

Controversies on the Significance of HRM: The Cost of Paradigm Shift

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Apon, S.I., and Mazzarol, T. (2015) “Controversies on the significance of HRM: The cost of paradigm shift”, Australia and New Zealand Academy of Management (ANZAM), 29th Annual ANZAM Conference 2015, 2-4 December, Queenstown, New Zealand.

Human Resource Management
Competitive Session

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ABSTRACT

The field of human resource management has been researched extensively, yet its effectiveness is still controversial. The aim of this research is to explore the underlying reasons for such controversy. This is an exploratory qualitative research study based on data obtained from blogs, forums and interviews. The Strauss Grounded Theory approach was used and data was coded and analysed using NVivo software. The findings suggest that the different reasons for the controversy on the effectiveness of HR can be categorized as follows- demand in paradigm shift of modern businesses, prevalent ideas that are holding back HR, and behaviour of the HR personnel. The findings also suggest that these factors are not independent rather they are inter-related.

Keywords: HRM Theory, HRM Research Method, Strategic HRM, Implementing Change

As modernization makes technological replication more affordable, human capital becomes more imperative to business success (Wright and McMahan, 2011). The essence of human resources arises from the fact that knowledge, health, skills and values are fundamental characteristics of human beings and they cannot be separated from these characteristics in the way they can be separated from their financial or materialistic aspects (Becker, 2008). All organisations require some sort of human resource management (HRM) processes to survive and flourish (Watson, Leopold, & Harries, 2005). Although human resources are said to be the most significant assets of an organisation, few have been able to use them as a source of sustained competitiveness (Wimbush, 2005).

HRM practitioners have a long history of trying to prove and demonstrate the value of what they do for their organisation. In 1954 Druker emphasized that human resource managers are concerned that they are unable to prove to the organisation that they are making a contribution. The HRM field has extensively focused on the impact of human resource management on organisational performance (Becker and Gerhart, 1996). There are some findings that HRM has resulted in positive outcomes on organisational performance, but many studies indicate that more empirical research is required (Brewster, 2004; Cardon and Stevens, 2004). Other researchers have argued that the effect of HRM on organisational performance has been proven, however the way has not been articulated (Purcell, 2003; Wright, Gardner, & Moynihan, 2003; Boselie, Dietz, & Boon, 2005; Theriou and Chatzoglou, 2009).

The concept of HRM is controversial as it has two conflicting roles: to increase employee efficiency, and at the same time criticize the values of management (Hendry and Pettigrew, 1990).

Despite extensive research in the field of HRM and considerable empirical evidence, researchers are still debating what HRM means, what HR performance should be, and how they are connected (Paauwe, 2009). In an attempt to answer these questions this exploratory research focuses on why the practice of HRM is still controversial. It is important to identify the source of a recurring problem rather than trying to fix it every time. This research examines the underlying reasons that are causing the continuous controversy on the effectiveness of HRM.

METHODOLOGY

This qualitative research is based on information obtained from in-depth interviews of HR personnel and internet data. The research methodology can be categorized as "Strauss Grounded Theory" as it is driven by data obtained from the internet and interviews of HR personnel, and after getting a certain pattern, literature was searched related to that scope. Coding was done to single out specific information from the data sources. A grounded theory approach was taken because it provides researchers with a foundation upon which to examine and develop complex theories that reflect relationships and patterns of interaction among the different types of social entities (Strauss and Corbin, 1998). As there is a conflict between HR and non-HR people about the role of HRM, a grounded theory approach was deemed effective in identifying the pattern of the source of conflict. The general idea of grounded theory is to develop theories that explain complicated phenomena (Daengbuppha, Hemmington, & Wilkes, 2006). This research explores the phenomena of how HRM is perceived and proposes a model that describes the underlying reasons for the inconsistent image of HR.

Online data was used for several reasons. First, it is an easily accessible source of a large amount of data for qualitative analysis (Eysenbach, 2000). Second, permission is not required when data is obtained from public groups such as blogs and forums (Eysenbach, 2001). Third, the participants feel free to say what they feel. As this research focuses on negative aspects of HRM it is expected that people would not be that open if they had to disclose their identity. Fourth, it minimizes the complexity regarding ethics as no participant's interest is at stake.

