

Werner Nienhueser\*

## Societal Prerequisites and Consequences of Human Resource Management\*\*

Corporate activity does not take place in a social vacuum. Human Resource Management strategies and practices are influenced significantly by their social environment. For example, the laws and values of a country have a facilitating or restricting influence on how human resources are utilized. At the same time, HRM practices, intentionally or otherwise, contribute to reproducing social conditions: payment systems help to shape attitudes to work, working time regulations influence family life, and so on. What is difficult to estimate is the extent to which the HRM practices of individual companies damage their own functional prerequisites: if many companies were to stop investing in training, for instance, this would cause recruitment problems in the long term. We will now consider these points separately in closer detail.

There are numerous examples of the *social prerequisites of HRM strategies and practices*. The assertion that the demographic trend or culture of a country has an effect on establishments has become commonplace but the deeper meaning is not very well understood. It is not just a matter of the numbers of available employees, but also of their “quality”, which includes knowledge as well as values. The ability to recruit qualified employees presupposes that the broader education system produces appropriate qualifications, including fundamental skills such as speaking and writing the local language or the ability to think in abstract terms. These resources cannot be produced by companies alone, and especially not by a single company seeking to recruit new employees. For companies, it is not only the knowledge their potential and current employees possess that is important, but also their values and views. An ability to fit into a corporate hierarchy, to be punctual and disciplined, and to be motivated by pay, job satisfaction or interaction with superiors – all this is learned in families, kindergartens, schools and higher education (Türk, 1981).

That is why demographics, education and culture are dimensions of society that stand out from an employer- or capital-oriented perspective. And that explains why they are picked up on in business administration resp. HR and organizational research, which are generally oriented towards these interests. Business administration and public discourse primarily deal with those dimensions of socially produced functional prerequisites that are easily accepted by all social groups – there is little dispute that Germany requires a skilled workforce if it is to “be competitive”. Which values and attitudes towards business and the economy, companies and their actions the education

---

\* Chair of Work, Human Resource Management and Organization, Department of Economics, University of Duisburg-Essen, Universitätsstr. 12, 45117 Essen, Germany. E-mail: werner.nienhueser@uni-due.de.

\*\* I thank Amanda Dixon for helping me with the translation.

system should pass on, however, is a far more contentious issue. HR and organization research largely steers clear of this discussion, although there is a very controversial debate in German vocational and business education as to what content should be taught in “economic education” (Hedtke, Famulla, Fischer, Weber, & Zurstrassen, 2010). Presumably all sides would agree that there is more to “economic literacy” than a knowledge of theories and economic processes : it also entails having a specific view of the economy, complete with value judgments. On the subject of what the “right” knowledge, views and values are, however, there is no agreement. The debate has been ongoing for a long time, not only in Germany but also in the USA (cf. e.g. Baumol, 1988).

Let us now consider the *opposite direction: how do companies influence society?* Interestingly, the question as to the social effects of corporate behaviour is posed neither in capital-oriented HR and organizational research nor in the business administration kind that is more interested in explanations. Their perspective is generally reduced to a microeconomic level resp. the level of the individual company. As such it disregards the consequences (and prerequisites for success) of collective action by companies. Yet for society as a whole, this question is of considerable significance. It refers, for example, to whether forms of employment based on flexibility and marketability, such as temporary agency work or the use of freelancers, do not create instrumental attitudes towards work and consequently diminish trust and cooperative working behaviour (for temporary agency work Lapalme, Simard, & Tremblay, 2011; Nienhüser & Matiaske, 2006).

Furthermore, we still know little about how human resources strategies affect life partnerships (family and other relationships) and contribute to reproducing labour capacity: when companies cut staff, it has serious consequences for the relevant employees and their relationships, possibly for the development of a region and, in the increased cost burden on society, for the social welfare system. The effects of HR management on health after retirement, on mortality, costs for families, communities or for the entire health system (Pfeffer, 2010) are largely disregarded in business administration.

The third point for us to consider is the possibility that *HRM practices may destroy (or at least diminish) their own functional social prerequisites*. This too I only wish to outline in a single example. The past few years have seen German companies increasingly choosing agreements at the establishment level over multi-employer and/or industry-wide collective agreements; this is apparent in Germany from the continuous decline in the number of companies and employees bound by collective agreements (Ellguth & Kohaut, 2012). For an individual company, it may make economic sense to prefer negotiations at establishment level, but in collective terms it does not. This is because conflicts then also shift to inside the company, labour disputes – like in the USA – become more frequent (Visser, 2012), and a cooperative relationship between management and employees becomes less likely. This decentralization of bargaining thus in the long term destroys precisely what many, albeit not all, companies need in order to function: social peace. At least for those companies competing on quality products and quality services rather than on low wages and low prices, labour disputes and also

latent conflict within the company caused by decentralization of bargaining have harmful effects.

