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# The Future of HR

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## Abstract

The HR function is currently dealing with a range of questions: How can HR prepare for the future? Which HR competencies will be needed? Which aspects should be focused upon? The way forward may start with capacitating HR managers to obtain the necessary competencies and be enlightened about which aspects should get specific attention in order to prepare for the future world of work. In order to progress towards a new understanding of workforce management within organisations, it is essential to shed light on HR competencies, future workspace, engagement, employment relations and resilience. Although engagement and employment relations are dated, it will still be relevant in the future, especially due to the man-machine connection, remote working and other future world of work challenges. The rebalancing of priorities and rethinking HR, so that resilience become just as important to strategic thinking as cost and efficiency, are important. It is essential that HR must go beyond the here and now in order to properly prepare for the future world of work.

**Keywords:** HR competencies, future workspace, engagement, employment relations, resilience

## 1. Introduction

The role of the HR professional has changed dramatically along with the workforce and economy, and that evolution will continue as machines and technology replace tasks once performed by humans. Tomorrow's HR leaders will need to be bigger, broader thinkers, and they will have to be tech-savvy and nimble enough to deal with an increasingly agile and restless workforce [1]. As organisations push on into the future and adapt to new realities, HR leaders should stay abreast of changes to prepare for the future world of work [2]. In order to progress towards a new understanding of workforce management within future organisations, it is essential to shed light on the different HR competencies that will be needed, future workspace, engagement, employment relations and resilience. It is important that HR academics, HR leaders and management take note that although engagement and employment relations are dated, it will still need to be addressed in the future, especially due to the man-machine connection, remote working and other future world of work challenges.

The role of the HR manager has changed dramatically along with the workforce and economy, and that evolution will continue as machines and technology replace tasks once performed by humans [2]. New technologies are here to stay, so companies need to understand and prepare for how it's already changing the relationships within the workplace. Once there is this understanding, HR can then build a plan that ensures relationships will be shaped and supported in ways that help organisations and employees now and in the future [3].

As business strategies and teams grow more agile to keep pace with recurring change in companies, HR technology must adapt as well, including providing employees with more user-friendly and efficient experiences. HR leaders should therefore revise their priorities for 2021 and onwards. Future workspace should inspire workers to communicate, collaborate, solve problems, deepen engagement and spur productivity. The implications for HR is to equip leaders to manage remote teams over the long haul, preserve the company culture with a more distributed workforce and engage workers in a cost-constrained environment. According to [4], resilient HR should support with the business transformation.

## **2. HR competencies**

Schultz [2] found that HR leaders should have the necessary competencies to be able to make a strategic contribution, to engage properly and to add value to ensure peaceful employment relations. Schultz [2] also found that innovation, business acumen, leadership, analytics and metrics and personal characteristics such as self-efficacy, honesty, openness, agility, flexibility and adaptability are of the essence. Leveraging HR Analytics to drive all people-related decisions is an essential future HR competency [5]. HR needs to start developing core business acumen rather than standardised HR capabilities. Fundamental business drivers like economic growth, capital markets, changing customer behaviour, competition and global business trends must be clearly understood by HR leaders [6].

McCartney et al. [7] found six distinct competencies required by HR analysts including consulting, technical knowledge, data fluency and data analysis, HR and business acumen, research and discovery and storytelling and communication. With the advent of new communication platforms and digital tools, the topic of the development of communicative competencies received a new round of interest from researchers [8]. HR should promote open dialogue and instal direct communication channels between all levels within an organisation to help keep leadership informed of employee concerns [9].

Schultz [10] found that foresight and being adaptable are essential HR competencies. Numerical data such as metrics focuses on outputs and analytics focuses on the combination of data that are part of metrics [11]. To be competitive, it is essential that HR leaders have the ability to meet the needs and future needs of line management in the workplace [12]. In order to ensure successful human and machine collaboration, HR leaders must understand analytics and automation to improve productivity and decision-making [13]. The current explosion of HR technology is far from over. On the contrary, there is hardly any HR function left that does not have an impressive range of software and tools designed to automate and digitise its processes. As automation and digitalisation continue to reshape job roles and skill needs, HR and learning groups will need to create increasingly agile and effective reskilling strategies for workers [14].

HR can navigate this new landscape by taking advantage of the advancement in technology – most notably by utilising AI and big data to open up opportunities for strategic value creation [15]. Technological agility will therefore be a key differentiator for HR's value add to business outcome [5]. There could be a more dramatic, revolutionary impact in the business environment and on workforce management from AI and technological advancements in the near future. The world is still in the early phases of the Fourth Industrial Revolution, thus many areas remain unpredictable and uncontrollable. Functional HR competencies alone will not enable successful HR careers. Specialist skills will be required to fast track HR career opportunities and career growth [5]. Within the overall HR skill sets, future-oriented capabilities

will take prominence. Functional changes in HR operations are freeing up HR professionals for more strategic work. This is also enabling the emergence of new roles such as workforce analytics professional, robot trainer, virtual culture architect, data, talent and AI integrator and cyber ecosystem designer [15].

**Practical recommendations to improve HR competencies:**

- The question arises: Is HR open in their communication? Feedback from internal and external clients by means of interviews, surveys and other relevant methods will add value to ensure open communication of HR on various platforms.
- Self-reflection and feedback from superiors, subordinates and peers on one's own self-efficacy, honesty, openness, agility, flexibility and adaptability are therefore needed to improve oneself.
- In order for HR business leaders and academics to be well-developed in terms of their business acumen, they must obtain knowledge to understand business operations and functions, comprehend how HRM practices contribute to core business functions, and understand the organisation's external environment.
- Courses and training about HR analytics need to be successfully completed in order to ensure a full understanding and execution of this competency.
- HR leaders need to obtain the necessary software and tools to ensure that their practitioners are able to successfully meet the needs of their internal and external clients.
- HR leaders, HR practitioners and HR academics need to ensure that they have the ability to utilise all kinds of relevant technology and to have technological agility to be prepared for remote working, AI, career growth and other challenges in the future world of work.

### **3. Future workspace**

The modern workplace is almost unrecognisable from ten years ago. The 9–5 has been replaced with remote working, and corner offices and rigid banks of desks have made way for flexible multi-purpose spaces. The importance of workspace design and spatial features has recently been emphasised in corporate business literature, but the volume of literature on this topic available from peer-reviewed journals is still limited [12]. We are heading towards a future where more employees are working from home, and increasingly reliant on a digital workplace that can fit their needs.

The recent health crisis has made this clear. Re-establishing organisational culture will become a top priority for HR departments as organisations look to adopt more flexible working arrangements. Pre-COVID, many organisations used lunchrooms, office collaboration spaces, and conference rooms to promote idea sharing and organic conversations across titles and departments. Companies are now finding virtual colleague relationships are starting to polarise into common roles and sectors [16]. There will likely be a major shift towards hybrid working models that capitalise on the benefits of both remote and office working [9].

Managers as well as HR leaders should constantly plan and shape how their organisation can improve future workspace so that it is beneficial for the business and the employees [17]. The future workspace should support agile working

of employees and manager [18]. De [19] emphasise the importance of involving end-users in planning and designing their workspace. Advancement in future workspace, technology, robotics and artificial intelligence (AI) suggests new work design. Programs for skilling up for new jobs and for developing interfaces between human and machines must be rapid, flexible and tailored to maximise the potential value created by human and machines [20]. To plan the future workspace, it is recommended that HR managers involve line management and other stakeholders such as IT and other relevant staff members [21].

An employee's office, home, a third places such as a coffee shop can be seen as workspaces [22]. De Paoli and Ropo [19] state that is important to be innovative when planning workspace. Innovation is what agile is all about [23]. Agile is a framework and a working mind-set which helps respond to changing requirements. The concept of agile working revolves around empowering staff to work where, when and how they choose, to ensure they perform at their best. As organisations look to accelerate the pace of remote working in the foreseeable future, it is essential that to make a conscious effort to preserve their core values and emphasise building a workplace that puts people at the forefront of every decision [9]. With less visibility on employees, leaders and managers have to determine how to both monitor and measure productivity. HR leaders need to reassess and modify metrics for what performance looks like due to the new remote working in many companies [16]. New workspaces seem to be accompanying new challenges for HR and management.

#### **Practical recommendations to improve future workspace:**

- In the past, HR was not always part of workspace planning but in the future world of work, this will be a requirement for HR leaders.
- This new challenge needs to get the necessary attention and HR should therefore discuss this topic with top management, line management and the workers to create an awareness of their future role in planning workspace.
- Traditional thinking about workspace will be challenged and HR should therefore be a change agent in this regard.
- HR leaders need to embark on improving their knowledge about workspace to best accommodate future work.

## **4. Engagement**

Humans have a basic need for belonging and connection. This fact will be even more so in the future world of work due to technology and man-machine challenges. A lack of interpersonal relationships can negatively impact our health, our ability to adjust, and overall well-being. These truths extend to the workplace. Employees want and need to build relationships at work. Personal connections with managers, leaders, coworkers, and customers lead to increased employee engagement and performance [24]. Gallup [25] defines an engaged employee as "those who are involved in, enthusiastic about, and committed to their work and workplace". Engagement in the workplace has evolved considerably over the last decade. From remote work privileges to flexible hours, many of the benefits that were once viewed as benefits are now an expectation for the working world [26].

The HR leaders should engage with the line manager to improve overall performance [27]. Employee engagement can be a critical tool in helping organisations to respond rapidly to moving business environments, as well as playing a key role in



growth and sustainability [28]. Traumatic events such as the Covid-19 pandemic has taught us the importance of embracing our humanity, including the need for compassion in the workplace. It is therefore important to acknowledge that we are all going through challenges, some shared and some unique, that benefit from others' empathy [29]. Cleveland et al. [30] found that the importance of infusing HR with a psychological concern for human dignity results in respect for humanity at work, as well as advocacy for employees and their communities.

Schultz [10] found that meaningful engagement is essential and not mere engaging for the sake of engaging. This can be ascribed to the fact that managers and HR leaders will have to invest in people and guide them into discovering purpose and making a difference in the future workplace [10]. This is of utmost importance in order to ensure productivity in the future world of work. When it comes to measuring and tracking engagement, most companies still evaluate engagement on an annual, or longer, basis using traditional survey techniques [31]. While these practices have provided a wealth of insight into the dimensions and impact of engagement, it is time to rethink how we are measuring engagement and, more importantly, how the same digital tools can be applied towards improving the productivity, retention, and satisfaction of the workforce. The employee engagement is positively correlated to level of leadership engagement and top management should therefore have a vision and commitment [32].

Technology alone cannot drive employee engagement. Technology does not create a safe space for culture. It does other things, like support connection, communication and collaboration [33]. It is therefore the role of the HR leader to drive engagement and support to management in order to ensure appropriate engagement. To create a more engaged, worker-focused organisation, you need to align around a common, unified vision that clearly explains the problem and the way you want to solve it [33]. It looks like there could be a shift from engagement to experience, and employees will expect a truly personalised employee journey, from first point of contact right through to their continued employment [28].

Dash [5] proposes ongoing employee surveys to sustain and engage employee participation in building the organisation's desired digital culture. PWC [9] agrees by stating that focusing on employee engagement through pulse and satisfaction surveys is a great way to gauge their experience and ideas, and get their recommendations on how best to transition to the new normal. PWC [9] also states that by introducing diversity, equality, and inclusion policies and programmes will help support organisational culture and create an environment that promotes trust, unity, empathy, and engagement. In the future, the concept of engagement, which gauges passion, commitment, and effort, will give way to employee experience, which is the journey that an employee takes in an organisation [6].

