

Human Resource Management Orientation and Strategic Responses to Environmental Change

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Abstract

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

Table of Contents

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<u>Topic</u>	<u>Page</u>
Abstract_____	2
Aknowledgements_____	3
1.0 Introduction_____	5
2.0 Meaning of Human Resource Management_____	7
3.0 Development of the Human Resource Management Concept_____	12
3.1 Historical Background_____	12
3.2 Theoretical Underpinnings_____	14
3.2.1 Hard HRM_____	15
3.2.2 Soft HRM_____	17
3.2.3 Empirical Findings_____	18
4.0 Conceptual Model_____	21
4.1 Environmental Change_____	22
4.2 Business Strategic Response to Environmental Change_____	23
4.3 HRM Strategic Response to Business and Environmental Change_____	26
4.3.1 Employment Patterns_____	26
4.3.1.1 Concept of Flexibility_____	27
4.3.1.2 Workforce Flexibility and HRM Orientation_____	30
4.3.2 Industrial Relations_____	32
4.3.2.1 Industrial Relations and Pay_____	34
5.0 Conclusions_____	37
References_____	39

1.0 INTRODUCTION

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

HRM has assumed varied meanings and connotations. While it has been used as a synonym for personnel management by some, (Storey, 1992; Storey & Sisson, 1993), there is a general agreement that the adoption of HRM signals a more business oriented and business integrated approach to the management of people (Beer and colleagues, 1984; Fombrun and colleagues, 1985; Storey, 1987). However, more skepticism has been expressed about its theoretical underpinnings and intellectual credentials (Storey, 1995; Legge, 1995a). While some writers have questioned if HRM is a map, a model or a theory (Legge, 1995a) others have proposed typologies (Storey, 1987; Hendry, 1995) and some have proceeded to make empirical observations to confirm the presence of these typologies in organizations (Truss, 1997, 1999; Heery, 1997; Gooderham and colleagues 1999; Kane & Crawford, 1999 and Morris, 2002). Among the typologies proposed, the soft and hard HRM orientations are the most acceptable and the subject of conceptual constructions and empirical enquiries. The soft version of HRM is linked to the human relations school while the hard HRM version is seen as emerging from strategic and business policy thoughts (Guest, 1989; Storey & Sisson, 1993).

The general view therefore is that HRM is a qualitatively different function with philosophical underpinnings, but the exact nature of this view is not clear and is the subject of much debate. Further controversy has been fueled by the discrepancy

between the rhetoric and reality of HRM. As a result, Legge (1995a); Storey & Sisson (1993) and Sparrow and Marchington (1998) have raised much concern about the applicability of HRM ideas in organizations especially in the light of a turbulent and constantly shifting environment. Some empirical observations have shown that, while organization's rhetoric, reflected in management's language and vocabulary is soft, the reality, reflected in management action and behaviour can be hard depending upon the prevailing changes in the environment in which the organization operates (Gooderham and colleagues, 1999 and Truss, 1997, 1999).

In this paper, the objective is to develop a conceptual understanding of how organizations respond in the way they manage people when changes occur in their external environments. To achieve this objective, firstly, the meaning, historical development and theoretical underpinnings of HRM are outlined. Secondly, the relationship between environmental change and business strategic responses is discussed and finally, to locate the implications of this change for the human resource management function, two broad generic human resource management practices are examined. These are employment patterns and industrial relations. This paper therefore rests on the premise that changes in the external environment trigger business strategic responses that in turn trigger human resource management strategic responses, but the nature of these responses is moderated by the HRM orientation practiced by an organization.

2.0 MEANING OF HUMAN RESOURCE MANAGEMENT

HRM has been variously described as an evolving set of competing theories (Pinnington and Edwards, 2000) and a group of interrelated policies with an ideological and philosophical underpinning (Guest, 1991). Writers have developed differing, yet complementary definitions of HRM. Michael Armstrong defined it as:

“...the strategic approach to acquiring, developing, managing, motivating and gaining the commitment of the organization's key resource- the people who work in it and for it.” (Armstrong, 1999:13)

John Storey suggested that HRM is a:

“...distinctive approach to employment management which seeks to achieve competitive advantage through the strategic deployment of a highly committed and capable workforce, using an integrated array of cultural, structural and personnel techniques” (Storey, 1992:5)

