagement	A positive state of mind, related to work and characterized by vigor, dedication, and absorption	Italian version (Balducci et al. 2010) of Utrecht Work Engagement Scale (Schaufeli et al. 2002)
Job satisfaction	Overall feeling of pleasure about the one's job	Italian version (De Simone et al. 2014) of Brief Overall Job Satisfaction Measure II (Judge et al. 1998)
Hospital turnover intention	The intention to leave the hospital	Italian adaptation by Galletta et al. (2011) of Hom et al. Scale (1984)
Patient satisfaction	The reaction of healthcare users to different service aspects related to the quality of received care	Italian version (Piredda et al. 2015) of Newcastle Satisfaction with Nursing Scales (NSNS) (Thomas et al. 1996)

findings and relies on the consultant for the definition of the development programs of the nurses who work in the hospital he directs. He realizes that he has underestimated the effect on the wellbeing of workers and patients with dimensions as job satisfaction, work engagement, self-efficacy, and agentic capabilities. He thinks program planning should be based on suggestions from the study results. He understands that the hospital is not only made up of processes, procedures, and activities but above all of the people. Thus, he realizes that to improve service and care, it is essential to consider people first.

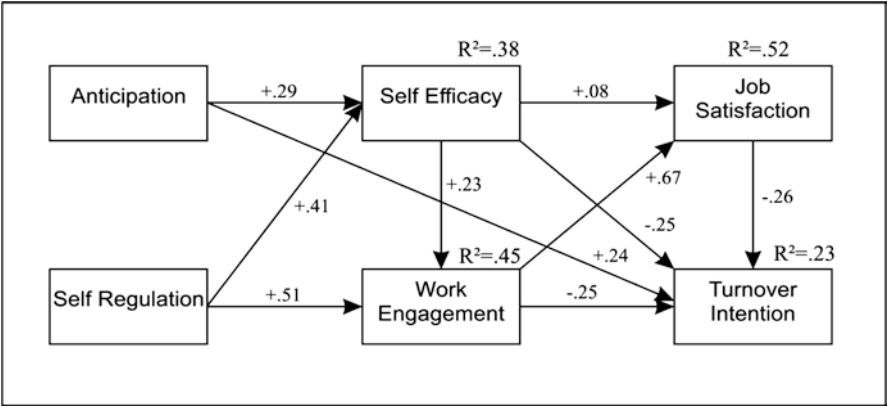


Fig. 1 Diagram of direction, strength, and intensity of variance of individual and organizational dimensions

Table 2 Spearman’s correlations between patient satisfaction and the nurses’ variables in the wards

	Patient satisfaction
1. Job satisfaction	.52*
2. Work engagement	.61*
3. Self-efficacy	.54*
4. Self-regulation	.73**
5. Anticipation	.64*
8. Turnover intention	-.67**

Note. * $p < .05$; ** $p < .01$

Questions

1. What are the predictors of nurses’ turnover intention? Is there a relationship between nurses’ satisfaction and patients’ satisfaction?
2. The strategies used by the Hospital Administrator have been effective. Did they work? Why/why not?
3. Do you think it is useful to improve self-efficacy, anticipation and self-regulation skill, work engagement, and job satisfaction in order to decrease nurses’ turnover intention and improve patient satisfaction? And why?
4. What actions do you propose to manage the situation? What specific methodologies and techniques?

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