As we can see, there is a tendency to overlook the collective role played by establishments and companies in (re-)producing the social circumstances in whose apparently unalterable context their dominant coalition takes decisions. The “return of society” to theories of organization (Ortmann, Sydow, & Türk, 1997) and HRM therefore continues to be sadly lacking.

The three contributions to this volume are all the more commendable for that reason. All three look in different ways at the reciprocal relationship between society and HRM practices or strategies (as coherent bundles or patterns of practices; Mintzberg, 1985), with a clear focus on the influence of the social or institutional context on the companies.

*Stefan Kirchner's* contribution is dedicated to the institutional prerequisites of company strategies to increase flexibility. His starting point is the “Varieties of Capitalism Approach” (VoCA) (Hall & Soskice, 2001). The core assumption of this approach is that company strategies, e.g., HRM strategies, are embedded in and adapted to the national institutional context. The German context has been characterized as a so-called coordinated market economy (CME), whereas in their institutional setting countries like the USA or the UK are seen as liberal market economies (LME). For example, German labour law gives employees relatively strong rights of codetermination at establishment and company level, and employment protection legislation limits the options open to employers for terminating contracts at short notice. Such conditions – more opportunities for “voice” (Hirschman, 1970), greater job security – make employees more willing to invest long term in firm-specific human capital (Goergen, Brewster, Wood, & Wilkinson, 2012) and additionally help to foster a cooperative relationship between employer and employees. Both of these things create stability, which has positive effects on innovation and on the production of complex products and services. By contrast, employees in Great Britain and the USA have hardly any legal rights of codetermination at establishment level and are less protected against dismissal by the employer. In such an institutional context, employees are less willing to invest in firm-specific human capital, since the future yield from their investment is exposed to higher risk – firm-specific knowledge and skills gained over the years lose their value when an employee loses their job. And if employees are unable to influence their working conditions in any way, for example if they do not have a works council to represent them, they become less cooperative and less willing to make this investment on trust. Of course there is more to institutional context than codetermination rights and labour law. Finance, product or market strategies are also embedded in an institutional context that is defined by the lending practices of banks or the expectations of suppliers and customers, etc. Overall, the coordination mechanism of market and price plays a lesser role in CMEs, and coordination through legal regulation and also through communication and cooperation between employee and employer organizations are more important by comparison with LMEs. In LMEs, “impersonal” coordination through markets and competition prevails, as a result of which hiring and firing strategies are more frequent, because they are easier, than in CMEs.

The VoCA raises a whole series of questions. The first is whether empirical evidence of the division into two groups exists. Schneider and Paunescu (2012) find more than two configurations. Furthermore, we might ask, whether the configuration remain constant. Schneider and Paunescu (2012, p. 731) observed, that in the period from 1990 to 2005, several countries (Denmark, Finland, the Netherlands, Sweden) moved from the CME model in the direction of the LME model. The third question asks whether a country's institutions are relevant to all its companies in equal measure, in other words, whether the institutional setting does not differ from company to company. Codetermination and job protection laws, for example, do not apply to all establishments or companies but only to those above a certain number of employees. The legal form of an organization similarly plays a role in the type and extent of workers' participation. Local and regional labour markets, but also the communication structure between unions, employers' associations and other companies, each form specific environments. For some companies, for example in the airline industry, the European regulatory context plays a greater role than the national context (Barry & Nienhüser, 2010). This means that we should be able to observe a much greater variance (by size of operation, sectors, etc.) in practices that at first sight are not adapted to the given country. Stefan Kirchner makes exactly this argument in relation to corporate flexibilization strategies: firstly, he argues that in the last few years German firms have increasingly made use of flexible employment practices, mainly temporary agency work (TAW) and outsourcing of work to external companies, which reflects a move towards strategies adapted to LMEs. Secondly, we observe practices which we would not immediately expect in a CME context. Based on a representative sample of 970 establishments in manufacturing, the information and communication industry and the finance and insurance sector, he identifies four flexibility strategies: 40 percent of the establishments are characterized by a dual flexibility profile which combines high internal flexibility practices (flexible working time arrangements or the shifting of workers between workplaces) with high external flexibility (TAW and outsourcing). 33 percent apply mainly internal flexibility practices and 11 percent draw on external flexibility. 16 percent do not use the mentioned practices at all, which Kirchner calls a low flexibility profile. In the finance and insurance industry a low flexibility profile prevails, whereas highly export-oriented establishments follow a dual strategy, which means high internal and external flexibility. Establishments in medium or low export-driven industries are characterized by external or low flexibility. This means that Stefan Kirchner does not only find very different mixtures or configurations of flexibility practices within a country, he is also able to explain these differences at least in part.