The central theme that describes what HRM is appears to be the *integration of HR policies with the organization's business plan* (Guest, 1989; Storey, 1992; Hendry, 1995; Brewster et al, 2000) such that the locus of responsibility for human resource management issues no longer resides with only specialist managers, but with line management (Legge, 1991; Storey & Sisson, 1993). As such, HRM can be described as a managerially derived and driven set of precepts involving not only personnel management, but line management as well (Storey, 1992, 1995; Towers, 1996). HRM also implies a shift of focus from manager-trade union relationship to management–employee relations and from collectivism to individualism. Torrington (1991) observes that human resource management seeks to eliminate the mediation role of trade unions by adopting a unitarist frame of reference. In the industrial relations context, Swanepoel (1999) explains the unitary perspective as referring to the views of those who regard management and employees as having identical interests such that workers cooperate with management and work together as a team towards the achievement of management objectives. Unitarism means HRM seeks to implement measures designed to motivate workers, communicate details of organizational goals and construct policies for securing employee loyalty and commitment (Armstrong, 1999). While the unitarist perspective is increasingly becoming a major aspect of HRM, it has been criticized for failing to comprehend the motives of individual employees and for failing to accept and recognize the inevitability of conflicts of interest between management and workers (Storey & Sisson, 1993).

Beardwell and Holden (1997:6) are more cautious and choose to present HRM as a debate representing four perspectives: a renaming of basic personnel functions; a fusion of personnel management and industrial relations; a wider conception of the employment relationship incorporating an enabling and developmental role for individual employees and lastly as a part of the strategic managerial function in the development of business policy. The writers also point out critical questions that have been asked about HRM regarding whether it is practitioner-driven, an academically derived prescription or a prescriptive model. Owing to the varied conceptual meanings and contradictions, it appears that there is no universal definition of HRM. However, we can conclude that not only is HRM an innovative concept that addresses the fundamental question of managing employees in new ways and with new perspectives but also a practice that is both located within and meshed with the larger framework of the organization's business strategy. This is in contrast to traditional personnel management that has been described as reactive, instrumental and mostly concerned with administration and implementation of policies and procedures (Torrington, 1991). In contrasting HRM and personnel management, Storey & Sisson (1993) indicate that personnel management imposes compliance with company rules and procedures rather than loyalty and commitment to the firm that is expected under HRM.

Following Alfred Chandler's argument that structure follows strategy, Fombrun and colleagues (1984), reasoning from a strategic perspective, suggest that an organization's structure and the human resource practices of selection, appraisal, rewards and development should be aligned so as to achieve the strategic objectives of the organization. Likewise, from a humanistic perspective, Beer et al (1985) identify a set of assumptions that underlie HRM as a concept that is proactive; links the management of people with strategic planning and cultural change; sees people as social capital capable of development; promotes open channels of communication to build trust and commitment; goal oriented and encourages participation by all employees. In summary, Storey (1992), proposes four elements that express the concept of HRM. Firstly, is the view that human resources make a fundamental difference in organizations, as it is human capability that distinguishes successful from unsuccessful organizations. Secondly, HRM is an organizational matter of strategic importance hence management decisions involving people should be top management issues rather than personnel management's. Thirdly, HRM has long term implications and ought to be the concern of line managers and lastly, the key levers used to activate the HRM approach are clear communication of objectives, calculated deployment of human resources and evaluation of performance. Further to these views, Delaney & Huselid (1996) describe HRM as a bundle of practices that are linked to organizational performance, these being employee participation and empowerment; self-directed teams; extensive employee training and performance contingent compensation.

It appears therefore that, the style of management expected in an HRM environment is one that emphasizes self-control, commitment and exercise of initiative, thus, transforming managers into enablers, empowerers and facilitators (Storey, 1992) rather than enforcers of rules and regulations (Guest, 1989). As such, HRM appears to imply a distinctive approach to employment management, which not only seeks to obtain competitive advantage through the strategic deployment of a highly committed and skilled workforce, using an array of cultural, structural and personnel techniques (Armstrong, 1999), but also one which strives to achieve fit with the organization's business strategy (Brewster, 2000). This means that effective human resource management does not exist in a vacuum, but must be related to the overall strategy of an organization (Guest, 1998)).

The strategic view of HRM has the connotation of the use of planning and a coherent approach to the design and management of personnel systems based on an employment policy and manpower strategy underpinned by some philosophy (Beardwell & Holden, 1997). In addition, this view implies matching HRM activities and policies to some explicit business strategy and seeing the people of the organization as a strategic resource for achieving competitive advantage (Brewster et al, 2000). The emphasis in

HRM therefore is on planning, monitoring and control rather than on problem - solving and mediation. It is largely identified with management interests and is a management activity more than it is an employee's activity (Storey, 1992; Pinnington & Edwards, 2000).