Three HR personnel were interviewed who were selected from three different backgrounds to cross match the ideas generated from the internet data. All of them had more than five years of experience in HR. The organisation they worked for also varied greatly as they were from a multinational bank in Bangladesh, a manufacturing company in Bangladesh and a training institution in Western Australia. Two of the interviews were face-to-face which gave the opportunity to observe the interviewees gestures and postures. The interviews were digitally recorded with the written consent of the interviewees. The recorded interviews were transcribed and line-by-line analysis has been done through coding.

This research aimed to acquire a holistic understanding of the thoughts of different people revolving around this topic by interpreting data from more than 25 blogs (Appendix) and forums accompanied by more than 200 comments. Most of the data had been posted within the previous 3 years and none were more than 5 years old. Data collection and analysis were done simultaneously. Data from both sources were then subject to coding using the NVivo10 software suite. Twenty eight primary nodes and 37 child nodes were identified. Links between and among the nodes were also identified to create themes and sub themes.

FINDINGS

The interviewees and the internet participants mentioned the pros and cons of human resource departments. The comments ranged from extremely positive to extremely negative. The HR personnel tended to be more optimistic while the non-HR professionals appeared more pessimistic. A continuous debate on the scope, practice and contribution of HR was observed in the data. One noticeable aspect was that many non-HR professionals participated in the HR-related blogs and forums that were accessed from the internet. This shows that even though they might think that HR is of no importance or HR is not functioning properly, from their participation it is clear that they have some concern about HR and its impact on the business. The core category of controversies on the effectiveness of HRM can be defined as shown in the following figure:

Insert Figure 1 about here

The Demand in Paradigm Shift in Modern Businesses

The internet participants and interviewees almost unanimously agreed that HRM is not only an administrative job. The number of activities expected from a modern HR department suggested by the interviewees was substantial. This was supported by the data obtained from the blog participants. From these data it was found that the scope of HRM includes at least sixteen different activities which are: 1) recruitment; 2) training; 3) compensation management; 4) staff appraisal; 5) creating organisational culture; 6) building relationships; 7) performance management; 8) accumulating employee feedback; 9) motivating employees; 10) monitoring employee health and safety issues; 11) encouraging innovation; 12) ensuring employee satisfaction; 13) branding; 14) job designing; 15) process redesign and 16) organisational redesign. The data suggests that whether it is routine work or something related to business strategy HRM must perform all their duties in alignment with the business.

According to the data collected the paradigm shift can be separated into four categories: 1) Broadening the scope of HRM; 2) Representing the work of HR to other departments; 3) Continuous improvement in existing activities, and 4) Understanding the business. These categories are discussed in more details below.

Broadening the Scope of HRM

The participants and interviewees emphasized the need to broaden the scope of HRM from different points of views. Some advocated that HRM should take the responsibility to instil organisational strategy into all the employees. One of the participants described her contribution to profit as follows:

"By utilizing basic HR tools like business process redesign, organisational redesign, job redesign and competency model development, we were able to more effectively align our selling and support processes to the changing business realities of large-scale farming and construction" (Hults, 2011).

Participants also suggested HRM should contribute to brand building. There was an essay with comments dedicated towards the significance of HRM on innovation and it was recommended that HRM should be highly responsible for organisational innovations, and must recruit people who are innovative and create an environment for them to flourish. Some participants advocated for continuous training to help foster innovation.

Besides the quantifiable tasks, HRM is also expected to do some seemingly unquantifiable tasks like promoting organisational culture or acting as a centre for personal relief. Some participants said that HRM should play an important role in helping the employees to find a suitable solution to their problems so that they can work efficiently. HRM is also considered as a mediator to resolve issues among colleagues or between bosses and subordinates by some of the participants. Data also suggests that HRM must act as a connector between management and employees, among different departments and also organisation and employees and that it should always focus on achieving a productive team by making the employees happy. This happiness must be multidimensional, encompassing both tangible and intangible benefits. Some participants added this relationship building process should not be confined within the organisation rather it should include the relationship with all the stakeholders.