#### **Practical recommendations to improve engagement:**

- There seems to be a perception among HR scholars and HR leaders that engagement is dated and will not need attention in the future. According to the above literature review, it is clear that engagement will be an ongoing practice in the future world of work.
- The reason for this ongoing practice is due to various human needs such as well-being, trust and support due to various future personal and work challenges that will need to be addressed.
- Unfortunately, engagement is time-consuming and therefore needs deliberate planning to ensure continuous informal and formal meetings and conversations with management, workers and other relevant stakeholders.

## 5. Employment relations

One of the biggest lingering questions is about how future relationships will look as technology keeps coming into the workplace. How will relationships evolve as robots, automation, and artificial intelligence become more common in the workplace? How do workers feel about these changes? Although workers may feel better about technology in the workplace, there is concerns about how automation, robots, and AI will affect work and employment relations [3]. There has been less discussion on what happens to the jobs and experiences of workers in flexible employment relationships (e.g. temporary agency work and other forms of subcontracted labor, as well as new forms of working, such as in the gig economy) [34]. Gig workers can be classified into crowd workers, who are completing and delivering tasks online—location independent, and work-on-demand workers, who are completing and delivering tasks offline—location-dependent (although it is location dependent the work is not inevitably performed on-site and hence still shows location flexibility) [34].

Digital transformation and the reorganisation of the firm have given rise to new forms of work that diverge significantly from the standard employment relationship [35]. The fourth industrial revolution does not only bring change to future world of work but such change comes with significant threats and opportunities to the relationship between employment relations stakeholders [36]. Employment relations is a dynamic matter and therefore needs constant attention to ensure harmony and productivity [12]. When employers, employees and trade unions or other employee representatives work together in a relationship of mutual trust, difficulties can be discussed and sorted out before they become problems, productivity and profitability can be increased with greater rewards for the workforce [37]. The key to this advantage is partnership and this partnership can be a positive force for generating ideas, reacting quickly and making optimum use of the skill and knowledge of workforce and management alike [37].

How workers engage in new forms of employment relations can be very challenging for employers [38]. Briken [39] raise a concern that the digitalisation of workspaces may influence the relations between the employer and employee. HR will need to help assess which tasks throughout the organisation can be automated and then reskill those whose jobs are affected by automation [1]. This may have an effect on employment relations. Any successful business requires trusted relationships. However, traditional ways of growing and nurturing networks —conferences, coffee meetups, and more—are not options in many workplaces these days, at least at the beginning of this year. HR must assist with the adapting to new ways of facilitating relationships and creating cohesive teams in less-than-ideal circumstances [29].

### **Practical recommendations to improve employment relations:**

- As in the case of engagement, employment relations will also still need to be focused on in the future as a result of various challenges.
- The complexity of employment relations due to challenges such as digitalisation, automation and gig workers, necessitates a rethinking of this HR responsibility.
- Mutual trust and productivity between management, workers, trade unions and other employee representatives need to be facilitated by HR leaders. This can be done by establishing platforms where open communication between these stakeholders are possible and reliable.

## 6. Resilience

There are all kinds of adversity and trauma in life. The response to trauma may include shattered beliefs about the self, others, and the future [40]. HR leaders should be resilient in order to have the ability to withstand adversity, bounce back, and grow despite life's downturns. Schultz [10] found that resilience is an important ingredient to ensure a successful future workplace. Flexibility, adaptability, and perseverance can help people tap into their resilience by changing certain thoughts and behaviours [41]. It was also found that enough sleep, eating well, exercising, and social support can assist to being resilient [42].

The involvement of automation processes and the use of robots in the fourth industrial revolution have necessitated management to rethink and improve issues related to human resources (HR) to ensure organisational performance [43]. Nurturing resilience as a core value and building HR processes that support resilience through encouraging career path shifts, job sculpting and job crafting opportunities are of utmost importance [5].

[4] mentions the four phases of the Covid-19 pandemic:

- React: figure out what's going on.
- Respond: take immediate actions to reduce harm or help teams.
- Return: come back to a new work environment or back to the office.
- Transform: redesign jobs, services, and customer offerings for the new world.

Bersin [4] also refers to the Big Reset in HR which indicates that HR must move from being responsive (efficient) to resilient (adaptive). As business strategies continue to evolve, organisations will need to take deliberate action to prioritise resilience and not just focus on efficiency if they want to succeed in their strategic ambitions [44]. Resilient HR refers to HR being cross-trained, highly collaborative, distributed, coordinated and agile. Hybrid workforce models can increase agility and resilience, drive competitive differentiation and save money [45]. Hybrid workforce planning is a deliberate design that enables employees to flow through various work sites — from remote solo locations and microsites of small populations to traditional concentrated facilities (offices, factories, retail, etc.) [45]. In such a hybrid workforce, managers will need to trust in the goals they have set — and trust employees to work productively against those goals, regardless of location. Employees on the other hand will need to be flexible and comfortable moving between various work environments when the need arises [45]. Coletta [46] accentuates that a shift from managing the employee experience to managing the life experience of the employees, employees' flexibility over "when" they work, recruiting that will be increasingly automated, mental health support that will become the norm, as well as the distributing of the Covid-19 vaccine should be addressed as part of future HR. These are clear examples of how important resilience is going to be in future work in order to deal with such various burning issues.

### **Practical recommendations to improve resilience:**

- A survey to obtain a snapshot and conducting focus groups to obtain detailed information of the current resilience climate within the organisation will assist HR leaders and HR academics to better investigate, prepare and upskill management, workers and HR themselves.



- The above types of investigations are of utmost importance because a lack of resilience, organisations will not be able to thrive in the future world of work. HR leaders therefore need to develop a strategy or an approach to best fit the development of resilience of HR, management and workers.
- Mentoring, coaching and training are examples of effective methods to improve one's resilience.

## **7. Conclusion**

Due to the pandemic's effect on the economy, organisations were quickly forced to transform and adapt to the new normal in order to survive. It is vital that HR evolves and transforms across every element of the HR lifecycle to meet a new set of organisational needs. The pandemic is not just a public health crisis – it's also an economic transformation where products, services, customer experiences, and physical work locations may change. While new technologies can help immeasurably when viewed as a tool to contribute to well thought-out change, organisational objectives and priorities, that alone will not be enough. Resilient HR means that HR professionals and leaders, are set up to quickly enable this transformation – not only helping people come back to work, but also helping the company transform in the fastest, most positive way. HR leaders should therefore develop a strategy that encompasses the enhancement of their own HR competencies, future workspace, engagement, employment relations and resilience. The execution of the strategy will assist to strategically position and prepare the organisation to effectively deal with future work challenges and developments.

A range of avenues for future research can therefore be identified. First, research could be broadened to obtain more insight into the future of HR. Second, case studies can be conducted to investigate the views of public and private sector managers regarding their future expectations of their HR managers. Third, future research should also suggest a study using statistical methods to determine the relationships between HR competencies, future workspace, engagement, employment relations and resilience.

In conclusion, it is essential that HR must go beyond the here and now in order to properly prepare for the future world of work.

## **Acknowledgements**

This chapter drew on research funded by the National Research Foundation (NRF) of South Africa (reference number TTK150621119893) as well as by the Tshwane University of Technology (TUT) in South Africa. This funding is gratefully acknowledged.

## **Conflict of interest**

The author declares no conflict of interest.

## **Thanks**

A word of gratitude is expressed towards Christiaan Schultz whom assisted with the technical editing of the references in this chapter.

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# Transitioning HRM to HSM - Human Self-Management Goes beyond Traditional HR

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## Abstract

Traditional HRM consists of people and profit management. In the recent decades, HRM has transitioned into human capital management (HCM), focusing on people, planet and profit management. HCM views employees as assets who should be talent managed and supported to innovatively produce and perform through talent opportunities. HCM and talent management strategies promote multiple intelligences and enable multitalented potential to meet individual, organisational, economic and societal needs. Since 21st century humans seek meaningful employment that purposefully contribute to all sectors of society, businesses need to go beyond HR, innovatively exploring how all employees can be developed, thus transforming their high potential into entrepreneurship ventures. Can organisations transition HRM to HCM providing talent creation opportunities, while strategically aiming towards transforming employees into self-managing talent entrepreneurs? The proposed HRM-HSM Transitioning Model with five key steps and roles for HR, line managers and employees may hold the answer to this question, as explored in this conceptual chapter.

**Keywords:** human capital, talent creation, talent entrepreneurship, transitioning, 4IR, self-management

## 1. Introduction

Humans are awakening and becoming aware of their intrinsic potential, skills, talent, creativity and value to organisations, societies, humanity and the planet. As intelligent, conscious, creative human beings, we can and do employ multiple intelligences to engage in multi-dimensional, creative thinking. We are also capable of employing head-heart coherence when taking action, performing tasks and solving problems. Hence, empowering humans to make meaningful decisions for and via self-management processes are significant for the 21st century human, organisation, economy, society and planet to not only survive, but to thrive. Employees seek employment for survival, purpose, contribution, development and advancement both at work and in society. As such, employees are more than just resources or even assets and capital generators; they are an investment of great value, especially within the rapidly advancing forth industrial revolution (4IR) era we live in.

Human resource management (HRM) and human capital management (HCM) strategies may be poorly designed to engage with the 21st century, 4IR aware,



multigenerational workforce that desire flexibility and integration with technology. HRM, HCD and talent leaders, managers and professionals are called upon to redesign HR so that employees can self-evaluate and self-develop, and that performance improvement can be self-measured and self-managed. Upgraded HRIS (HR information management system) must allow for the organisation to strategically transition the traditional HR value chain and functions into the modern era. Upgrading or transitioning HRM means providing integrated 4IR solutions, systems and support to not just line managers, but to the entire workforce. Digitally competent employees are ready, willing and able to employ multiple intelligences, create on multidimensional levels, make decisions for themselves and navigate their career paths in the 4IR workplace independently of HR or line managers.

Traditional HR (human resource), is concerned with how employees and people are managed within organisations. Traditional HRM focuses on how line managers, departments, divisions and business units manage human labour, performance, time and costs. HRM is the custodian of the HR value chain, managing employees from selection and appointment, to performance and talent management, to training and development, to promotion and bonuses, to employee relations and wellness, and finally to retention and retirement, or dismissal, or resignation. HRM as we know it, is concerned with people management, recording employee time and cost to the organisation, and providing the skills development they require to increase the performance of both individual and business.

In gaining a new understanding of HRM in the 21st century, especially in this decade, we must move beyond traditional HR to seek new and innovative research paths for workforce management. Currently talent management is concerned with integrating, engaging and developing people, profit and planet strategies. Yet, the 21st century employee demands workplace nurturing that allow them to flourish and expose their talent, creativity and innovation. Furthermore, younger talented employees desire to work independently, meaningfully and purposefully in order to not just generate an income, but to contribute and serve society while protecting the environment.

This chapter focuses on the shift in paradigm from traditional HRM to beyond HCM or talent management into new, innovative HR practices. Moving beyond HR means valuing humans as assets and being willing, able and ready to transition existing employees into talent creators and talent entrepreneurs. Whereas traditional HRM manages people via policies, procedures, business partners and line managers, moving beyond traditional HR is a turn-around strategy towards people managing themselves. Human self-management (HSM) is a new concept introduced in this chapter that speaks to embracing a new way of thinking, where every employee is assumed to have the potential to become a self-managed talent entrepreneur, especially in the 4IR era.

Currently, most organisations are ill prepared for transitioning HR into the future 4IR and multitasking workplace. While 21st century employees are evolving, gaining global competencies and characteristics that meet international criteria, organisations are lagging behind with traditional HR practices, procedures and policies. Furthermore, there is a gap in the literature, with limited research on how employees can be transformed to become self-organised and self-managed talent creators and talent entrepreneurs that boost not only business performance and individual creativity; but transforms communities via environmentally friendly, innovative products and services. This chapter is motivated by the inquiry of how HRM can strategically transition organisation and employees into future-ready talent entrepreneurs via human self-management processes and systems. The solution lies in answering this research question that guided this chapter: What businesses model can HR use to manage workforce transition from the traditional

HRM practices towards talent creation, talent entrepreneurship and human self-management?