Although HRM has grown as an academic discipline and as a management practice, it has attracted substantial criticisms at both the theoretical and empirical levels. At the theoretical level, critics have leveled it a concept that lacks coherence and has no unifying theory. Noon (1992) cited in Hendry (1995), argues that although HRM is built with concepts and propositions, the associated variables and hypotheses are not made explicit, hence making it difficult to label it a theory as it would raise false expectations about its ability to describe and predict. Legge (1991; 1995a) and Sparrow & Marchington, (1998) maintain that HRM contains more rhetoric than reality. They further accuse HRM of promising more than it can deliver. Guest (1991) describes it as an optimistic but ambiguous concept full of nothing but hype and hope. In support, Storey and Sisson (1993; Morgan, 2000), criticize HRM as a concept whose strategic orientation reflects management's hopes and aspirations that are rather ambiguous in reality. Guest (1998) further refers to it as an academic construction rather than an empirically derived ideology. From the employee's perspective, adoption of HRM by organizations may be perceived as an unfair set of devices designed to make them work more for less. Similarly, the constant exposure to management persuasion and propaganda could cause employees to feel manipulated and used (Graham & Bennett, 1998). At the empirical level, the question on the extent to which firms are introducing HRM has not produced conclusive evidence. As Legge (1995a) notes, although many case studies have been carried out, there is doubt as to the depth of HRM adoption. This is mainly because of the failure to take into account the contingencies of the sample organizations. Evidence from some studies (e.g. Truss, 1997; 1999) indicates that while organizations purported at the rhetorical level to be introducing HRM of the soft variety, the reality was implementation of hard HRM. However, after making incisive comments about HRM, Sparrow & Marchington (1998) conclude that as no competing concept has been found to take its place and there is no alternative to challenge the centrality of HRM ideas about the generation of high commitment and high performance, the debate is likely to continue into the future.

In spite of the criticisms, many scholars and practitioners agree that HRM represents the beginning of a better appreciation of the potential value of human resources. Critics of HRM appear to have ignored the point that people can add value and hence enhance organizational performance. The proliferation of research into HRM adoption and its implications on organizational performance attest to this. Welbourne and Andrews (1996) and Delaney and Huselid (1996) report that the difference between firms that

survive and those that fail is that those that survive hold very strong beliefs about the strategic value of their human resources and have reward systems linked to organizational performance. Likewise, Truss (2001) provides research evidence to suggest that HRM adds value to organizational performance.

3.0 DEVELOPMENT OF THE HRM CONCEPT

This section discusses the origins, driving forces and theoretical background of HRM. It is noted that HRM as a concept is driven by the western ideology of capitalism and free market economy while its origins and theoretical underpinnings are rooted in the individualistic values of personal growth, development and freedom.

3.1 The Historical Background

The term HRM was initially used by some American firms before any theory of HRM was developed. This was probably due to the ideas proposed by economists such as Gary Becker about people as human capital (Hendry, 1995). However, the large scale adoption of HRM titles and practice first in America and later UK and internationally signaled larger ambitions (Legge, 1995a). HRM writers in their preambles all agree that HRM emerged as a response to specific challenges faced by firms. Hendry (1995) explains that HRM was born out of perceived failure by American industry and management in the face of Japanese competition in international and domestic markets. The belief was that American firms failed to inspire the same kind of commitment that characterized Japanese firms. Ouchi (1981) cited in Hendry (1995) compared American and Japanese management values and concluded that American firms were characterized by job insecurity, quick promotion (in contrast to Japanese pillar of seniority progression), specialized careers, bureaucratic control, emphasis on individual decision making and responsibility and narrow focus on departmental interests. As such, it appeared that the short-term, non- strategic orientation of American firms was closely associated with the ideals of individualism rather than loyalty and collectivism. In pursuit of such short-term profit goals, American firms emphasized cost reduction measures such as removal of discretionary expenditures like training and research and reducing employee headcount.

Apart from differences in values, the emergence of HRM is further attributed to the pressures experienced in the product markets during the 1980-1982 recession in the United States of America; the decline of trade unionism; challenges emanating from overseas competitors especially Japan and declining rates of innovation in American industries (Beardwell & Holden, 1997). These developments sparked the desire to create a free work situation in which the employer and employee worked towards the

same goal - the success of the organization. Elsewhere in Europe, the emergence of HRM has been linked to the internationalization of competition as a result of gradual reduction of barriers to trade globally and the reform of the public sector involving privatization of state corporations that had the effect of marginalizing trade unions. Pinnington & Edwards (2000), explain that in the UK in particular, such change was meant to introduce a business and market culture into a bureaucratic and an inefficient public sector and stimulate competition, which the UK was losing to the rest of Europe. The government engineered political as well as economic policy measures that facilitated the uptake of HRM by both private and public sector organizations. Deregulation of the labour market for example, aimed to remove barriers to a more flexible labour market caused by strong trade unions and employment protection legislation that prevented employers from adjusting the size of their workforce. As a result, relaxation of employment protection legislation and anti-union legislation encouraged firms to introduce new labour practices and reorder collective bargaining practices. In addition, persistently high levels of unemployment gave employers more leverage in dealing with their workforce, the reason being that a large pool of potential labour makes employees wary of taking any action that is likely to antagonize management and cause job losses. The Handy (1989) and McCormick (1987) reports highlighted the poor performance of British management due to low levels of training thus, prompting the shift of human resource matters from personnel management level to top management. At the same time the influence of the excellence literature of Peters and Waterman (1982) and Kanter (1984) shifted the focus of British managers to employee commitment and empowerment. It appears therefore that changes in the environmental context made HRM not only an attractive option to counter competitive pressure, but also easy to implement. It is from these beginnings that a proliferation of literature emerged from both academicians (see Storey 1987; 1991; 1992; 1995; Legge, 1991; 1995; and Guest, 1987; 1991; 1998) and practitioners in the field of people management, for example Armstrong (1999, 2000) and Torrington (1991; 1998)