The implications of the findings cannot be discussed in detail here; however I would highlight one point: they once again raise the question as to the exact context of a company and what impact changes in context have on companies (Mayrhofer, 1998). A contextual setting is not just a matter of objective limitations on resources, its cognitive representation is important too. This point is emphasized by Pfeffer and Salancik in their "Resource Dependence Perspective": "Organizational environments are not given realities; they are created through a process of attention and interpretation. (...) Since there is no way of knowing about the environment except by interpret-

ing ambiguous events, it is important to understand how organizations come to construct perceptions of reality” (Pfeffer & Salancik, 2003, p. 13). Thus a theory of organizations needs theoretical assumptions about the “dominant coalition” and their perceptions.

A less material dimension of context is the topic of the contributions of Ronald Hartz and Gabriele Fassauer, and Heiko Hoßfeld. In short, in their articles it is the language and the way certain subjects – in Hartz and Fassauer bonus payment systems and in Hoßfeld personnel reduction – are talked about (discourse) that create the context. This discourse is collectively produced and sets the boundaries for what can be said and how. Here, the dominant language use is often that of or for the dominant powers, which is reproduced through the media not least under the influence or even control of companies. That is why analysis of discourse and language politics, i.e. of the (intended or unintended) assertion of interests by means of language, is all the more important.

*Ronald Hartz and Gabriele Fassauer* analyze the discourse on organizational compensation practices in the context of the global financial crisis. In the public debate in particular the compensation practice of bonus payments was and still is seen as one cause of the global financial crisis. The authors apply a qualitative discourse analysis using 417 newspaper articles dealing with the topic of bonus payments in the context of the financial crisis. All articles were published in the Frankfurter Allgemeine Zeitung (FAZ) between July 2007 and December 2009. Hartz and Fassauer in particular aim to answer the question of what topoi of problematizing compensation practices during the crisis can be identified in the discourse represented by the FAZ articles. A second question is in what respect these topoi refer to the norm of the performance principle. The performance principle is seen by the authors as a “discursive resource”, which can be used in criticizing the system of bonus payments as well as in defending it. Such “discursive resources” may themselves also come in for criticism in the process. Thus Ronald Hartz and Gabriele Fassauer raise the question of whether the performance principle still functions as a collective norm. One result is that both problematizing the bonus system and defending it can be found. On both sides, criticism and defence, the performance principle is drawn on as a “discursive resource”. This principle defines the “field of the expressible” (Hartz/Fassauer, in this volume, drawing on Foucault, 1991), limiting and making possible what can be said. The performance principle itself is hardly questioned in the public debate

We can see here that HRM practices like the bonus system are difficult to introduce, use and defend against criticism if it is not possible to draw on collective cognitive resources like the performance principle. Conversely, it is not possible to understand why such cognitive resources (in simplified terms: ideologies) emerge and continue to apply unless they are seen in relation to their material basis, in other words to the practices in which the principle is – actually or supposedly – realized. The analytically useful separation of practices from the language used to talk about them must not be allowed to conceal this connection. For analysis of the formation and reproduction of HRM practices and strategies (more or less coherent bundles of practices), this means that we must also consider firstly, how corresponding practices are talked

about, secondly, the more general cognitive perceptions in which this discourse is anchored, and thirdly, how the practices in turn affect the way we talk about them.

*Heiko Hoßfeld's* article examines how companies create a legitimizing image of their downsizing practices with the aid of metaphor. His analysis relates to two major private banks, Commerzbank and Deutsche Bank, which made massive job cuts between 2001 and 2003. In this period, Commerzbank reduced the size of its workforce by 20 percent (in absolute terms by just short of 6500 employees); at Deutsche Bank the figure was around 33 percent (more than 14,000 employees). Such changes can be expected to meet with resistance among the employees and the public, and that in turn leads management to also attempt to overcome this resistance through language. Heiko Hoßfeld does not suggest that the use of language is always strategic. However, he does assume that at least part of the official statements by management on the staff cutbacks are aimed at creating legitimacy. As an instrument the author uses metaphorical analysis (referring here to Lakoff & Johnson, 1980, among others). Metaphorical analysis is used to extract not only what the texts openly say, but also what is expressed less overtly in images and metaphors. Staff magazines, business reports, speeches, press statements and investor news were analyzed. The text corpus totalled around 1700 pages, 1100 of which are from Deutsche Bank and 600 from Commerzbank. This makes the volume of text examined much greater than that of the few existing comparable analyses. Heiko Hoßfeld identifies three groups of metaphorical meta concepts: concealing metaphor, euphemistic metaphor, and urgency and control metaphor. Each metaphor fulfils persuasive functions with different metaphorical sub-concepts. Their use varies systematically according to context conditions. One of the interesting results is that 62% of the identified metaphors can be classified as urgency and control metaphors. The most often used submetaphor within this category is a military metaphor: companies speak of cost offensives, attacking the cost base, “zeroing in on the cost limitation target” etc. This creates an image of action being needed because the organization is under attack, managers are seen as officers fighting against this attack, and managerial practices are framed as military action.