Theoretically, the chapter contributes to the body of knowledge on HRM, HCM, talent management and human self-management. Practically, the chapter contributes by providing HR leaders, managers and professionals with an evolutionary HRM-HSM Transitioning Model to effectively and efficiently transition traditional HRM into 21st century human self-management (HSM) systems. The contents of this chapter are presented as follows: introduction, literature trends, findings, discussion, implications for application, and conclusion.

## **2. Literature trends: global HRM transition**

### **2.1 Human capital workforce management**

Globally, the traditional HR value chain and functions are implemented and governed by cooperative partnerships between HR business partners and line managers. 21st century HR views employees as human capital and as organisational assets. This view promotes employee and organisational agility, embracing emerging block chain management and employee value propositions (EVP) as innovative business operational tools. The management of a multigenerational workforce who form the key organisational assets in a 4IR landscape requires more than managing employee agility and intelligences. Evolving workforce management practices indicate that the development of mass customization capability within organisations, sector, country and continents promotes business growth. Benefits of enhancing workforce customization capability include: enhancing organisational customization capability at all levels; integration of internal and external business expertise; integrating operational performance with workforce management; effective, efficient and flexible operational strategies; promoting employee-centric behaviour, safe group dynamics and employee empowerment; and boosting organisational competitive advantage [1].

The call is for management to address important human capital changes in the 4IR environment, taking a more human-focused perspective. Besides 4IR, human capital is a significant emerging force. Hence, management must consider new and innovative conceptual and practical levels of human operation in industry. Recommendations include: new structural interactions among employees; measuring qualities of human capital; identify workforce talent competences; and integrating PESTEL (political, economic, social, technological, environmental and legislative) into HCM strategies [2]. Big data analytics has transformed multidisciplinary industrial and business practices and research. Yet, HRM big data analytics has primarily focused on job candidate screenings, appointments and vacancies. Significant strategic human capital questions should be addressed using big data analytics to enhance overall business performance. HR data analytics help assess workforce performance in real time, identifying and developing talent at all occupational levels and thus grows and reinforces individual and organisational capabilities. HRIS (or other information systems) is responsible for big data analytics; hence they are called upon to upgrade their reporting strategy to include talent statistics. HRIS must also address online, electronic and social media regulatory and ethical challenges; including privacy, piracy and intellectual rights and concerns [3].

21st century HRM/HCM should focus on measuring and monitoring the employee experience, performance and development. Performance managing the evolving employee means managing employee engagement in an evolving business,

social and electronic environment. Current workplaces are evolving rapidly, due to dynamic workforce demographics, flexible psycho-social contracts, growing competencies, and preconceived employee expectations. Managing employee experiences means that HR must electronically capture the employment journey of all employees in an organisation. The transformed, evolved HCM must value the employee engagement from hire to exit. This entails knowing their experiences, what they feel, do, and achieve from the job; as well as understanding their relationships in teams and attitude to the organisation. Current HCM practices aim to revamp HR practices and policies, creating employee experiences that provide the highest level of engagement, performance, innovation and development [4].

Many drivers and challenges exist in the field of HRM currently, including integrating the evolving human capital employee with 4IR, artificial intelligence, big data, robotics, and many others technological innovations. Recent local, national and global crises have ushered in radical transformations; affecting the way businesses, governments and countries are managed. Business analysts, managers and leaders are challenged by both human and digital workforce changes. Effective human capital management in the 4IR landscape involves effective development and deployment of human resources, artificial intelligence and robotics to achieve organisational strategy. New, innovative HR practices are required for managing our current digital workforce, succession planning, staffing, development, compensation, and human capital investments [5].

## **2.2 Talent culture and creation**

Talent creation begins with establishing innovative and strategic talent management policies, procedures and practices that include the perspectives of all organisational stakeholders. Employees, managers, business heads, CEOs and HR professionals must collaborate to create organisational value added talent innovation, interventions and culture. Many strategies are advocated to enable talent culture creation as follows: resource based view; managing expert talent; supply and block chain talent management; employer branding; career management; innovating management strategies; and globalising the HR architecture. Current challenges including the gaps between workforce planning and talent management. The call is for creating effective bridges between talent practice and theory [6]. Sustainable talent creation depends on the effectiveness of the organisational learning and development culture. Line managers who are trained mentors and coaches are more likely to enhance talent development and creation. Such managers develop not only their own talent, self-reflexivity and critical problem-solving capabilities, but empower employees to improve their innate potential and talent. A five-phase talent creation intervention is advocated by the literature as follows: Phase 1 explores and reflects on previous experiences and understanding needs; Phase 2 understands past, present, and future values and strategies; Phase 3 co-creates a talent cultural analysis, establishing individual and organisational identity and developing self-reflexivity; Phase 4 designs value-based compass posters for talent culture enhancement; and Phase 5 shares, evaluates and plans within the local sociocultural context [7].

The World of Work (WoW) forum created in 2019, offers a comprehensive framework of key performance statistics, reflections and qualitative feedback from staff, students, industry partners and other participants from India, China ASEAN and Europe on the future of jobs, global talent shortages and graduate skills gaps. The call is for the WoW and other global forums to collaborate to offer platforms for critical participatory action research on talent culture, creation and enrichment. Furthermore, the call is for global multi-dimensional events and decisions to



demonstrate the value of talent internationalisation [8]. The effect of talent management on organisational learning capability and intellectual capital is significant. The emphasis is on the role of these talent enablers: HR and talent managers; line managers; and employees. Employees are considered the most valuable recourses in an organisation that can enhance the learning capability of the organisation. Human Resource Development (HRD) professionals are called to design effective and efficient talent management systems so that talent creation and culture promotes an agile learning environment [9].

Currently, remote and virtual working allows employees the flexibility for working and developing their talents and interests. With remote working, managers experience talent management challenges as follows: difficult to harness global talent; global markets are not accessible easily; business growth is stifled by limited talent identification; limited physical interactions between employees; challenging talent innovations; cannot observe talent operations in highly virtual work environments; and limited opportunities for growing talent socialisation and talent culture. A digital organisational culture handbook is advocated to support highly virtual organisations, employee experiences and measure rapid talent growth. The symbolic aspects of organisational culture (values) and pragmatic aspects (policies and toolkits) should be integrated using theory-generating descriptive analytics. Organisational talent culture creation can be established via an information artefact consisting of a series of HRIS reports on talent engagement, performance and innovation [10].

### **2.3 Managing talented employees via talent innovation**

Although talent management is well theorised, researched and practiced, there are limited studies on the relationship between innovation and talent management. Human capital theories, such as the McGregor's X and Y, social exchange and employee attraction theories, established the link between talent management, product innovation, process innovation and marketing innovation. Empirical research also verifies that talent management has a significant and positive impact on product, process and marketing innovations, providing that organisations are invested in talent development and talent innovations [11]. A socially responsible talent management strategy consists of the following values: inclusivity; corporate responsibility; transformation; transparency; autonomy; equity; and equal employment opportunities. Benefits of responsible talent management practices include promoting and achieving multidimensional sustainable outcomes; providing meaningful, purposeful and decent working conditions; enhancing employee and organisational well-being; promoting responsible, ethical management practices; and growing innovative, sustainable work practices with employee wellness as the focus [12].

Until recently, the war for talent was defined by competitiveness, aggressive poaching and elitism. Current talent recruitment involves a more collaborative and inclusive approach, proving opportunities for new and innovative talent management solutions. Reverse mentoring is emerging as an innovative talent management practice, allowing for the bridging of skills, generational, digital and other workforce gaps. Romanian and Swiss hospitality industries experienced the challenge of a lack of trust by employees on whether managers can effectively implement reverse mentoring as a talent innovation strategy, where the younger generations teach and develop older employees on 4IR integration [13]. Today's dynamic business and 4IR environments require managers and employees to gain business agility and flexibility. Innovative and engaging talent management strategies can shape organisational agility, thus contributing to increased organisational dynamic capabilities and



competitive advantage. Germany identified different types of innovative dynamic talent capabilities that promote organisational agility, talent engagement and the creation of talent pools [14].

Undoubtedly, HR, human capital and talent management are all about people experiences within and outside the organisation. The 21st century is riddled with 4IR advancement, global crises and multitiered opportunities. HRM must adapt to view all employees, planet and productivity as valuable resources to invest in daily. HRM must become agile integrators of artificial intelligence, robotic process automation and promote a healthy blend of human and machine learning, thus innovating talent acquisition, engagement, development and management. Whereas traditionally HRIS utilised machine learning tools primarily for acquiring, hiring and firing talent; current HRIS is invited to expand its services to detect and promote organisational agility. HRIS measuring instruments must innovatively engage employees in online self-uploading of required data for evaluating performance, promotion and reward management. Challenges facing HR and line and top management with regard to talent innovation include the following: digitalization and data management mismatch; mapping talent traits to development interventions; and enlisting board-level talent management collaboration and support [15].

## **2.4 Talent entrepreneurial workforce management**

Talent innovation as a workforce management tool allows for the emergence of entrepreneurship skills within individuals, teams, organisations and communities. Similar to block chain technology used to transform public and private organisations worldwide; innovative HRM employs organisational and surrounding infrastructure, developer and managerial talent, and local demand for human talent to drive its strategy. Workforce development entails identifying employment opportunities and training needs around block chain systems, thus enabling rapid growth of regional block chain clusters via organisational talent entrepreneurs. In the USA, talent entrepreneurs who tap into block chain investment increased their operational efficiency and reduced their transaction costs. Innovative talent strategies include investments in block chain software development, finance and accounting systems, and employee entrepreneurial skills development that drive enterprise solutions [16].

Taiwan's ageing working population promotes talent entrepreneurship to drive economic growth and social development. This aggravates the structural population and talent market imbalances. The call is for new generational employees to maximise their digital talent as a means to attract global employment. Furthermore, talent entrepreneurship eradicates workforce differences in values, cultures and practices. An entrepreneurial approach to talent and workforce management minimises risks in selecting, nurturing, engaging and retaining talent. Strategic internal entrepreneurial mechanisms and systems are required to create new talent opportunities. The 4IR transformational era allows Taiwanese business leaders to adjust leadership styles, strengthen multigenerational workforces and implement strategic internal entrepreneurial mechanisms to measure and manage valuable talent knowledge, experiences and innovation [17].

Talent innovation increases individual and organisational growth, sustainability and enhancement. Employees and businesses can survive and succeed in the local and global dynamic, volatile and uncertain business environments if they remain agile, creative and innovative. Entrepreneurial talent management strategies in Nigeria was found to promote organisational agility, adaptability and alertness of construction firms. Dimensions of entrepreneurial talent management, such as entrepreneurial skill and entrepreneurial knowledge, seem to

significantly influence individual, team and business adaptability, agility and problem-solving alertness [18].

There is limited literature on the relationship between HRM practices, entrepreneurial orientation and business performance, especially in small and medium enterprises (SMEs). Yet, we agree that talent and general employee knowledge and competencies do translate into business value-add when individual and organisational entrepreneurial capabilities and culture are fostered. HRM, line and top management have strategic roles to play in initiating entrepreneurial orientation and developing entrepreneurial capabilities while nurturing, enriching and monitoring employee knowledge, skills and distinctive competencies. The strategic alignment of HRM, talent management and business strategy was found to shape employee attitude, behaviour and working culture. Integrated talent management was found to promote innovativeness, entrepreneurship, risk propensity and initiative-taking. Furthermore, business entrepreneurialism seems to translate into individual and group productivity and overall organisational performance [19]. Knowledge management research detects a link between entrepreneurial and organisational performance, revealing that when dynamic capabilities are recognised, opportunity recognition is aroused. Effective knowledge management practices have been found to have a positive and significant influence on improved dynamic capabilities and on enhanced entrepreneurial and organisational performance [20].