While HRM has received considerable attention in Europe, America and other industrialized countries of the world, it is only recently that some interest has been directed at the status of HRM in developing countries. The newly industrialized countries of Asia that are also perceived as a major source of competition to Western economies are drawing much attention from both Western and Asian writers under the banner of international HRM. On the other hand, less developed countries especially in Africa have received limited attention. It has even been suggested that the employment relationships in such countries are not conducive to adoption of HRM practices. This, however, is controversial as the contingencies of specific countries and organizations determine their favourableness to HRM (see for example, Jaeger & Kanungo, 1990; Blunt and Jones, 1992). At the same time most firms are multinational with parent

companies in Western countries. It would be expected therefore, that, if HRM practices are transferable, then HRM is likely to be practiced even in the less developed countries of the world.

3.2 Theoretical Underpinnings of HRM

While it appears there is a general consensus by scholars on the origins of HRM and its driving forces, there is less agreement on its theoretical underpinnings. Human resource management scholars are not agreed on whether HRM is a prescriptive model that is concerned with instructing practitioners on how to manage people or a descriptive model that reports on actual developments in the field of human resource management or a conceptual model (Storey, 1992). Others have asked if it is a practice, a philosophy or a theory (Legge, 1995a). Although scholars appear cautious not to describe HRM as a theory, they nevertheless proceed to offer various models and typologies that describe and categorize its approaches. Some of these are normative (e.g. Legge, 1991, 1995a); some are theoretical and derived from the literature (e.g. Guest, 1989, 1991; Beardwell & Holden, 1997); and others are empirically derived (e.g. Storey, 1992; Storey & Sisson, 1993; Storey, 1995; Truss, 1997). However, they have all been described as failing to achieve the status of a fully-fledged theory due to complexities in terminology; lack of generalizability; inherent contradictions and failure to provide any predictive capability (Truss, 1999).

Although HRM may not have attained the status of a theory, the two frequently cited typologies of 'soft' and 'hard' HRM have gained some credence with writers and researchers who have made attempts to bridge theory and practice (Towers, 1996). Although typologies have been criticized as being classification systems rather than theories, Doty and Glick (1994), to the contrary, support typologies. They argue that when typologies are properly developed and fully specified, they are complex theories that can be subjected to rigorous empirical testing using quantitative models. The writers point out that, typologies have generated a large volume of empirical research because of their ability to provide a parsimonious framework for describing complex organizational structures. They refer to popular typologies such as Miles and Snow's (1978), Mintzberg's (1979, 1983) and Porter's (1980) that have stimulated a large amount of empirical research. Based on the above arguments, it would appear that the soft and hard approaches to HRM would serve as an appropriate theoretical basis from which to discuss the HRM concept.

According to Truss (1997), the underlying ideas and assumptions of HRM are based on two opposing views of human nature. These are the human relations movements of the early twentieth century and the more recent strategic management and business policy

line of thought that gave rise to what Guest (1989) referred to as the 'soft' and 'hard' models of HRM respectively.

3.2.1 Hard HRM

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

In their model, Fombrun et al (1984) propose a framework for strategic HRM that assumes that organizational needs come first. Their view is that organizations exist to accomplish a mission or achieve objectives. Hence, the model hinges on three issues: mission and strategy of the organization; fit among organizational structures and human resource requirements, tasks and systems. The model assumes that HRM will respond to the external and internal environment appropriately. The model also assumes a contingency approach to HRM. The Michigan model is hard HRM because it is based on strategic control, organizational structure and systems for managing people. Although it acknowledges the importance of motivating and rewarding people, it concentrates most on managing human assets to achieve strategic goals (Pinnington & Edwards, 2000).

Some writers have dismissed this model as inhuman while others proclaim it as common sense and the only route to business success (Hendry, 1995; Morris, 2000).

