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Human Resource Management: The Need for Theory and Diversity

Human Resource Management as an academic discipline needs to be theoretically grounded, i.e. it requires support through theories, theory-driven empirical research and critiques. In doing so, different theoretical perspectives are addressed suggesting a problem-orientated theory selection which leads inevitably to theoretical diversity.

Key words: Human Resource Management, Systems Theory, Work and Organizational Psychology, Behavioral Approach, Personnel Economics, Political Economy, Rational Choice

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1. The need for theory

Human Resource Management (HRM) is concerned with the design of the human resource function in organizations. It has to provide explanations for the mechanisms of human resource practices and for the application of those practices in certain constellations. This means that HRM as an academic discipline needs to be theoretically grounded.

Theoretical substantiation contains two dimensions: (1.) theoretical explanation in the narrower sense, i.e., the statements are based on proven and generally applicable theories, (2.) theoretically driven critique, i.e. it is scrutinized if and to what extent the scope of an explanation holds up in the confrontation with general theories. Following Nienhüser (1996), the theoretical strength of a discipline depends on the extent to which statements are based on general and informative theories that have been supported empirically, as well as being corroborated by critical evaluation.

Efforts towards developing a theoretical basis of a field like HRM first of all focus on laws and basic theories. Proven empirical effects and their generalizations as well as theoretical approaches, concepts, frameworks and models can be included (Bunge 1998; Martin 2001).

The objectives of science are theoretical descriptions and explanations of reality, as well as pragmatic predictions. This requires the creation of mental preconditions for the modification of reality. Accordingly, the functions of science are both “Aufklärung” (cognitive goal) and “Steuerung” (pragmatic goal) (Albert 1972; Albert 1985).

The practical application of theoretical knowledge starts with prediction. Criticism and control of empirical procedures, as well as the development of technologies are central aspects of the pragmatic goal of science (Popper 1972; Nienhüser 1989). However, making overly high demands is risky: Theories do not necessarily have a direct reference to action. Nevertheless, grounded rules of applied science exist in various forms. Martin (2001) refers to technological rules, theoretically grounded maxims, action outlines, application models, blueprints and the conceptual framework. Technological rules prescribe how to proceed in order to achieve a predetermined goal. The theoretically grounded maxim implies principles which should be considered in actions – leadership principles or guidelines for organizational design fall into this category. Action outlines mirror reality at least in its contours. Application models encompass a few variables considered to be of high relevance. Blueprints are equivalents to construction plans for designing procedures. Conceptual frameworks tend to include all important aspects of a situation relevant to an action so that the theory is basically superposed on detailed categorizations. This position of critical rationalism still characterizes the basic understanding of many HRM researchers, however, it is only one of several epistemological approaches.

2. Subjects of and approaches to explanations

Subjects central to the field of HRM are the deployment of employees in line with organizational goals, as well as controlling of employees’ behavior. In more detail, HRM includes recruitment and selection, employee development, compensation, structural

and personal leadership as well as the management of industrial relations. A theoretical substantiation is supposed to address all these fields of action.

Looking for a theoretical basis for HRM, one can take either a theory- or a problem-orientated perspective (Weber 1996). The first implies that a theory or a family of theories constitutes the initial point of consideration: A theory is applied to those questions for which the selected theory provides an answer. More explicitly, only those problems which can be addressed by that theory are solved.

Although focusing exclusively on one theoretical approach seems appropriate for individual researchers, it may be less suitable for a whole discipline like HRM. In other words: the point of view of a theory monist enriches a subject as long as there is no imperialistic attempt exclusively to accept theoretical explanations of a single kind. For a discipline like HRM which is characterized by a diverse set of tasks, the problem-driven access appears useful. Thus, it is advisable to utilize a variety of theories to approach the diverse problems and to advance the construction of theories.

However, this approach may also be criticized for tackling only specific aspects of the complex reality of human resource management. The risk of addressing detailed rather than major problems may be reduced by distinguishing different levels of analysis concerning human resource management and analyzing them separately.

3. Types of problems in HRM and appropriate theoretical approaches

Basically there are two types of problems in the field of human resource management that require theoretically grounded consideration. They can be characterized by referring to the level of actors and the relevant human resource practices.

At the level of actors, one can distinguish between individual actors, groups and organizations. Attention is directed towards explaining the behaviour of individuals, groups or organizations. This category covers motivational and learning issues, on the one hand as well as decision making in groups and the evolution of authority structures in organizations on the other hand.

Investigations in these areas are typically grounded in industrial and organizational sociology. Organizational and industrial sociology views an organization from the perspective of a corporate actor and a social system that constrains action (Schimank 2004). Likewise, system theory (Luhmann 1984; Remer 1978; Mayrhofer 1996), and evolutionary theories (Hayek 1980; Hannan/Freeman 1984; Klimecki/Gmür 2001) fall into this category.

However, being characterized by the relevant actors, HRM is not able to develop its identity as a scientific domain. This field is dominated by psychology in its various forms, like general, individual and social psychology. This holds good for sociology or political science as well (Matiaske 1999). These disciplines and the branches of industrial and organizational psychology and industrial and organizational sociology respectively cover aspects of applied HRM.

It is only from the point of view of typical problems and their theoretical underpinnings that HRM can derive its original identity as an area of applied science. Consequently, human resource practices and issues relevant in this context have to become the center of attention. Two aspects are central to the level of human resource

practices: (1.) the identification of determinants of specific HR practices and (2.) their effects. Although these perspectives are interdependent, it is useful to distinguish between them for analytical reasons. The first deals with the collective behavior of the organization and with management decisions, while the latter focuses primarily on the behaviour of individual employees affected by HR practices rather than on the efficiency of the whole organization.