### **3. Findings: from HRM to human self-management (HSM)**

#### **3.1 Drivers of HR and human capital transitioning**

Human beings are not just another resource and employees are more than resources; they are human capital, who when invested in, engaged and developed, reveal hidden intelligences and talents untapped by traditional HR practices, procedures and policies. Employers, HR and line managers must transform to nurture, mentor and grow employees as human capital that is highly valued in the workplace. Literature trends indicate that the following are drivers of transitioning HRM into HCM: block chain management; multitiered EVP; multigenerational workforce; 4IR integration; and PESTEL (political, economic, social, technological, environmental and legislative) integration.

Block chain management, technology and system are considered key drivers to cluster business processes, allowing individuals, teams, supply chains and customers to integrate in functionality, purpose and success [1, 16]. Employees seek and negotiate for purposeful work on multiple dimensions and levels, employing multiple intelligences simultaneously when performing workplace tasks. Innovative, talented employees seek employment for economic, social and psychological security; hence they know their worth, presenting strong EVPs to employers [1, 5]. Talent creation, talent management and talent culture emerge as the 21st century toolkit for driving investment in multitiered workforce development; thus allowing for learning organisations to flourish with mentored critical thinkers and self-reflective problem solvers at all occupational and generational levels [6, 7, 9].

In order to limit and eradicate the risks, threats and challenges associated with managing a multigenerational workforce, HRM has to transform its practices towards HCM. Integrating many generations, cultures, backgrounds and languages of employees to work together harmoniously as effective teams, units or divisions requires innovative and entrepreneurial management strategies. HR and line managers must negotiate, engage, nurture, mentor and coach employees at all levels. Reverse mentoring and coaching allows for younger generations to train,

develop and transfer skills and competencies into older employees and vice versa [1, 13, 17]. HR has transformed to integrate technological systems and analytics in the 4IR landscape; thus becoming a key driver towards further transitioning. HRM transformation into HCM means that systems (HRIS) must recognise that younger employees are adept with digital and artificial intelligence. HCM means that HR and line managers must provide adequate technological and development resources to function effectively in a digital world inside and outside the workplace [1, 2, 5, 15, 17].

The transformation of HRM into HCM, including policies and practices, means that the PESTEL factors must be considered: political, economic, social, technological, environmental and legislative. Relevant aspects of PESTEL must be integrated into HCM strategies as explored here. The political environment dictates the changes that manifest internally within organisation and individuals as a result of external, local, national or global political changes. The economic climate both locally and globally drives how, where and when people and organisations invest their time, energy and finances. Valuing humans as capital allows organisations to tap into, contribute and benefit from the social growth of employees, customers and societies. Technological integration allows for effective and efficient HCM, promoting human and 4IR intelligences to grow simultaneously in a healthy, equitable and balanced workplace and economy. Ensuring that the environment is protected while generating profits allows businesses to reveal their reduced carbon footprint, promotion of conservation and protection of the planet and space. Legislative or regulatory elements are key drivers of HRM and HCM compliance, conformity and standards that ensures high quality products and services globally [2, 3, 4, 5, 9, 15].

### **3.2 Challenges and risks in talent creation**

Viewing human resources as human capital and talent requires a renewed management strategy where the attention, awareness, analysis and collaboration is on HRM transformation. Viewing employees as human capital means that HRM must transform into HCM, and invest in employee development. Talent management strategies must now view all employees as potential talent, thus creating talent pools that form a talented workforce that benefits the growth and sustainability of businesses and the economy. There are challenges associated with the HR transformation process. Transforming HRM into HCM via the talent creation approach presents challenges such as: workforce plan and talent mismatch; skills gaps; and generational, digital and other workforce gaps.

Gaps between workforce planning and talent management strategies may hinder the talent creation and HRM to HCM transformation process. If workforce planning is not integrated into talent management practices, then a divide and mismatch appears between what is intended, planned, expected and delivered [6]. Skills gaps in employees, teams, units and organisation severely challenges the talent creation strategy if employee development is neglected. HCM and talent creation approaches must bridge internal skills gaps via skills development and personal development plans [8]. Talent creation risks are avoided when talent strategies support the bridging of skills, generational, digital and other workforce gaps using reverse mentoring and coaching approaches [6, 8, 13].

### **3.3 Creating a workforce of talent entrepreneurs**

Literature trends reveal that the task of transforming HRM into HCM and then advancing to the creation of a workforce of talent entrepreneurs is the way of the future world of work. Radical digital and human creativity and innovation



demands a new approach to individual, organisational and societal evolution. Without entrepreneurial attitudes and values, both employees and organisations will fail to survive or thrive in the 21st century global economy. Entrepreneurship involves personal creativity, integrated with natural and technological resources to produce products and/or services that benefit societal needs. It is when businesses allow for personal talent to emerge in the workplace that innovation emerges to transform and grow business, societal and economic intelligences and capabilities [16, 17, 19].

The dynamic capabilities theory indicates that by increasing the capabilities, creativity and innovation of talented employees, organisations automatically increase and grow their intelligences, entrepreneurship and capabilities [14, 20]. Talented employees seek development opportunities so that they can enhance their entrepreneurial capabilities, career prospects and EVPs. They aim to become multi-talented and offer a range of skills and competencies to local and global customers. It is imperative that HCM, line and talent managers collaborate to co-create talent pools that promote innovation and entrepreneurship. Technology plays an integral role as an effective driver to promote entrepreneurial employees and a talented workforce [18, 20].

### **3.4 Transitioning to sustainable human self-management (HSM) systems**

21st century employees and citizens have awakened to purposeful productivity that contributes to personal, societal and humanitarian growth. Today in the 4IR era, humans of all ages, social structures and competencies are digitally connected via social, media and workplace electronic platforms. Globally, people, societies, countries, leaders, managers and employees are aligning, collaborating and co-creating to share knowledge, skills, values and attitudes. In simple terms, the people are doing it for themselves by themselves; yet ensuring a contribution towards the positive development and evolution of humankind. This is visible in the dynamic creativity, innovation and entrepreneurship capabilities emerging in the younger generational workforce within both developed and emerging markets [1, 5, 10, 11].

Today's talent, especially in the younger generations, feel responsible and express the need for autonomy from direct management. Whereas traditional management tactics were designed to oversee, dictate and control workplace performance and may have worked effectively and efficiently; today, managers must embrace a new co-creative, collaboration HRM philosophy and practice. Employees must be viewed as workplace partners, working with managers to achieve organisational strategic goals and outcomes. Talented employees prefer to work independently mostly and interdependently when necessary. Digitally empowered employees are capable of self-management and self-development; hence their need for independent creativity, critical and constructive self-reflection, and self-assessment of their performance. Paramount to self-development is self-expression and individual gratification. Work satisfaction, wellness and engagement is expressed by talent in independent and co-creative entrepreneurial projects that appeal to customers worldwide [5, 7, 9, 12].

Entrepreneurial employees require effective resources to transition into self-managed talent who are capable of measuring their performance, their challenges and their development plans. Traditional HRM and current human capital and talent strategies, policies, procedures and practices aim for line managers or HR business partners to regulate what, how, when and why employees perform their tasks. Moving beyond HR, means that even current human capital and talent strategies must make radical shifts towards promoting human self-management (HSM). This chapter proposes a transitioning model to empower traditional and current



HR, human capital, talent and line managers to embrace an HSM strategy going forward into the future and beyond traditional HR practices [16, 18, 20].

4. Discussion: transitioning HR into human self-management (HSM)

This section discusses the practical application and implications of the theoretical research question guiding this chapter: How do we manage workforce transition from HRM to HSM? Significant findings reveal that a new awakening and understanding is required to perceive employees as more than human resource or even human capital. Organisations must view 21st century employees as more than brains and limbs; they must be viewed as intelligent, creative and innovative talented partners who desire to control their entrepreneurship via self-management skills. Current literature trends point to an evolutionary movement towards transitioning HRM from the traditional processes and procedures to focus on employee self-management or HSM. The proposed model, HRM-HSM Transitioning Model, as presented in **Table 1**, is a practical, step-by-step procedure to guide HR and talent leaders, managers, professionals, practitioners and line managers in this strategic evolution of transitioning employees into self-managers.

The HRM-HSM Transitioning Model consists of these five steps: Step 1: Humans are capital; Step 2: Talent creation; Step 3: HSM systems; Step 4: Implement HSM; and Step 5: Improve HSM. Each of the five steps specifies the role of HR, line managers and employees in the transitioning process. The model is transparent in that all roles entail ultimate responsibilities and accountability rests with the stakeholder involved. Benefits of implementing this model include the following: employees become the custodians of their own performance, progress and advancement; HR and line managers become nurturers, motivators, mentors and coaches; 4IR becomes the instrument that HR employs to oversee employee self-management; and all HR processes and value chain functions become automated. Anticipated challenges for model implementation may include the following: organisation may not be resourced for 4IR integration; HRM-HSM transitioning may be costly and time consuming; HR reluctance to change and automate; line managers and

HRM-HSM Transitioning Model			
Steps	HR Role	Line Manager Role	Employee Role
Step 1: Humans are Capital	Advocate for HCM and talent values	Attitude change; employees are talent	Behaviour change; competencies are currency
Step 2: Talent Creation	Talent policy and procedures	Support creativity and innovation	Be creative; display talent and potential; be entrepreneurs
Step 3: HSM Systems	Collaboratively design HSM systems and policies	Encourage talent to embrace HSM systems	Learn how HSM systems can plan your productivity
Step 4: Implement HSM	Collaboratively promote HSM systems and policies	Empower talent to utilise HSM systems daily	Engage and interact with HSM systems to promote performance
Step 5: Improve HSM	Collaboratively improve HSM systems and policies	Support talent to challenge and benefit from HSM systems	Talent manage yourself with HSM systems to improve productivity

Table 1.  
Transitioning HRM to HSM model.

employees may complain of increased workload; and some employees and managers may resist the transitioning process midway. Transitioning managers and employees from direct control to autonomous decision making takes self-discipline and supportive empowerment of employees and managers over a period of time. It is recommended that the implementation of this model be planned as an annual business strategic objective, with implementation phased in and completed over a three to five-year period.

In Step 1 of the model, Humans as Capital, the HR role is to advocate and make a business case for promoting organisational human capital and talent values, ensuring that all employees at all occupational levels are treated as highly valued investments. Line managers must modify their attitude towards the fact that employees are talent with unlimited potential that can be unleashed with the right resources and nurturing. Employees must learn new behaviours and practices to ensure that their competencies are updated to meet performance requirements.

In Step 2, Talent Creation, the HR role is to embrace all employees as human capital with potential talent; hence HR must initiate talent creation interventions that result in talent pools. Line managers must support HR initiatives and encourage employees to display, record and market their creative talents and innovative ideas. The role of the employee is to be creative, master their talent and potential, and become the entrepreneurs that businesses desire to engage with as business partners.

In Step 3, HSM Systems, the HR role is to gather key stakeholders together to collaboratively design and develop suitable self-management systems, with appropriate policies and procedures for total quality management. Line managers are expected to encourage employees to embrace the transformative HSM software, systems and procedures. Employees are expected to learn how to operate, plan and self-manage their performance contract, productivity, appraisal and career advancement.

In Step 4, Implement HSM, the HR role is to oversee how divisional and business unit managers implement the HSM systems and policies effectively, efficiently and successfully. Line managers must be empowered and encouraged to train and develop employees to utilise the HSM systems, tools and instruments regularly, daily if possible. The role of the employee is to engage and interact with the HSM systems so that daily performance is monitored, measured, increased and improved.