Others have argued that hard HRM has been used to strengthen management prerogative and legitimize the worst employee-relations excesses of the enterprise culture (Legge, 1995a)

3.2.2 Soft HRM

The soft HRM approach to managing people also referred to as the Harvard Model, was advanced by Beer et al (1984) and Walton (1985) and extended by Guest (1989). The model proposes that people can be dealt with within four human resource categories: employee-influence, which refers to the amount of authority, responsibility and power voluntarily delegated by management; human resource flow, which refers to decisions on recruitment, selection, promotion, exit, job security, career development, advancement and fair treatment; reward systems which, are concerned with both intrinsic and extrinsic rewards such as the work itself, sense of purpose, achievement and challenge, pay, bonuses, pensions, holidays, health insurance and flexible working hours; and work systems, which deal with the arrangement of people, information activities and technology. In addition, the Harvard model also recommends four human resource outcomes – commitment, competence, congruence and cost-effectiveness. It also considers the environment in which HRM operates. The model concludes with a list of long-term consequences of human resource outcomes: individual well being; societal well-being and organizational effectiveness. The Harvard model is soft HRM because it concentrates on people's outcomes rather than organizational outcomes and business performance. Organizations adopting this model ensure that employees are involved in work, have opportunities for advancement and participate in decision-making. Any HRM policies would be developed with employee's need for influence in mind but within the limitations of having to be consistent with the overall business strategy and management philosophy.

Guest (1989) developed a second soft HRM model. He identified and recommended four human resource outcomes namely: high employee commitment to organization, strategic integration, high workforce flexibility and adaptability and high quality workforce. He proposed that these four HR outcomes would lead to desirable organizational outcomes such as high job performance, stronger problem solving skills, greater change consistent with strategic goals and improved cost-effectiveness. Guest's model can be said to be soft HRM as it gives a strong recognition to employee needs such as training and development. The soft HRM approach is seen as more development oriented with a humanistic focus based on explicit statements about the value of employees to the firm and ethical matters related to the employment relationship (Storey, 1992; Beardwell & Holden 1997). Employees are seen as active partners rather than passive inputs and core assets especially in creativity and innovation. It also views

employees as participants in a venture premised on commitment, communication and collaboration. The collaborative emphasis is characterized by efforts to create and communicate a culture of partnership between the employer and employees and among employees. An organization practicing a soft approach to managing its human resources would be expected to stress the importance of employee commitment, self-regulation and a broad degree of self- control (Pinnington & Marchington, 2000). The focus in this model is on individual development, lifetime training and individual freedom.

3.2.3 Empirical findings

While the two typologies of soft and hard HRM have received some attention from researchers they have yielded contrasting results. Truss (1999) by contrasting the hard and soft HRM found evidence to suggest that women's career opportunities are influenced by the HRM approach practiced by an organization. While women's chances for progress are improved with soft HRM, it is not easy to draw clear boundaries between the two models as the rhetoric may be soft but the reality hard. External factors such increased competition and cost reduction needs together with internal factors such as leadership and administrative heritage were found to influence the form of careers offered to both men and women and the nature of HRM regime practiced by an organization..

Gooderham, Nordhaug and Ringdal (1999) tested the effect of micro level variables on HRM practices and found that while institutional determinants such as firm size have a strong effect on the application of both the soft (collaborative HRM) and hard (calculative HRM), managerial autonomy with less regulative pressure from rules and regulations was associated more with the hard calculative orientation rather than the soft collaborative orientation. They concluded that the stronger the management autonomy in firms the more they will adopt hard calculative HRM practices. Likewise, the presence of strong regulations and rules tend to favour soft approaches as management has less power to introduce organizational changes to fit the organizational strategy. These findings appear to generally support the HRM practices described in the prescriptive literature.

Morris, Wilkinson and Munday (2000) in contrasting Japanese personnel systems and the hard and soft HRM models, found that the Japanese personnel system is qualitatively different from the HRM model in its orientation. While the personnel system was linked to a production strategy, the HRM was linked to business strategy, both of which portray elements of tight control, specific training and unitarist values. The similarities therefore are with the hard version of HRM.