Typical questions dealing with determinants of HR practices are: Why do companies recruit internally or externally? Under what conditions do companies invest in human resource development? What factors explain the use of different forms of downsizing? Why do certain companies recruit specific groups of people, e.g. disabled employees? Why do others not? What HR practices are typical for companies acting globally and why?

Analyzing those and similar problems it is useful to abstract from details and explain the behaviour of organizations by referring to economic consequences. These consequences pertain to costs and the utility of alternative actions. So, whenever the comparative efficiency of particular institutions of governance in respect to the human resource function is to be analyzed, reference to transaction costs theory (Williamson 1975; Williamson 1985; Williamson 1996) and agency theory (Jensen/Meckling 1976; Fama 1980; Grossman/Hart 1983), or more general new institutional economics, is obvious. Personnel economics (Lazear 1995; Lazear 1998; Backes-Gellner 1996), the specific branch relating to human resources, constitutes the dominant line of economic thought. Reference to economic theory may, however, also be more diverse relating to political economy or rational choice, thus, emphasizing power and social exchange in economic terms.

Still, a bias in terms of costs, in a narrow sense instead of efficiency as a broader vehicle, is often found in explanations based on economic theories. Thus in many cases decision making is dominated by costs rather than utility, because it is easier to measure costs. In economics and sociology, utility more often constitutes the basis for theoretical reasoning. Nevertheless, there are some examples in business administration, like research in innovation and technology, that emphasize future utilization and opportunity.

Utility and opportunity constitute a central challenge for HRM. Considering the major importance of opportunity and utility, looking to human capital as a critical resource, a neglect of this aspect in the study of HRM seems obvious. Jeffrey Pfeffer (1994) highlighted this topic. From an individual psychological point of view motivation research and theory deals with these issues. It seems inevitable to also address utility and opportunity from an organizational perspective or rather through an organization theoretical lens, in order to fill this gap. So far, in doing so applied concepts like knowledge management incorporate only fragments with rather poor theoretical underpinnings.

HRM is confronted with the general need for efficient employment of organizational resources and the specific characteristics of human capital, comprising values, goals and motives of the human being, as well as social phenomena resulting from the division of labour. Still, taking a strategic lens with the aim of laying down a long-term

basis for organizational action, the economic calculus moves without doubt to the centre of analysis for sustaining organizational success (e.g. survival, efficiency, etc.).

The explanation of both corporate, and human resource strategies highlights the interplay of available resources and organizational performance. In this context, systematic development and exploitation of human capital or rather human capability for the attainment of competitive advantages takes a decisive role. Both the resource-based view (Barney 1991), and the resource-dependence approach (Pfeffer/Salancik 1978) make meaningful contributions to this discussion.

Explanations based on both economic theories, and resource-oriented approaches necessarily demand abstraction. That is their strength. Simultaneously, abstraction limits the possibility of capturing the complexity and laws which explain technologies or rather make the way to action comprehensible. Hence evolutionary and political approaches complement the spectrum of explanatory capacities within HRM. Political approaches center around interests and conflicts. Whereas the previously addressed views focus on strategic action, questions of acceptance of actions or implementation of interests through tactical or rather political behavior can be captured by micro political approaches of HRM.

In spite of a remarkable diversity of theoretical views and an extensive conceptually-based literature, HRM as a scientific field remains theoretically insufficiently developed. This holds true equally for statements about the effects of human resource practices, and the general environment of HRM.

If the focus is on human resource practices, economic theories have utility, even though these effects can generally be captured by categories. In this case, technologies aim at general preference of cost-efficient alternatives. Actions or technologies, however, may also comprise more differentiated measures and effects. Questions that need to be raised include: What are the effects of different downsizing techniques on the work behaviour of the remaining employees? What are the consequences of staff increases or staff reductions, and external or internal recruitment on the ability to steer and control the workforce? An important area of complexity in this context is the effect of different leadership styles/practices on employee behaviour.

Beyond these questions, a starting point for HRM research, may also be desired behaviour patterns, for example behaviour in terms of corporate objectives, participation in advanced training or cooperative leadership seminars, conflict- and cooperation management. In that case, human resource interest focuses on behavior modification or rather the stimulation of a desirable behaviour. An adequate theoretical substantiation in this and related questions has to be drawn from those theories that explain individual behaviour in a differentiated manner, for example in the field of learning theories.

4. Conclusion and outline of the special issue

HRM exists within a “jagged scientific scenery” which suggests a problem-orientated choice of suitable theoretical approaches. The most prominent, and at the same time the most opposing positions, are beyond doubt the behavioural-orientated approach to HRM (e.g. Schanz 2000; Martin 2001), and the personnel economics view of HRM (e.g. Milgrom/Roberts 1992; Lazear 1995, 1998; Sadowski 2002; Backes-Gellner 1996;

Backes-Gellner/Lazear/Wolff 2001; Wolff/Lazear 2001). However, it would be remiss to conduct a discussion limited to these two approaches. A variety of fertile theoretical approaches exist. Some of these approaches may, due to their design, function as an intermediary between the two positions. A bridging process between methodological individualism, rational calculus and broad social science or socioeconomic substantiation, therefore, seems possible.

The aim of this special issue is to discuss a spectrum of theoretical approaches to HRM. The structure of the special issue is as follows. First, Wolfgang Mayrhofer's system theoretical contribution and Niclas Schaper's work and organization psychological contribution address HRM from an interdisciplinary point of view. Albert Martin's behavior-scientific contribution and Uschi Backes-Gellner's personnel-economics contribution are intended to compare the two different understandings. Following that, economic argumentation is incorporated into a wider framework through Werner Nienhüser's contribution from a political economy viewpoint and Wenzel Matiaske's contribution on rational choice.

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