In Step 5, Improve HSM, the HR role is to collaborate with key stakeholders to detect challenges, gaps and risks in the HSM system and processes. HR must also find solutions that improve the HSM systems, policies and procedures. Line managers are required to create and support individuals and talent pools of entrepreneurial employees during challenges with HSM. Managers should encourage employees to regularly capture required information on the HSM system, and benefit from their self-management activities. The role of the employee in this final step is to improve their own creative talents via innovative performance, productivity and feeling a renewed sense of purpose for self-management, autonomy and freedom of expression in the workplace.

## **5. Implications for HRM-HSM transitioning model application**

Moving beyond HR and HRM into employee self-management will take time, cost money and requires significant effort and commitment from all levels of management within the organisation. Implementing the HRM-HSM Transitioning Model will bring tremendous benefits to organisation, managers and employees;

however, there may be challenges also. While employees, managers and businesses must enjoy the benefits of automating the employment, promotion and career advancement process; they must also be aware of and self-manage the potential pitfalls and risks of transitioning HR into a human self-management system.

The implications for successful application of the model are highlighted for key stakeholders as follows:

- **Business:** Businesses get to automate the HR value chain, thereby encouraging employees to accept full responsibility for self-managing their employment needs, performance, promotion and career advancement.
- **Managers:** Managers receive automated reporting of talent engagement activities, employee performance and talent innovation. Managers use 4IR and technology as tools for remote management of employee progress, entrepreneurship and achievement of individual and business strategic goals.
- **Employees:** Talented employees become autonomous workers, employing automated systems for managing and accepting responsibility for their own employment contract, performance improvement, productivity, learning and development, achievement of goals and for maintaining flexible work-life balance.
- **Country:** The economy of the country benefits from implementing the model as it will grow talent pools, intelligences, capabilities and productivity at local and national levels. This promotes skills development, national competencies, reinforces citizenship, increases global competitiveness and advances entrepreneurial development; thus increasing the potential for increased national income and revenues.
- **Society:** The HRM-HSM Transitioning Model implementation in businesses and workplaces allows societies to evolve into self-sustaining, successful systems. When talented employees develop and grow into talented entrepreneurs, then they are motivated to contribute to community development via workplace innovation projects and entrepreneurial opportunities.
- **Planet:** Planet Earth benefits when businesses implement the HRM-HSM Transitioning Model as they co-create autonomous yet interdependent global humans that can offer entrepreneurial competencies to solve human, socio-economic and 4IR future challenges.

## **6. Conclusion**

Traditional HR had its time and place, but its practices and policies are now outdated and must be replaced by more modern and relevant systems and practices. While some organisations continue to employ traditional HRM, most business practices have evolved to incorporate and integrate human capital and talent management interventions in the current 4IR workplace. Current literature trends reveal that even traditional HR has transitioned into human capital workforce management by promoting a talent culture with talent creation and managing talented employees via talent innovation; thus co-creating an entrepreneurial workforce management strategy and practice. The literature synthesis revealed these findings: HR leaders and managers must become aware of and leverage the drivers of HR

and human capital transitioning; they must identify and manage the challenges and risks in talent creation; they should co-create a workforce of talented entrepreneurs; and HR should transition towards sustainable human self-management (HSM) systems.

On a theoretical level, this chapter adds to the body of knowledge and assists HR and line managers to integrate employees, business processes and production lines effectively and efficiently into self-management systems using 4IR technology and automation. The epistemological contribution of the chapter is the awareness created that the current 4IR workplace employs an intelligent, creative, innovative, multigenerational, multitiered workforce that prefers to work independently and self-manage their activities, performance, development and career advancement. The practical contribution of this chapter is the proposed HRM-HSM Transitioning Model, consisting of five steps that HR leaders and managers can utilise in their HR upgrading, as follows: firstly, treat humans as capital; secondly, co-create talent pools; thirdly, collaboratively design human self-management systems; fourthly, implement designed HSM systems; and finally, sustain and improve the HSM systems. HR, line managers and employees have specific roles and responsibilities that must be adhered to at each step in the model.

The practical implications for application of the model for business, managers, employees, economy, society and planet are tremendous. There is a cascade of benefits and opportunities for all stakeholders when employees are nurtured into becoming creative, entrepreneurial innovators who can function competently, independently and confidently in a globalised 4IR landscape. It is predicted that future graduates and new recruits will selectively seek employment in businesses where human self-management systems are promoted and supported; highlighting the fact that self-managed entrepreneurial talent development will become the most significant function for HR and line managers looking into the future.


The limitations of the chapter are that it is theoretical in structure and conceptual in nature; as such, it presents drawbacks. A further limitation is that the HRM-HSM Transitioning Model has not been empirically implemented, measured or validated. Further research is recommended to empirically test whether the proposed model is effective; as well to investigate and explore how intelligent, independent, innovative employees can self-manage their employment and career advancement via human self-management or HSM systems.

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# Strategic Human Resource Management: 37 Years in Academia, How Many in Practice? A Focus on Large Companies

*Alaine Garmendia, Unai Elorza and Urtzi Uribetxebarria*

## Abstract

In the fast-changing global workplace of today, maintaining competitive advantage has become imperative to survival. Employees matter today more than ever since they become non-imitable sources of firm uniqueness that can deliver value to every stakeholder. Based on this, the field of Strategic HRM has gained a special interest among researchers and practitioners since it employs a strategic approach to the role of employees within the organisations. However, looking at the business world results, it looks like there is a divorce between academia and practitioners and that they are operating in a parallel way. With the aim of evidencing this gap and echoing this issue, this chapter is structured as follows. It starts with a summary of the research conducted under the SHRM field in the last two decades. It follows with a section that evidences the gap between research and practice showing the results of global companies' surveys related to people management. In the third section a special focus on big companies is done due to their importance when legitimizing managerial trends. The chapter finishes with some conclusions and thoughts for future managers.

**Keywords:** strategic human resource management, research-practice gap, organisational performance, employee engagement, employee empowerment

## 1. Introduction

It is assumed that the birth year of the Strategic Human Resource Management (SHRM) field was 1984, 37 years ago, when two pioneering books were published: Strategic Human Resource Management by Tichy and colleagues in 1984 (see [1]) and Managing Human Assets by Beer and colleagues in 1984 (see [2]). These authors were motivated by the industrial situation at that time in the USA: (i) USA companies were losing competitiveness compared to their Japanese and German rivals, and (ii) the utilization of human resources was conceived as an area of inefficiency and missed opportunity in USA companies [3]. In this context, a need for a strategic approach to HRM appeared.

SHRM was conceptualized like “the pattern of planned HR deployments and activities intended to enable an organisation to achieve its goals” [4]. Conceptually, SHRM is one of the subdomains of the broader Human Resource Management (HRM) field. SHRM addresses how different HRM systems (i.e. set of HR practices)



are shaped and how they affect Organisational Performance (OP). An HRM system can be defined as a combination of HR practices that are advocated to be internally consistent and reinforced to achieve some overall results. Research focuses on the effects of HRM systems rather than the effect of individual HR practices. The logic is that employees are exposed to a system rather than to a single practice on at a time. These practices are supposed to be complementary or synergistic generating a coherent and consistent message within the organisation.

There can be found different conceptualizations of HRM systems within the literature. The most known are the High Performance Work System (HPWS) (see for example Huselid's proposal in [5]), the High Commitment Work System (HCWS) (see Arthur's work in [6]) and the High Involvement Work System (HIWS) (see Lawler's proposal in [7]). Among these, there are certain differences in the orientation of the practices. For example, the HCWS may include more practices fostering commitment and the HIWS employs more involvement practices. However, the abovementioned three working systems include high-commitment and high-involvement employment models and they reside in the same logic: work autonomy is regarded as one of the central parts of these systems [8]. We understand these systems as "advanced" HRM systems that employ a strategic approach to the contribution that empowered employees might make to organisations.

According to the literature the five key practices that compose (advanced) HRM systems are [9, 10]: (i) selective recruitment and selection, (ii) appraisal and performance management, (iii) compensation, (iv) training and development, and (v) employee participation or involvement. To date, there is no consensus about which is the most appropriate conceptualization of HRM systems (see for example an extensive review in [10]) and for the sake of simplicity, the general term of (advanced) HRM system covering all the variations will be employed along this chapter.

Continuing with the history of USA companies introduced at the beginning of the chapter, one decade later the birth of SHRM, in the nineties, USA researchers focused on carrying out empirical studies, which would demonstrate the role of HR generating value for organisations [11]. Researchers wanted to empirically demonstrate the performance effect of HRM systems to develop the field as a true discipline. A turning point occurred when Huselid published a paper in 1995 demonstrating a positive correlation between the degree of sophistication of HR practices and market value per employee.

Building on this study, different authors started conducting empirical research focusing mostly on HR practices bundles (i.e. HRM systems) and performance relationships (e.g. [6, 12]). Paauwe and Richardson in 1997 (see [13]) summarized the findings of the empirical studies conducted until that point and they concluded that these could be classified into two types. The first type of study analysed the association between HR practices and employee related outcomes such as satisfaction, engagement, motivation, turnover and commitment. The second type of study analysed the association between the employee related outcomes and organisational outcomes such as productivity, quality, sales, and market value. They concluded that HRM activities give rise to HRM outcomes, which in turn influence OP. This contributed to a call for more theoretical insights that could explain (i) what was understood by HRM activities (ii) what was understood by performance and (iii) what the linking variables between them were [14]. The linking variables (i.e. HRM outcomes) turned to be known as the big unknown: The Black Box.

To date, a great effort has been made to theoretically argue the paths through which HRM systems influence both employee and organisational outcomes. The most widely applied theories for explaining the Black Box have been the human capital theory [see more information in references [15, 16] and the behavioural perspective [see more information in references 17, 18].

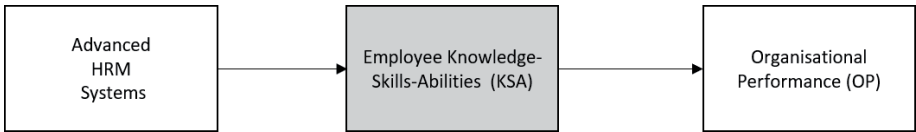
Human capital theory concentrates on the impact of HRM systems on employee Knowledge, Skills and Abilities (KSA) gained through training and work experience (see **Figure 1**). It assumes that these attributes of the workforce will have a positive impact on OP. Organisational investments in advanced HR practices such as strategic personnel selection, training and development contribute to the human capital of the workforce which in turn influences organisational performance. Human capital is essential for employee performance. HR systems can enhance employee KSA that are specific to the company and allow the generated human capital pool (i.e. aggregated KSA) exploit it for the benefit of the company. There are empirical studies that demonstrate that human capital pays off. For example in the study conducted by Crook and colleagues (see [19]) they showed that one standard deviation increase in human capital, measured as work experience of the managerial board, translates into an improvement of 80% in Return On Assets (ROA).

The behavioural perspective, on the other hand, assumes that the purpose of the practices are to elicit and control employee attitudes and behaviours such as engagement and proactive work behaviour [4]. What is important is not how much knowledge we have in the company, but how much our employees are willing to apply this knowledge and how much effort they put into it (see **Figure 2**).

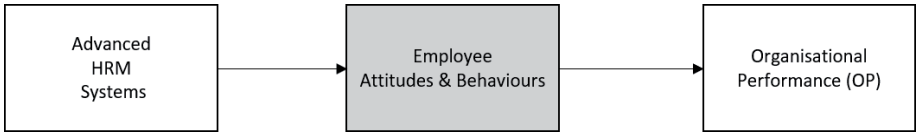
The behavioural perspective lies under Social Exchange Theory (SET). SET explains human behaviour in relations. The relations are understood as an exchange relationship where a person feels the obligation to reply to the input of the other in the relationship. This is understood as the norm of reciprocity defined by Gouldner [20]. Following this, the sociologist Blau stated that employees can feel this need of reciprocity with the organisations. When organisations offer employees social exchange relations such as attention, growth or trust that exceeds the expectations of employees, employees feel the obligation to return to the company with extra effort [21].