It has also been suggested that HRM should create an environment where all employees will feel free to provide their feedback. When employees are convinced that they are being listened to, a sense of belongingness will grow which will drive them to think of the goals of the business as their own. HRM, therefore, should take the responsibility of establishing employee satisfaction and the performance of HRM can also be measured by this. One of the participants mentioned something very unique for the data set:

"HR can add value by making change easier than expected for everyone (Chahal, 2013)."

Representing the Work of HR to other Departments

One of the issues that emerged from the different blogs and forums was about making HRM objectives quantifiable or measurable. Many participants mentioned that the objectives of all other departments in a company are measurable but those of HRM are often vague. Some preferred a

standardized workflow with more explicit objectives and justification of all the tasks performed by HRM as a business case.

This suggests that the effectiveness of HRM must be quantifiable and repeatable. To further expand this idea some suggested that the decisions taken by the HR department should be data driven and in reference to that they cited the example of Google where all the decisions related to HRM are based on data and analytics for which they have a team named "People Analytics Team". Few recommended that they should justify their position not only in terms of avoiding cost but also generating profit.

Continuous Improvement in Existing Activities

Many of the participants mentioned that the concept of HRM in the business initially took place to comply with state rules and regulations, but nowadays the scope has broadened as the growth curve of the business depends on the growth curve of its employees. The data also suggested an expectation that the HR department should change the way of performing its regular job. For example, one of the interviewees stated how they were incorporating innovative ideas in their recruitment system while another interviewee shared his plan of restructuring the appraisal system. Some of the participants brought out the difference that a proper HR team can create when recruiting in alignment with organisational goals. There is also recommendation for more fundamental improvements like automation of a payroll system.

Understanding the Business

Lastly the most expected role for HR professionals found from the data was that they must understand the business of the organisation. HRM must actively work to make the organisation capable enough to execute its business strategy. One of the HR managers shared her experience of being highly praised and encouraged when she communicated this objective to other managers of her new organisation. She also added a holistic knowledge of the business with which they had the chance to prove themselves by recruiting the right person, providing the right training or by any other means.

It appears from the data that HRM must essentially understand the fundamental profit or loss of the business and also the existing business position. They should be able to see the job from customer's perspective to develop the right team. An interviewee described how they accumulate overall business information by having dedicated HR personnel for individual departments. A suggestion from the participants was to work in partnership with other departments to determine and attain business goals. Some HR professionals said HRM must prove themselves as leaders and for this they must have business acumen.

Ideas that are Holding Back HR

The participants and interviewees accepted the fact that the overall HR practice is not close to what it should be. In answer to the question regarding the view on existing HR systems many of the participants only focused on the administrative portion of the HR activities. Both HR personnel and other employees contribute to this type of stereotyping. Another very important holding back force identified from the data is the reluctance of higher management to let go of their authority.

Stereotyping by the HR Personnel

It emerged from the data that there are many HR personnel who are reluctant to step forward and accept the new challenge. Several existing HR personnel mentioned that they did nothing but paper work. Several others said that they never observed any activities of HR other than employee joining and resignation. Even the most structured organisations like banks are no exception. One of the interviewees said:

"If you're in a larger organisation there are lots of people and you don't even know who the HR people are (Interviewee, F)."

Another HR manager commented that he felt HRM is "a separate entity from the business" which has no relationship with the core business.

Stereotyping by the Non-HR Employees

The data also suggests that many non-HR personnel cannot think of HRM performing any strategic activities. They think HRM is far away from business so any strategic decision from HR personnel will not be acceptable. Most of them viewed HRM as the centre for resolving employee grievance and to perform the formalities related to new employees or leaving employees. Many of the participants questioned why there is no specific procedure for making HR a successful department.

The data also showed that some people were confused whether HR is needed at all. They justified their question by providing examples of growing businesses in HR outsourcing. Some cited the example of companies like Ruppert Landscape Inc. which has almost 900 employees with no HR department!

Reluctance by Top Management

Answering the question on what the prime obstacle is in establishing proper HR practices two of the interviewees identified the reluctance of top management particularly the board of directors as a prime reason. The interviewee from the multinational bank gave a different example, as this bank decentralized all of their operations except HR. He cited that HR departments of the local companies would not be able to perform its duty as long as the directors try to influence it. A blog participant shared his experience of denial by the top management for a proposal to revamp the scope of HRM. He suggested that to adopt change it is essential to have top management's support and initiative, but in many cases the HR personnel find the top management reluctant to adopt the transformation of HRM.