A second finding is that concealing metaphors are relatively seldom, accounting for just 11 % of all the metaphors used. “Concealing” means that management does not talk about mass layoffs but about “staffing measures” or “capacity adjustments”. This group of metaphors is often used in management talk about the consequences of staff reductions, whereas urgency and control metaphors are more frequently used in the context of cost cutting programs. Overstating it slightly, the more difficult something is for the employees, the more management uses language to conceal the problem issue through metaphor.

Kaufman has recently shown convincingly that research on HRM in the US places too much weight on the internal side of HRM (organizational behaviour) and pays too little attention to the external dimension, the institutional context (Kaufman, 2012, p. 12). This cannot be said of the papers in this volume, as you will see when you read them.



## References

- Barry, M., & Nienhüser, W. (2010). Coordinated market economy / liberal employment relations: Low cost competition in the German aviation industry. *International Journal of Human Resource Management*, 21(2), 214–229.
- Baumol, W. (1988). Economic education and the critics of mainstream economics. *Journal of Economics Education*, 19(4), 323–330.
- Lapalme, M.-È., Simard, G., & Tremblay, M. (2011). The influence of psychological contract breach on temporary workers' commitment and behaviors: A multiple agency perspective. *Journal of Business and Psychology*, 26(3), 311–324.
- Ellguth, P., & Kohaut, S. (2012). Tarifbindung und betriebliche Interessenvertretung – aktuelle Ergebnisse aus dem IAB-Betriebspanel 2011. *WSI-Mitteilungen*, 65(4), 297–305.
- Foucault, M. (1991). *Die Ordnung des Diskurses*. Frankfurt/Main: Suhrkamp.
- Goergen, M., Brewster, C., Wood, G., & Wilkinson, A. (2012). Varieties of capitalism and investments in human capital. *Industrial Relations: A Journal of Economy and Society*, 51 (Issue Supplement s1), 501–527.
- Hall, P. A., & Soskice, D. (Eds.). (2001). *Varieties of capitalism. The institutional foundations of comparative advantage*. Oxford: Oxford University Press.
- Hedtke, R., Famulla, G.-E., Fischer, A., Weber, B., & Zurstrassen, B. (2010). *Für eine bessere ökonomische Bildung!* Bielefeld: iböb Initiative für eine bessere ökonomische Bildung.
- Hirschman, A. O. (1970): *Exit, voice, and loyalty*. Cambridge, Mass.
- Kaufman, B. E. (2012). Strategic human resource management research in the United States: A failing grade after 30 years? *Academy of Management Perspectives*, 26(2), 12–36.
- Lakoff, G., & Johnson, M. (1980). *Metaphors we live by*. Chicago et al.: University of Chicago Press.
- Mayrhofer, W. (1998). Umwelt – welche Umwelt. In A. Martin & W. Nienhüser (Eds.), *Personalpolitik. Wissenschaftliche Erklärung der Personalpolitik* (pp. 291–293). München, Mering: Hampp.
- Mintzberg, H. (1985). Of strategies: Deliberate and emergent. *Strategic Management Journal*, 6(3), 257–272.
- Nienhüser, W., & Matiaske, W. (2006). Effects of the 'principle of non-discrimination' on temporary agency work: Compensation and working conditions of temporary agency workers in 15 European countries. *Industrial Relations Journal*, 37(1), 64–77.
- Ortmann, G., Sydow, J., & Türk, K. (Eds.). (1997). *Theorien der Organisation: Die Rückkehr der Gesellschaft*. Opladen: Westdeutscher Verlag.
- Pfeffer, J., & Salancik, G. R. (Eds.). (2003). *The external control of organizations. A resource dependence perspective*. Stanford: Stanford University Press.
- Schneider, M. R., & Paunescu, M. (2012). Changing varieties of capitalism and revealed comparative advantages from 1990 to 2005: A test of the Hall and Soskice claims. *Socio-Economic Review*, 10(4), 731–753.
- Türk, K. (1981). *Personalführung und soziale Kontrolle*. Stuttgart: Enke.
- Visser, J. (2012). *ICTWSS - Data Base on Institutional Characteristics of Trade Unions, Wage Setting, State Intervention and Social Pacts, 1960-2010 (ICTWSS): Version 3.0 May 2011*. Amsterdam: Amsterdam Institute for Advanced Labour Studies AIAS, University of Amsterdam.