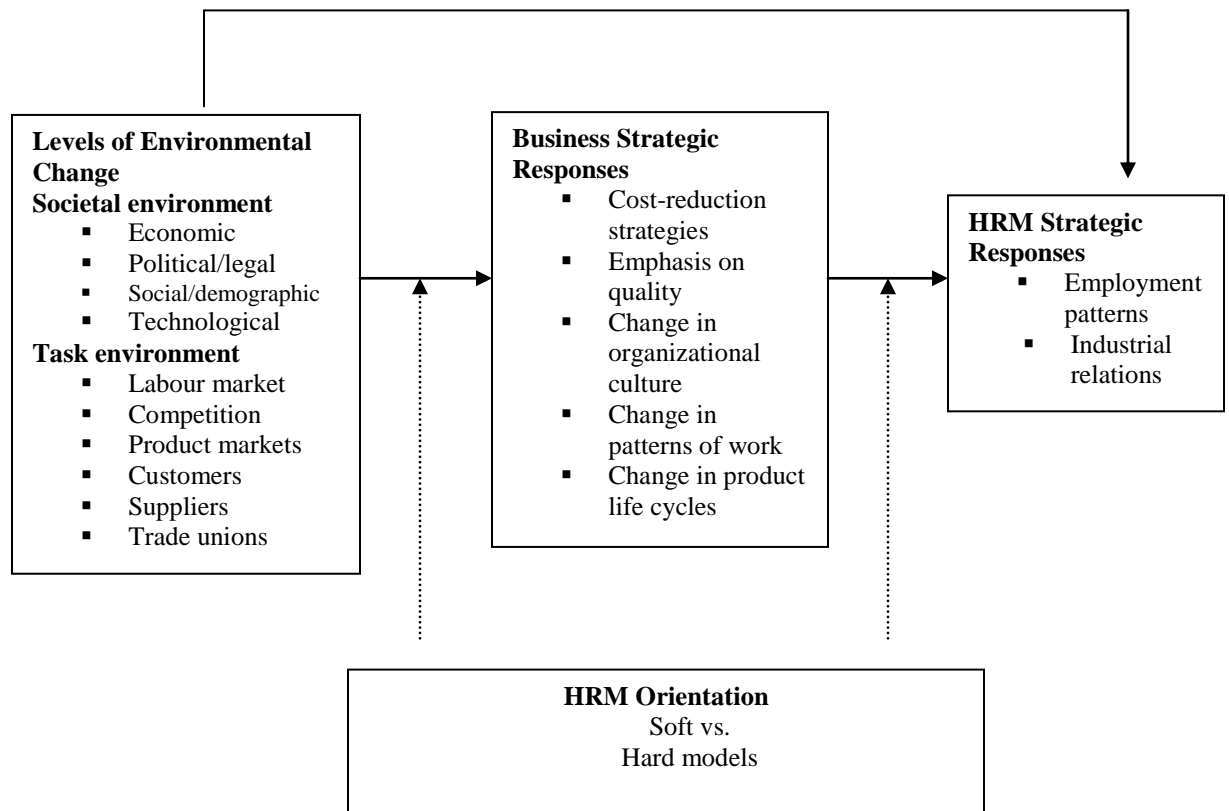
Kane and Crawford (1999) studied the extent to which firms exhibited soft or hard approaches to HRM in relation to perceived overall HRM effectiveness. They concluded that HRM must meet the criteria of both strategic and developmental where both are integrated with the organization's strategy and objectives. Contrary to the findings from other studies where the hard and soft aspects of HRM are not usually implemented in practice, they found little evidence of conflict or incompatibility between the two theoretical perspectives. On the barriers to implementation of effective HRM, the results of a factor analysis yielded management attitudes, knowledge deficiencies of HRM staff and the current state of HRM as the major factors affecting HRM. The researchers conclude that HRM effectiveness can be achieved through both hard and soft HRM since this effectiveness is related to both organizational strategy and objectives (hard aspect) and employee motivation and development (soft aspect).

Heery (1997) examined the compatibility of industrial relations and performance related pay (PRP), an HRM practice that is increasingly being adopted. His findings indicated that PRP is applied both where soft or hard aspects of HRM are practiced, but where it formed part of soft HRM, unions were more likely to secure a representative role than under hard HRM.

The soft and hard HRM models described above have helped to advance researchers theoretical understanding of the linkages between human resource management practices and business strategic objectives. However, the moderating effect of human resource management orientation on the business and HRM strategic responses to environmental change appear not to have been fully articulated in the HRM literature. The conceptual framework presented in the next section is both an extension and an addition to previous studies in human resource management.

4.0 THE CONCEPTUAL MODEL

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



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

4.1 Environmental Change

The general HRM literature notes the continual and dramatic changes that have taken place in organizations in the recent past. While some of these changes have been triggered by externally-driven economic pressures, social and demographic change, advancements in technology and political and legal change such as public sector reforms and deregulation of labour markets (Hendry, 1995; Pinnington and Edwards, 2000) others are internal and are driven by competition, the labour market, customer-driven markets and demands for value by shareholders (Anthony et al, 1996; Beardwell & Holden, 1997).