HR practices usually employed under advanced HRM systems such as autonomous or self-managed teams, employee participation and cross-functional collaboration projects are motivational drivers for the desired work attitudes and behaviours. Investment in HRM systems demonstrates to employees that the company values them as a source of competitive advantage and this in turn might generate a greater sense of organisational attachment and engagement [20, 22].

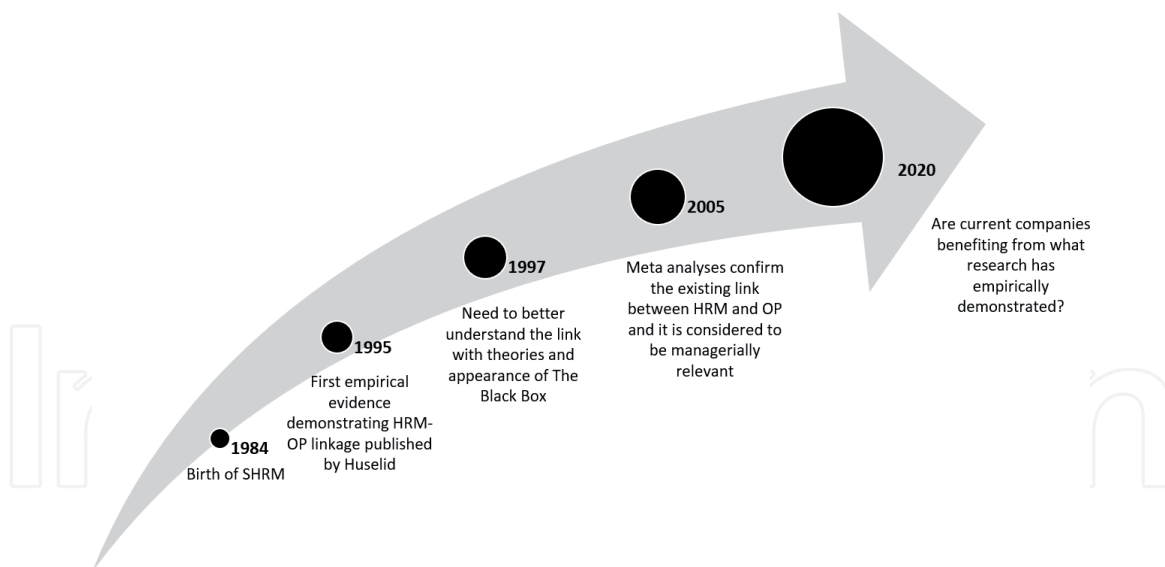
Employee engagement can be defined as a positive and fulfilling emotional state of work-related wellbeing characterized by vigour, dedication and absorption [23]. A meta-analytical study conducted by Harter and colleagues (see reference [24]) demonstrated that engagement had a significant impact on employee performance which is a predictor of productivity. In addition, other studies conducted across



**Figure 1.**  
*Human capital framework.*



**Figure 2.**  
*Behavioural perspective.*



**Figure 3.**  
*Summary of three decades of trajectory of the field of SHRM.*

industries have found that higher engagement levels of employees are related to positive financial outcomes such as profitability or Return on Assets [25] and lower absenteeism levels [26].

The first empirical evidence that demonstrated the value of implementing HR practices from a strategic perspective is considered to be that published by Huselid in 1995 (see [27]). Nowadays, almost 40 years after this publication there is no doubt that investment in HRM systems pays off. The field has been fed with evidence of positive relationships (see **Figure 3** for a summary). Meta-analysing the research in SHRM supports the idea that HRM systems have a significant effect on performance (see for examples the studies in references [28–30]).

Not only scientific papers support the positive effect of employees on OP. The internationally recognized consulting company Gallup, in their report of State of the global workplace [31] concluded that those companies that make a strategic investment in employee development (for example, implementing advanced HRM systems) report 11% greater profitability and are twice as likely to retain employees.

It is clear what research says, but, (i) are the companies nowadays implementing these HRM systems, and, (ii) are the companies consequently benefiting from them? The following section focuses on what studies reveal about these issues.

## 2. Figures evidencing divorce between research and practice

Starting with the focus on the employees, according to the last global report of Gallup [31] only 15% of the global workforce is engaged. The global aggregate from Gallup was calculated based on data collected in 2014, 2015 and 2016 across 155 countries. This data also showed that 18% of global employees were actively disengaged.

We have seen what engaged employees mean for an organisation in the previous section. The antagonistic, not engaged employees, can be seen as unattached people to their work that lack passion and energy and that are not likely to go the extra mile. So, considering these definitions we can say that numbers are worrying, how is it possible to have a higher number of disengaged employees rather than engaged ones? Is the problem in the employees? Does these mean that nowadays employees do not want to work? That they are not motivated?

We suspect the answer is NO. Based on the logic of SHRM, we should change the perspective and see employee engagement because of the working system implemented. The challenge usually resides in the way employees are being managed in our organisations. When achieving greater engagement from employees, Peter Senge [32] suggests thinking in more biological terms rather than mechanical; i.e., to act more like gardeners and less like mechanics. The nature of the seed is to grow and give fruits if it has the right conditions to do so. Therefore, the gardener needs to ensure the appropriate environmental conditions that make possible the growth of the plant. It is in the hands of the gardener to ensure proper light, water and work the soil. If these aspects are correctly worked the plant grows and gives its fruits.

Following this metaphor, it is in people's nature to get involved and engage themselves at work. However, the work environment needs to make this possible. In certain organisational contexts people choose to engage and unleash their energy for the benefit of the organisation. Engagement is a voluntary act and an employee will be engaged if the organisations give them reasons to do so. This means that the key to achieving employee engagement lies in the way people are managed at the organisations. As an example, HRM systems increase employee's task-related resources [30, 33] and this leads to an enhancement in employee engagement [34]. Moreover, these systems empower employees and empowered employees tend to be more engaged [35].

On the other hand, the numbers of employee engagement are even worse if we look at Europe. On average, only 12,5% of the workforce reported to be engaged (10% in western Europe and 15% in Eastern Europe) [31]. We can relate these figures to the results of another report published by Eurofound, the European Foundation for the Improvement of Living and Working Conditions. This report revealed that only one fifth of European companies (EU27) offer comprehensive training and learning opportunities to their employees, offer comprehensive or selective variable pay, provide direct involvement opportunities and have direct employee representation structures [36]. These practices are part of the advanced HRM systems so we can conclude that the lack of correct implementation of these systems may be behind the low numbers of European employee engagement percentages reported by Gallup. Inconsistencies between intended (e.g. employees' needs centred) and implemented (e.g. employers concerns driven) set of practices may also pay.

The figures presented along this section evidence the existing divorce between academia and practitioners. It looks like European organisations are not consistently deploying HRM systems and that therefore they are not fully benefiting from them as research shows they would.

This research-practice gap is not new, and it has been widely criticised (for example, see [37, 38]). Several reasons have been explained as sources for this divorce such as: the theoretical and academic approach followed by researchers when writing journal articles, the lack of understanding of the real problems of managers from scholars, and the scarcity of collaborative situations between academicians and practitioners [37, 39]. The strict requirements of scientific journals make academics focus on highly elaborated theoretical justifications and very complex statistical analysis making the results very complex and difficult to understand. In addition, sometimes it seems that there are two parallel worlds and that academics research more based on what the literature is investigating than on the needs of companies.

On the other hand, long-established ways of working are a powerful force for inertia. Although some managers may be working under ineffective working systems, they might feel threatened by the idea of empowering employees to exercise discretion in their daily routine and take a leading role in decision-making. Some



organisations assume that employees at the frontline cannot be trusted to make decisions or manage their work. As a shield against this fear, one typical sentence that we can hear from managers when explaining these ideas about the positive effect of HRM systems on both employee wellbeing and OP is that “everything holds up on paper but that is not valid for my organisation”. Managers may say that these systems are not valid for their workforce, that these ways of managing people and organizing work are useful for start-ups or small companies but not for big corporations. This thought is risky because big corporations can make these systems legitimate and fashionable. Managers are usually more interested in benchmarking “best practices” of legitimate and big companies than in finding out what science says [39]. Therefore, considering this, it is interesting to zoom in on how HRM systems are being implemented in large companies.

### **3. What can we say about large companies?**

The problem of employee wellbeing and engagement becomes more pressing in large companies. How many of you have ever heard the expression “they treat us as numbers and not as people”? This sentence is more usual from people that work in large companies than those working in small and medium enterprises. Studies reveal that employee commitment and engagement is usually lower in big companies (for example, see [40]).

However, it should be noted that the problem does not lie in the company size itself. Large companies do not have to bear the social cost and expect lower levels of engagement necessarily. Theoretically, large companies, due to economies of scale, have more capital to invest in HRM systems, they are more trained and have the possibility of having expert advice in this field. In fact, there are studies that demonstrate that the implemented levels of HRM systems are more sophisticated in large companies than in small companies [41].

However, the counterintuitive results of lower employee commitment and engagement levels in big companies may be explained basing on the way organisations are organizing and structuring their growth. This way might be incompatible with the logic of autonomy that resides in the HRM systems.

When we are talking about structure, we refer to the way employees within the organisation are coordinated. Implementing HRM systems is not sending employees to training courses, giving informative talks and involving them in interdisciplinary improvement teams. It goes beyond that. Probably, when asking managers about the implementation of these advanced HR practices, managers of big companies say they invest more than managers of small companies. There can be several reasons for this, such as familiarization with terminology (i.e. small companies normally employ more informal employment arrangements), slack resources, pressure from unions, etc.

However, as it has been explained in the first section of this chapter, the relation between employers and employees and the implementation of HRM systems is based in the norm of reciprocity [20]. The employee needs to believe that the company is trusting them, that they are part of the totality and that they are empowered and that they can decide. However, there are aspects in the structuring of big companies that can be incompatible with this message. As much as individual and group level factors influence employee work attitudes and behaviours, it is important to highlight that organisational structure can be an even more powerful influence over them.

We can highlight 3 parts of organisational structure that directly influence how employees feel about the company and therefore their perception of HRM systems:

centralization, hierarchical levels and formalization [42]. As you might suspect, the bigger organisations are, the more their structure becomes centralized and formalized [40].

Starting with centralization it is reflected in the level where decision making is concentrated. The higher level the decision making takes place, the higher the centralization is. This is a typical practice in big corporations because it makes sense from the point of view of standardization and efficiency. However, as you can imagine, this issue disempowers employees and therefore, employees perceive lower levels of procedural fairness. This generates inconsistency in combination with HRM systems that foster employee commitment and involvement. If you want employees to be involved, you must give them the power and autonomy to decide. Every employee prefers doing what they have decided to do than what they have been imposed to. Engagement towards our own decisions is always bigger.

Continuing with hierarchical levels, a deep-rooted idea has been that of “the more people to be managed, the more hierarchical levels”. A basic assumption in companies is that hierarchies are common sense since you need somebody in charge. This is the logic that has been applied in traditional management and it is the principal reason of the inherited organisational structures. Simplifying, organisations can be structured in a tall way or in a flat way. In tall organisations, the more hierarchical level an organisation has, the one at the lowest level does not feel as someone important for the organisation. The mere fact that there is a pyramid in the organisational structure gives a certain status to the one at the top and a very different one to the one at the bottom. These status issues and ego problems directly affect the person. Management layers put distance between the people who think (the ones at the top) and the people who do (the people at the frontline) disempowering those at the lower levels and generating an implementation gap. In addition, the communication process becomes more difficult and slower meaning that employees are more often informed by rumours than by official announcements. The information is in the hands of those at the top of the pyramid making them powerful, important, and indispensable. That is why in a big company with a tall structure, it is very difficult that the employee believes in practices that are encompassed within HRM because the system under which they are structured is not reflecting that they are important to the company. The way of structuring organisational growth is in the hands of big companies, it does not have to be hierarchical in an imposed manner. Flat organisations are more in line with the philosophy of HRM systems since they rely on a decentralized approach. People are structured under a mutual coordination approach based on self-management and employees take responsibility for outcomes.