Behaviour of HR Personnel

One of the problems raised by several respondents is the attitudinal problems of HR personnel. The interviewees and a lot of the participants expressed their confusion regarding how to behave in the workplace. One of the interviewees stated this as a critical issue as she cannot share much internal classified information with other employees and at the same time she has to maintain good relationship with them. Some complained that the HRD has a tendency to control the employees which is not an acceptable behaviour.

Dilemma in Job Responsibility

One of the problems that emerged from the data is that this job demands professionals to perform multiple tasks. According to the comments of participants an HR personnel needs to be a credible activist, change steward, coordinator, and a manager at the same time. As a result HR personnel need to adopt different dynamics in their characteristics. Another problem revealed by the data can be termed as confidentiality versus trustworthiness as HRM personnel face the dilemma whether processes or people should be given more preference. One of the participants put forward an interesting point; business always wants to become more efficient which leaves very little space for the HR personnel to do experiments or to be flexible. An interviewee said that in the early days of his job he used to mingle with the employees closely but one day he realized that if things go like this the employees will not listen to him. The attitudinal problem can also be identified from the recommendation of one of the participants who was an HR professional:

“HR folks need to get out a bit more away from the usual comfort zone in the HR space and start sharing a bit more about the work they do (Boorman, 2012).”

Challenges Arising from Transition of HR

HR personnel are confused about their roles and as a result they have become quite insular in terms of socialization with employees of other departments. According to one of the participants:

“Part of this problem is that people don’t really know what the role of HR is anymore, because it is constantly evolving, and the folks from HR are quite insular in who they hang out with, preferring the company of other HR folks to more open communities (Boorman, 2012).”

A similar point was raised by another participant that little or lack of management training makes the HR person incapable of solving new and complex problems.

DISCUSSION

It has been observed from the data that HRM as a profession is perceived to be facing a multi-dimensional crisis. Some of these issues have long been discussed in the literature but some have not. The modern business demands continuous improvement in HRM and this idea was also supported by participants and interviewees who expressed similar opinions.

In 1984 Schuler and Macmillan tried to incorporate HRM as a tool to achieve competitive advantage. As a continuation researchers tried to incorporate relationship with suppliers and distributors (Porter, 1985), and customers (Lengnick-Hall & Lengnick-Hall, 1999), implement multiple constituency approach (Tsui, 1987), total quality management (Cardy and Dobbins, 1996), and multiple stakeholder approach (Boxal, Purcell, & Wright, 2007). This endeavour of researchers is similar to the expectation of the participants and interviewees in broadening the scope of HR.

Theories like *Leader Member Exchange* (Stringer, 2006), *Firm Employee Relationship* (Herington, Johnson, & Scott, 2009), and *Counterproductive Work Behaviours* (Thau, Bennett, Mithcell, & Marrs, 2009) show the significance of behavioural aspects in workplace relationship. One of the most fundamental factors that influence productivity is the behaviour of employees, and it has been found that many highly competent employees can demonstrate average or even poor performance (Wright and McMahan, 2011). It is the responsibility of HR personnel to develop sustainable relationships between employees-employees and employees-organisation. In the data it was found that many participants expect the scope of HRM to encompass organisational culture development. If HRM can prove its contribution in developing this organisational culture it increases the possibility to claim their contribution on overall performance.

Huselid (1995) demonstrated that a set of HRM practices affect better firm performance and termed it as high performance work system. Later Youndt, Snell, Dear, and Lepak (1996) identified certain combinations of HRM practices as performance indicators. In a research undertaken in New Zealand, Guthrie (2001) found that some HRM practices influence firm turnover and profitability. However, according to Ichniowski and Shaw (2003) US businesses have increasingly adopted multiple human resource management innovations since the 1980s. Lepak, Marrone, and Takeuchi (2004) advocated for unique approaches for different organisations. A similar suggestion has been provided by different researchers as they stated that the work processes and people management vary within and across employee groups, organisations, occupations, industries, and societies (Sherer and Leblebici, 2001; Nishii and Wright, 2007). The single most important requirement of strategic human resource management (SHRM) is that there is no one best way to manage people (Mello, 2006). Establishing a strong HRM strategy that is clearly linked to the organisation's strategy is not enough. HRM strategy needs to be communicated, practiced, and perhaps most importantly spelled out and written down. A study by global consulting Price Waterhouse Coopers found that those organisations with written HR strategy tend to be more profitable than those without one (Bates, 2003, as cited in Mello, 2006). The same idea is reflected in the data as some of the participants strongly recommended a certain set of practice.