The environment of an organization refers to the sum total of the factors or variables that may influence the present and future survival of an organization (Armstrong, 1999). The factors may be internal or external to the organization. Anthony and colleagues (1996), use the term societal environment to define the varying trends and general

forces that do not relate directly to the company but could impact indirectly on the company at some point in time. Four of these forces are identified as economic, technological, legal and political and socio-cultural and demographic forces. The second type of environment is the task environment that comprises elements directly influencing the operations and strategy of the organization. These may include the labour market, trade unions, competition and product markets comprising customers, suppliers and creditors. The task environment elements are directly linked to the company and are influenced by the societal environment. The strategic management literature describes environments in more detail. Ginter and Duncan (1990:91) for example, identify two sub-environments in the external environment that they refer to as the macro and competitive environment. Other writers (see Pearce and Robinson, 1999), use the terms remote, operative or industry environment. Variables in the societal or remote environment affect all organizations in general and are beyond the ability of an individual organization to control. However, variables in the task, competitive or operative environment as they are variously referred to, affect organizations in a specific industry and it is possible to control them to some extent. As such, environmental change, whether remote or task, disrupts the equilibrium that exists between the organization's strategy and structure, necessitating adjustment to change.

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

4.2 Business Strategic Response to Environmental Change

An organization faced with environmental change can adopt one or several strategic postures with the environment. Miles and Snow's (1978) typologies of *defenders*, *prospectors*, *analyzers* and *reactors* explain business strategic choices of organizations. The four types of organizations are based on observed patterns of response to market conditions. *Defenders* strongly defend their position in the market against any forces

whether competitors, government or trade unions. They depend on a narrow line of products that caters for a niche market and tend to rely on established and stable technology. They would rather improve efficiency of existing operations than search for new opportunities when faced with change. In terms of human resource management response, Anthony and colleagues (1996) explain that defenders prefer aggressively trained specialists in the industry in order to produce and market a narrow line of products. Top managers tend to be highly expert in their limited area of operation. When confronted with change, defender organizations are more likely to focus on internal efficiency-enhancing strategies which may mean adopting cost-cutting measures such as downsizing, reducing product lines, developing high quality workforce through specific training, introducing performance related pay, avoiding trade unions and collective bargaining and adopting numerical flexibility in its employment patterns. From HRM theory, the hard HRM aspects are likely to be stronger than the soft aspects as defenders appear to operate along Taylorist lines where efficiency, tight controls, avoidance of collective bargaining and performance pay are practiced. More specifically, we can propose that:

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

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

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on people oriented outcomes rather than production and efficiency. Consistent with this observation it is proposed that:

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

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

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

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

4.3 HRM Strategic Response to Business and Environmental Change

HRM response to environmental change and business strategic decisions can be understood better by analyzing them in terms of generic human resource management practices from which the core themes of the soft and hard models of HRM are built. The framework of Beer and colleagues (1984) and Walton's (1985) models are built around the concepts of employee influence; human resource flow; reward systems and work systems. Guest (1989) proposed employee commitment, workforce flexibility and adaptability and high quality workforce as part of the HRM model, while Fombrun and colleagues (1984) advanced the view that there must be a fit between human resource systems and the organization's strategy. In discussing the approaches taken by HRM researchers, Legge (1995a) states that whether it is theory development or empirical

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research, the generic functions of HRM provide the basis for formulating measurable criteria against which to assess human resource management practices and processes in organizations. Based on this observation, HRM strategic responses to both environmental and business strategic change will now be examined within two broad generic HRM practices that encompass other functions such as training and development, recruitment, selection and rewards. These are *employment patterns* and *industrial relations*.

4.3.1 Employment Patterns

Growth in flexible working patterns is a reflection of changes in the labour market (Mayne & Tregaskis, 1996) and an aspect of human resource management strategy involving a greater ability by the employer to dispense with certain workers when not strictly essential to the production process (Brewster et al, 2000). This may take the form of franchising, sub-contracting, or use of part-time or temporary employees (Emmott & Hutchison, 1998). It may also mean, for any individual worker, a wide range of tasks and abilities and a willingness to employ them on behalf of the organization which purchases them; a greater variety in time periods of employment; a greater capacity among workers to be so deployed necessitating changed attitudes for all and skill and time management change for some (Hendry, 1995). These new work patterns and practices indicate a new strategic focus integrating both the hard and soft approaches to human resource management.

4.3.1.1 Concept of Flexibility

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

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

To enhance the understanding of flexibility, the flexible firm or core - periphery model advanced by John Atkinson (1984) cited in Legge (1995a:146) and Hendry (1995:393) as an organizational structure to explain flexibility is examined. This model divides the organization into two broad segments, the *core* and the *periphery* in place of the traditional hierarchical structures. The core reflects the need for the organization to develop a permanent highly skilled group of employees with internal career paths. As a result, core employees experience a high degree of job security, and provision of training in firm specific skills and they reflect functional flexibility. In contrast, the peripheral workforce is associated with the organization's development of numerical flexibility. Their key function is to undertake daily routine activities that are important but not vital to the organization. The jobs are not career oriented and skills are general. Peripheral workforce is accommodated through part-time work and sub-contracting so that the organization achieves flexibility with minimal commitment or disruption. The focus of the flexible firm model is to closely match human resources with work demand and increase the efficiency of human resource utilization while dampening the effects of market volatility and uncertainty, thereby increasing organizational effectiveness (Brewster and colleagues, 2000). A conceptual analysis of the flexible workforce shows that a multi-skilled core workforce offers functional flexibility as employees are trained to undertake a range of tasks within the labour process as required by management while periphery workforce offers numerical capability in the form of temporary, part-time or casual employees. Handy (1989) suggests that the core-periphery workforce is likely to be the norm rather than the exception in the future.