The third aspect of structure is the formalization. This reflects the extent to which rules, regulations, policies, procedures, etc. are explicitly articulated. This kind of system controls employee attitudes and behaviours making them somehow predictable. This can make sense from the perspective of standardizing way of doing things. Big companies may be interested in standardizing processes across different businesses for being more efficient or for ensuring the brand image in front of the customer for example. When implementing HRM system an organisation must break this paradigm of standardizing rules and procedures because these systems seek to empower people and formalization just makes the contrary: it restrain people in a way that all are supposed to act in the same way, going this against human nature. Lower-level employees are constrained by severe rules that offer a limited number of acceptable responses.

When an organisation reaches a considerable size, centralization, formalization and hierarchical levels appear in a natural way. Therefore, employees do not perceive they have the opportunity to do what they do best or to learn and grow (limited by the formalization), to decide about how to reach a specific customer

(limited by the centralized decision making) or to have the information about how the company is operating compared to its competitors (limited by the hierarchical levels, those at the top have the information). The three aspects of organisational structure that are related to the growth of the company hinder a good implementation of HRM systems and therefore has a negative influence in people well-being and engagement levels.

These issues point out to another strand of literature in which the implementation of HRM systems and their results need to be understood dependent on not only managerial work but also on organisational forms and structures.

#### **4. Conclusion and final thoughts**

Companies are facing unprecedented times of change. The challenges are more global and more technological and the ability to reinvent themselves has become imperative for survival and success.

However, managers cannot deal with these challenges alone in an attempt at heroism, they need the potential and involvement of all people of the organisation. We live in a society of knowledge, and economic development depends increasingly on the acquisition of new knowledge. Within this context, employees contribute to organisational success through knowledge development, dissemination, and innovation. Today, human intelligence has become essential in business. More precisely, we are referring to intelligence understood in its broadest sense, including, beyond cognitive abilities, emotions, and motivation. The challenge is to create working environments where people who owns knowledge and skills are willing to use them for the benefit of the organisation.

Looking at the evidences presented along this chapter, one might say that there is little reason to argue why organisations would not invest in HRM systems. Those organisations that invest in these systems benefit both socially (i.e. increased engagement and well-being levels) and economically (i.e. better organisational results). However, it is typical to find managers searching urgently for solutions to pressing problems of competitiveness of their organisations and applying methods that are minimally effective and have unintended (social) consequences.

This is partly due to the existing bridge between research and practice. This gap and possible solutions need to be echoed now more than ever due to the importance of human resources for the current society.

The HRM overall effectiveness depends on both, the HRM systems quality (e.g. 'best fit practices') and its implementation [43]. HRM implementation is a dynamic process in nature which involves different individuals pursuing certain practices normalization [44]. Related to this, scholars need to make research in order to address the real organisational problems managers are facing and disseminate results in an understandable and applicable way so that they have the needed tools and knowledge. For researchers, translating knowledge into practical implications requires constant engagement to understand what research questions hold practical relevance at the same time of having theoretical value for academia [45]. Therefore, from the academic side, more collaborative situations, more applied research and less statistical perfection (without losing scientific rigor) would help on the way to reduce the gap between research and practice.

On the other hand, managers should change their mentality and if employees are truly the key asset of a company, caring for them and fostering their development should be a managerial priority. This issue should place a focus on the next generation of managers so that they can create the best working conditions needed for this to happen.

The message is clear, to ensure the competitiveness of future companies, management systems must harness the potential of the entire workforce by involving and empowering them. Managers should become the champions of employee empowerment working systems (i.e. advanced HRM systems). They are responsible for aligning people towards organisational goals and deal with inherited structures and traditions that may get in the way of this imperative transition.

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# Corporate Governance Ideology, Human Resource Practices and Senior Staff Salaries

*Nicholas Black and Peter Stokes*

## Abstract

This chapter examines the link between corporate governance ideology and HR (human resource) practices involved in the important and ongoing issue of senior staff salaries. In the spirit of financialization and hyper-individuals, the mainstream corporate governance ideology promotes beliefs about competitive pay and managerial power. These beliefs shape the design and implementation of HR practices by legitimizing the ‘common-sense’ assumption that senior staff members should, primarily, be rewarded for meeting corporate goals. However, our discussion critiques the use of this corporate governance ideology for encouraging myopia and silence amongst remuneration committee members in response to growing inequality. This is exemplified by an inductive analysis of remuneration committee minutes taken from British universities ( $n = 67$ ). Interestingly, this example also highlighted a marginalized belief about sacrificial leadership that countered this growth under alternative ideology in the spirit of altruism. The chapter recommends the radical proposal that remuneration committees should expand their remit beyond only considering senior staff salaries and promote HR practices that will embed altruism and equality.

**Keywords:** HR practices, pay, universities, remuneration committees, corporate governance

## 1. Introduction

Rising senior staff salaries is a contentious and ongoing human resources management (HRM) issue that received widespread prominence in the United Kingdom (UK) and United States of America (USA) after the 2008 financial crisis [1]. It is also likely to remerge in response to COVID-19 as many on the workforce may be prone to experiencing pay stagnation, zero-hour contracts, redundancies and work intensification in response to falling stock values and the economic recession. For organizations, being able to legitimize such inequality is particularly important as, according to the social contract tradition, socio-economic cooperation is dependent upon everyone believing they receive a fair stake of the economy [2]. However, legitimizing inequality is becoming increasingly harder as important institutions like the UNDP [3] and World Economic Forum [4] are campaigning against it.

Remuneration committees – also known as ‘compensation committees’ in the USA context – play a key function in determining senior staff salaries [5]. Past

studies focus on their important role in corporate governance, but the conventional understanding of how remuneration committees operate has historically focused primarily on agency theory and quantitative methods approaches [6]. In tandem, HR practices have typically embodied a shareholder-centric ideology rather than wider stewardship considerations [7, 8]. While these predilections may coincide with the spirit of financialization and hyper-individualism, there have recently been calls for HRM to return to its ethical roots – being born out of concern for human welfare – and promote more socially responsible and ethical HR practices [9]. This chapter aspires to respond to this need by exploring what HR practices remuneration committees are using to pay their senior staff and identifying the underpinning ideological norms. Equally, this chapter explores what alternative ideologies of corporate governance exist and theorizes how HR practices could be used to halt rises in senior salaries. Overall, this chapter seeks to answer the research question: How can HR practices be used within remuneration committees to promote equality?

## **2. Literature review**

### **2.1 Ideology: the design and implementation of HR practices**

The concept of ideology is used to describe a system of beliefs that are widely taken-for-granted and are assumed to be common-sense, natural and non-ideological by most of society [10]. Particularly for this book chapter, understanding the role of ideology is important because it socially conditions semiosis and it has a dialectic relationship with social practice. Or in simpler words, ideology represents the shared values that shape people in society accept as legitimate, and in turn, shapes how people in society behave. Although, ideologies can have different degrees of naturalization and some members of society could subscribe to alternative ideologies or draw upon multiple ideologies. Only mainstream ideologies, in that everyone shares them, become naturalized as background knowledge.

Ideology plays a central role in ordering all social interactions, including creating, reproducing and changing relations of power, hierarchy and exploitation [11]. HR practices that promote rises in senior staff salaries and inequality, like all social practices, have traces of ideology implicitly embedded within them. The values of the academic designing and producing the HR practice embeds their own ideological assumptions. Equally, the values of practitioners implementing and interpreting the HR practice also embed their own ideological assumptions.

While it might appear normal to most of society, the field of HRM itself has even been proposed as promoting a managerialist ideology and has been used criticized for facilitating the intensification of work and the commodification of labour [12]. The fundamental assumption underpinning most of HRM is unitarist, which is the belief that employee benefit from advancing their employers goals and their interests are intertwined [13]. The difference between reality and rhetoric has been subject to significant debate [14], nevertheless, within the context of contemporary capitalism, HRM is considered background knowledge and a core component of any organization.

### **2.2 Context: financialization and hyper-individualism**

The features of contemporary capitalism have been described using multiple terms, but two of the most popular are financialization (i.e. translating all societal and organizational aspects into monetary terms) and hyper-individualism

(i.e. a reification of single person interests over the collective), which is the context within which many organizations, including British universities, are said to operate in. Financialization has numerous definitions but the one particularly pertinent to this present chapter is the ascendancy of the shareholder value orientation representing the ideological driver behind organizational behavior [15]. While obviously, not every organization maximizes shareholder value, these are believed to be exceptions rather than the rule due to market competition. Essentially, organizations that invest their resources in social or environmental activities are said to be jeopardizing their market position and risk being takeover by financially stronger competitors that only maximize economic returns [16]. The role of HR within this context is limited and has been summarized as focusing on cost control, talent management and identifying value-adding employees as opposed to influencing corporate governance decisions [17].

Financialization shares many similarities with hyper-individual within contemporary capitalism, but the former focuses on organizational behavior, whereas the latter focuses on individual behavior. Hyper-individualism believes that everyone will maximize their economic self-interest, even at the expense of others, and this is the ideological driver behind individual behavior [18]. Within a meritocratic organization, competition and markets are believed to be the primary mechanisms for deciding recruitment, reward and promotion. Essentially, staff who are more capable will receive more of these opportunities, which will eventually allow them to become senior and receive higher salaries [19]. The role of HR within this context is limited to the alignment of individual economic interests with their employer and has been summarized as focusing on reward strategies, talent management and high-performance work systems [7] rather than collectivist alternatives [20]. While both sets of HR practices have different ideological underpinnings, the former HR practices associated with the context of hyper-individualism and financialization are more common and also coincide with the mainstream corporate governance ideology.

### **2.3 Mainstream corporate governance ideology**

Corporate governance is broadly defined as the system of rules, laws and factors that control the operations of a company [21], and as part of this, decisions over senior staff salaries are seen to be very important [22]. However, it is rarely framed as an HR issue [17] but instead understood through two opposing beliefs about competitive pay and managerial power [6]. The former believes that markets and optimal pricing contracts are responsible for rises in senior staff pay [23], whereas the latter believes that senior staff use their influence to increase their pay by extracting rent from their organization [24]. While these beliefs reflect opposite propositions, they share the same ideological assumptions. Both are underpinned by agency theory, which is the assumption that the separation between ownership and management leads to problems such as moral hazard and adverse selection [25]. Thereby, the ideological purpose behind corporate governance is to align the interests of managers with their shareholders [15] and the legitimacy of rising senior staff salaries is dependent on whether it benefits shareholders.

Within modern capitalism, it is often assumed that senior staff may not always act in the best interests of shareholders and at given opportunities will pursue their self-interest by, for example: shirking their responsibility; 'empire building'; engaging in suboptimal risk-taking; seeking excessive compensation; and supporting nepotism. Accordingly, the normative solution is using the board of directors and HR-coordinated remuneration committee to monitor and control the level of pay for senior staff by aligning the interests of senior staff members with shareholders [5].

Supporters of competitive pay seek to prove that there is a relationship between pay and performance which negates the principal-agent dilemma by illustrating that rises in senior staff salaries coincide with higher returns for shareholders. Supporters of managerial power aim to establish that there is a relationship between pay and power which the principal-agent dilemma causes by illustrating that rises in senior staff salaries do not coincide with higher returns for shareholders. In terms of empirical evidence, there is a vast number of studies validating both beliefs however neither approach is deemed to provide a complete explanation [6].