An issue that came up from the data is stereotyping the activities of HRM. Nishii, Lepak, and Schneider (2008) argued that it is not just the presence of practice that is important but also the perceptions about the intentions behind the practices. This maybe is one of the reasons that is hindering the progress of HRM. One of the basic differences between HR and other departments is that HRM contributes in several passive ways as described earlier by different behavioural theories. The data suggests that many employees both HR and non-HR are concerned with the attitudinal aspect of HR employees. Emphasis on individual performance, the relevance of employee involvement in decision making and employee development create greater organisational success (Heinsman, de Hoogh, Koopman, and van Muijen, 2008; Luna-Arocas and Camps, 2007). Knowledge workers do not like to be told what to do, and they want more autonomy than traditional workers have had in the past. It implies that the attitude of HR personnel is an important factor for them to justify the significance of the HR department. The literature focused on the activities of HRM or the growing scope of HRM, but none of them emphasized the attitude of the HR personnel which is a key factor for relationship building. Future studies are required to find the relationship between HR personnel attitude and acceptance of HRM.

For HRM researchers one of the major challenges is to identify the differences or gaps between the theories and practices (Wright and Nishii, 2006; Khilji and Wang, 2006). Gathering information from both sides; the employees and managers about HR practices may not give an impartial picture. For example, it could be that line managers do not implement practices or implement them in a proper way. Nishii et al. (2008) have also found that workers' perception about the practices could have an impact on their response. Research on the change initiatives shows mid-level managers implement new policies, guidelines, and practices as they perceived, required by senior level management (Balogun and Jhonson, 2005). According to Guest (2011) the line managers implement HRM and not the HR managers. This indicates a change of focus from the existence of HR practices to how they are implemented which in turn implies a shift in attention from HR managers to line managers (Bos-Nehles, 2010).

Green, Wu, Whitten, and Medlin (2006) found that a proper establishment of strategic human resource management would increase job satisfaction of HR personnel. This will solve the problem of many participants who are confused with their roles. This may in turn make them more open and social to the organisation. Researchers combined behavioural theory and strategy, and also explored the effects strategic human resource management might have on the performance of HR professionals. They also talked about different tools HR professionals may use to increase efficiency. But researchers have not focused on how the HR personnel should behave. Data suggests that HR personnel attitude may influence their acceptability and performance. Attitude can be treated as one of the main instruments for effective HRM.

The discussion of the interviewees and blog participants and existing literature showed that there is a gap between HR theories and practices which make it difficult to establish its significance. A model has been proposed on the effects of these issues on the image of HRM.

Insert Figure 2 about here

The findings suggest that these factors are not independent rather they are inter-related. The demand in paradigm shift affects other two factors while concepts that are holding back HRM also affect the attitudes of HR personnel. Future research is needed that will focus on the complete solution.

From this research a few thoughts for future studies can be proposed:

1. Can behaviour of HR personnel be considered as one of the important instruments of successful HRM?
2. Will it make it more acceptable to the professionals if HR researchers justify their findings in accordance with particular organisational and cultural situations?
3. Whether it is needed to consider all the three properties for a proper implementation of HR system?

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Appendix: Web addresses of the Blogs and Forums

- <http://yashmahadik.com/2013/06/20/how-can-hr-create-value/>
- http://blogs.hbr.org/2011/12/why-hr-really-does-add-value/#disqus_thread
- <http://www.ere.net/2013/02/25/how-google-became-the-3-most-valuable-firm-by-using-people-analytics-to-reinvent-hr/#comments>
- <http://intellectualcapitalconsulting.blogspot.com.au/2009/11/how-does-hr-add-to-profits.html>
- <http://fistfuloftalent.com/2014/03/job-titles-participation-trophies-grown-ups.html>
- <http://www.hrmtoday.com/featured-stories/5-best-practices-for-a-successful-payroll-system/>
- <http://www.hrmtoday.com/topic/featured-stories/26>
- <http://www.hrmonline.ca/hr-news/the-three-toughest-work-conversations-179119.aspx>
- <http://www.hrbartender.com/2014/employee/give-employees-recognition-money-without-pay-increases/>
- <http://articles.economicstimes.indiatimes.com/keyword/human-resource-management>
- <http://www.hrbartender.com/2013/recruiting/the-difference-between-knowledge-skills-and-abilities/>
- http://www.hrdaily.com.au/nl06_news_selected.php?selkey=1032