The adoption of flexibility as part of the HRM strategy has several implications for both employers and employees. While flexible work patterns may be advantageous to the employers, employees are likely to be negatively affected by the unequal treatment in terms of pay and benefits, reduced career opportunities, limited training opportunities, breach of the psychological contract, increased job insecurity, and increased stress. The

workforce becomes less uniform which is in direct conflict with the practice and philosophy of trade unions. Hendry (1995) argues that flexibility discriminates against particular groups of people, thus perpetuating social disadvantage. Such a situation is exacerbated by government legislation aimed at reducing trade union protection in the interest of a more flexible labour market at the macro-economic level.

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

Arguing on the effects of flexible work patterns on the collective employment relationship between employers and employees, Marlow (1997) observes that the bargaining leverage of trade unions is reduced as possession of a skill or talent is no longer exclusive as tasks are spread throughout the workforce thus reducing the power of specific crafts or professions. Flexibility also tends to reduce the physical numbers of core workforce as organizations depend more on numerical flexible labour. This implies redundancies and consequent fall in trade union membership and growth in unemployment. It is also expected that as organizations adopt more flexible HRM practices, traditional collective bargaining is likely to shift from pay increases to bargaining on issues related to exchange of wage increases for redundancies, so that in place of accepting flexibility contracts employees are offered pay increases, status and job security. However, according to Pinnington & Edwards (2000), where employees have resisted bargaining for change in their terms of employment, and acceptance of new labour practices, social, economic and political environments have offered employers the power to impose change in the face of union resistance. In addition, legislation to deregulate the labour market, combined with mass unemployment and a weak trade union movement have made flexibility more accessible to employers. In the past, though employers have always attempted to force flexibility, they have been hampered by government regulation and union regulation terms and conditions of unemployment (Armstrong, 1999). Marlow (1997) suggests that the resulting incompatibility can be resolved by adopting a dual system where issues of flexibility are achieved through the bargaining process and concession giving to avoid conflict.

4.3.1.2 Workforce Flexibility and HRM Orientation

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

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

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

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

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

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

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

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

4.3.2. Industrial Relations

It is claimed that environmental change in organizations is posing considerable challenge to traditional industrial relations and trade unionism (Guest, 1991; Storey and Sisson, 1993). Graham & Bennett (1998) define industrial relations as all the rules, practices and conventions governing interactions between managements and their workforces, normally involving employee representations and bargaining. The industrial relations rules define the procedures for settling wage and conditions of work; resolving disputes and dealing with conflicts and implementing grievances and disciplinary processes. Armstrong (1999) describes industrial relations as involving the development, negotiation and application of formal systems, rules and procedures for collective bargaining, handling disputes and regulating employment. It also involves informal and formal interactions between managers, shop stewards and individual employees. In addition it covers bargaining structures, recognition and contractual agreements.

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

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

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

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

4.3.2.1 Industrial Relations and Pay

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

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collective bargaining. This may further have the effect of fragmenting collective interests, generating rivalry and eroding the basis for collective bargaining (Pinnington & Edwards, 2000). Research evidence shows that employees may perceive individualized pay as indicating lack of management support for collective bargaining negotiation and this may discourage union membership (Kessler & Purcell, 1992). In addition, if employees are satisfied with PRP schemes, the incentive to join trade unions is reduced, which may lead to trade union collapse.

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

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

5.0. CONCLUSION

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

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

While theoretically it is possible to see the application of the soft and hard HRM orientations, the boundaries between them become rather blurred in practice as the HRM rhetoric of organizations may be soft when in fact the reality is hard. This is an issue of concern to many scholars (Legge, 1995a; 1995b and Truss, 1997; 1999) and is cited as a limitation in the HRM research. A research recommendation that can be drawn from this paper is an investigation into the linkages among environmental factors, business strategic responses and HRM actions. These have not been exhaustively explained in the current available research. Another area arising from this

study is the adoption and implementation of the HRM concept in developing countries especially with the advent of globalization. This arises from the fact that most available research has focused on industrialized countries such that little is known about the status of HRM in developing countries. It is apparent therefore that the HRM concept, though recent has become a pervasive idea that is gaining wide credence with both practitioners and scholars.

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