- <http://www.hrzone.com/feature/strategy/how-do-rest-c-suite-view-hr%E2%80%99s-role/142883>
- <http://www.recruitingunblog.com/tag/what-do-people-think-of-hr/>
- <http://online.wsj.com/news/articles/SB10001424052702304819004579489603299910562>
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Figure 1:Challenges of HR during its paradigm shift from clerical to strategic position

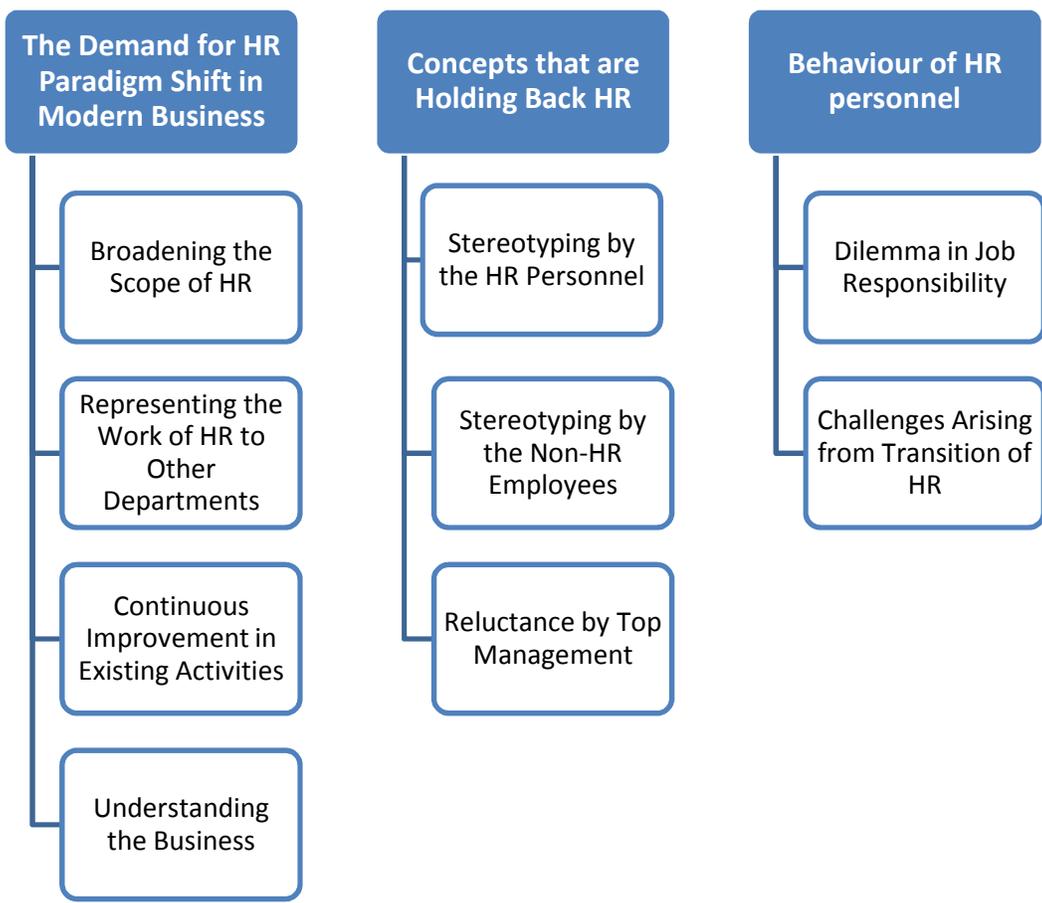


Figure 2: Inter-relationship of factors contributing to HR controversies