Implicitly within agency theory, corporate governance is about aligning the interests of those who manage the organization with those who own the organization [26]. Although, the dominance of this shareholder perspective is being somewhat eroded by the stakeholder perspective [27]. The latter approach suggests that corporate governance is about aligning the interests of those who manage the corporation with all stakeholders. While this provides an alternative measure of performance, ultimately it does not matter whether senior staff are being paid for creating shareholder value or stakeholder value, the consequences for pay are the same and it is merely a set of different performance metrics. The ideological purpose of the HR-coordinated remuneration committee thus continues to align rises in senior staff salaries with rises in performance, regardless of whether the corporate goal is to create value for only shareholders or all stakeholders. Worryingly for HRM at the senior level, remuneration committees do not need to concern themselves with rising senior staff salaries or workforce concerns about growing inequality as long as there is increasing performance to legitimize them both.

## **2.4 HRM at the senior level**

Concerns about rising senior salaries and growing inequality are often believed to be important because of social responsibility and ethics [28], but mainstream corporate governance ideology is not necessarily equipped to encompass morality. Equally, the dominant approach to HRM could be criticized for not being equipped to understand these same concerns as HR practices often embody the same shareholder-centric ideology [29]. While HRM is not usually represented with staff membership to senior level committees and board, when it is, the HR director tends to act as a strategic business partner [30, 31]. HR within the business partnership role limits itself to promoting organizational goals, which has arguably been causing the profession to lose touch with employees and wider stewardship concerns [32]. HRM pursuing organizational goals may lead to a strategic mindset where HR practices are only a tool to create shareholder value [33] instead of advocating more employee-focused HR practices and improving the welfare of all staff [34].

HRM often accepts, implicitly or explicitly, the mainstream ideology of corporate governance by focusing on aligning the interests of employees with employers as per the unitary perspective [13]. For example, the HR practices of performance-related pay, talent management and marketization have been uncritically used within HRM to legitimize increasing senior staff pay as they correspond with increasing levels of performance [7, 8]. These HR practices assume that employees are motivated by pay and will maximize their self-interest. These HR practices also assume that organizations can use pay as a mechanism to align both of their interests and ensure employees maximize their performance. However, none of these HR practices are born out of concern for human welfare or seek to promote more socially responsible and ethical HR practices that are increasingly demanded [9]. Rising senior staff pay and pay inequality will continue under these ideological assumptions, which is problematic as, according to the social contract tradition, socio-economic cooperation is dependent upon everyone believing they receive a



fair stake of the economy [2]. Therefore, this chapter seeks to explore what alternatives ideologies and HR practices exist that could promote equality.

### 3. Methodology

To provide an inductive example of how corporate governance ideology influences the design and implementation of HR practices, a case study about across British universities is developed. The data collection was based on partially redacted document meeting minutes in remuneration committees ( $n = 67$ ) and items such as registers, agendas, appendices and lists of figures. The number of sets of minutes analyzed ranged from one to nine across each university and they were taken from different points of time, but the majority of meetings took place after 2009. Also, information has been redacted in the minutes to make individuals unidentifiable.

The data analysis was based on three analytical steps [35]. The first step was to identify all the data fragments that directly or indirectly referred to senior staff pay by reading and interpreting the text within the context of their creation. The second step was an iterative process of open coding which grouped these data fragments into first-order HR practices. Some data fragments referred to multiple HR practices and these fragments were codable more than once. Data fragments that made claims about senior staff pay, but did not communicate directly or indirectly any rationale were discarded. The final step employed an iterative coding process which aggregated the HR practices into beliefs and ideologies about corporate governance.

### 4. Findings and discussion

The analysis identified seven different HR practices and these were aggregated into three different beliefs about corporate governance (see **Table 1.**). Two of these beliefs – competitive pay and managerial power [6] – coincided with the mainstream ideology of corporate governance as they sort to align the interests (or pay) of senior staff with the interests (or performance) of the organization. The six HR practices that it underpinned were common to all remuneration committees and it was evident from the analysis that the members considered this to be background knowledge within the context of financialization and hyper-individualism [7, 8]. Interestingly, there was also a marginalized belief that emerged about sacrificial leadership, whereby senior staff conscientiously went against their self-interest by giving up their pay and instead used this money to promote the interests of other stakeholders and appeared more considered about stewardship.

While beliefs about competitive pay and managerial power were more commonly used and naturalized by remuneration committee members, this alternative belief about sacrificial leadership merits serious consideration and could provide a strong platform to promote equality. This behavior contradicts agency theory [25] since senior staff are not motivated by self-interest and there is no need to align it to the organization. Equally, this behavior contradicts mainstream corporate governance [5] since there is no need to pay senior staff to increase their performance. Senior staff giving up part of their salary or refusing a pay rise in the spirit of altruism has not been previously discussed in the ideology of corporate governance. Yet, altruism could be beneficial in helping remuneration committees to overcome problems such as myopia and silence [36]. The narrow focus on performance and the unwavering acceptance of best practice has arguably led to senior staff salaries rising without being sufficiently challenged.

	Competitive pay	Managerial power	Sacrificial leadership
<b>Beliefs about corporate governance</b>	Senior staff are motivated by pay and their performance is dependent on whether their self-interest is aligned with their organization.	Senior staff are motivated by pay and will advance their self-interest at the expense of their organization given the opportunity.	Senior staff are not motivated by pay and will perform to the best of their ability, even at the expense of their self-interest.
<b>HR practices used</b>	Performance-related pay promotes paying senior staff according to how they perform for their organization. Talent management advocates paying senior staff according to how difficult they are to replace and how much value they add to their organization. Marketization focuses on paying senior staff according to the market forces of supply and demand.	Stakeholder consultation suggests remuneration committees should seek opinions from others about senior staff salaries. Appraisal system focuses on the rules and procedures used by the remuneration committee to determine senior staff salaries. Compensation costs focus on how affordable the senior staff salaries are to their organization.	Employee participation focuses on paying senior staff according to their own wishes.
<b>Impact on HR-coordinated remuneration committee</b>	It encourages committee members to be myopic and act as accomplices to rising senior salaries in the context of financialization and hyper-individualism.	It encourages members to be silent and act as bystanders to rising senior salaries in the context of financialization and hyper-individualism.	It encourages members to be ethical and act as opposition to rising senior salaries in the spirit of altruism.

**Table 1.**  
*Results.*

Admittedly, only one HR practice was identified supporting this alternative ideology about corporate governance. However, it is possible that other HR practices might have been used if remuneration committees could expand their remit. For example, training and development, workforce planning, and recruitment and selection of senior staff could have helped embed altruism by allowing senior staff to be chosen based on their morality rather than solely economic competence. Also, this would avoid traditional complaints about senior staff deciding to increase their own pay and supporting claims about managerial power [24]. Within the context of financialization and hyper-individualism, senior staff would typically exploit this system and increase their pay, however, carefully recruiting, promoting and training senior staff to ensure that they embody the spirit of altruism could be somewhat beneficial.

**4.1 Competitive pay**

It was found that every remuneration committee used HR practices about performance-related pay [37], talent management [38] and marketization [39]. These HR practices were also implicitly used to legitimize rises in senior pay under the ideology of corporate governance, which was either about maximizing shareholder

value [15] or stakeholder value [27]. While British universities do not have shareholders as depicted in agency theory [25], they shared the same preoccupation with increasing organizational performance by aligning it with the self-interest of senior staff. For example, it was explicitly stated that individual performance appraisals corresponded with the pay of senior staff and there was a mathematical relationship between the two:

*'link between the level of performance assessed in personal reviews to be between 1 and 5 and a corresponding range of percentage awards between x and y.'*  
(University 1)

While most of the discussion in the minutes appeared to be focused on individual performance, it was claimed that it coincided with wider university performance metrics. The importance of performance-related pay also coincides with agency theory and the belief that pay aligns the interests of the senior staff members with their university [25]. The remuneration committee acted upon this belief effectively as confirmed during a committee meeting that the targets set for senior staff directly contributed towards wider university performance targets:

*'...performance-related pay (PRP) elements linked directly to objective evidence-based delivery against the University's testing suite of Key Performance Indicators'*  
(University 3)

Although, pay rises were not just driven by the HR practice of performance-related pay combined with increased levels of individual performance, but also by wanting to retain their senior staff as part of the HR practice of talent management. The valued added by senior staff was believed to be high and without offering them sufficient reward then it was feared that the most talented would – per their self-interest – leave their university in search for more money [40]. Consequently, the university's performance would suffer:

*"In addition, the view was expressed that the University would not become 'Scotland's leading University' if it was not able to retain and reward its very best staff."* (University 16)

As part of the talent management process, salaries of senior staff in other institutions were systematically collected, compared and used to decide what would be a suitable reward [41]. It ensured that their senior staff could not be tempted by other institutions. This data set was usually prepared by the head of HR or external consultants and was referenced in the minutes or attached as an appendix as illustrated below:

*'Document REM12/21 which provided information to assist the Remuneration Committee in determining the salary for Executive Board members with effect from 1 August 2013.'* (University 6)

Universities sought to pay their senior staff the same or more than their competitors – other universities – and there appeared to be a 'war over senior talent.' It was common for universities to poach senior staff from other institutions and motivate them to leave by offering them more money. This competition for talent created a ratcheting effect on pay, which was amplified as senior staff also told their current employer about these increased offers. Essentially, senior staff were maximizing

their self-interest by pitting employers against each other and taking advantage of their bargaining power:

*'Salary increases given to X members of XXXX staff, who had received job offers from another University. Salaries were increased to retain these individuals in XXXXX.' (University 7)*

The final HR practice that coincided with this belief about competitive pay was remunerating senior staff according to the market. As with the latter two HR practices, it was seen to be in the interest of universities not to be left behind and pay their senior staff the same level as their competitors, which was considered to be the market rate. If any senior staff member was considered to be paid lower than their market worth then the remuneration committee sort to rectify it by giving them a pay increase, otherwise it was implied that they might leave [42]:

*'This was in recognition of the scale and scope of his responsibilities and the fact that his salary progression since appointment [Name of Vice Chancellor] had been suppressed...following years in which salary increases had been minimal.'* (University 32)

It was also considered necessary to pay the market rate to attract new senior staff members. Across several remuneration committees, it was also noted that British universities had to pay a premium to attract senior staff who had the necessary talent and could improve their performance. It appeared that all British universities were also trying to recruit the same employees, which was pushing up demand and their salaries:

*'the role of Faculty Dean for the Business School may require the use of market supplements to appoint the right person.'* (University 30)

The problem with beliefs about competitive pay is that it was encouraging myopia amongst remuneration committee members. These HR practices were focusing only on aligning the self-interest of senior employees with performance, which arguably limited the scope of their decision-making and put senior staff in a position of temptation to act selfishly, to which most of them succumbed to. Given the naturalization of the mainstream corporate governance ideology, none of these remuneration committees considered engaging in alternative HR practices, such as, workforce planning or training and development and sort to make all their senior staff dispensable by increasing the supply of talent and decreasing their market worth. In theory, this would allow universities to manage their senior staff like any other employee and if one of them received a better offer from a rival university then they would be in a position to bid them farewell as they have someone ready and just as talented to take their place. In the context of contemporary capitalism, this would also provide them with a competitive advantage as their rival would be paying more for the same amount of talent and this may discourage poaching senior staff from other universities.

While creating more senior talent would increase university HR costs in one sense, it may decrease them in another as the university is paying their senior staff less money and it would be a transfer of costs rather than additional. Increasing the supply of senior staff may also hinder the ratcheting effect by removing the need to align their self-interest with performance. Like other employees within the university context, it is unfair to give senior staff special privileges and pay them more for performing well as, surely, it should be expected that they will act to the best



of their ability regardless. Senior staff who do not perform could be transitioned into another role or dismissed rather than not rewarded because the university has already planned and developed a possible replacement. While expanding the remit of remuneration committees beyond just pay so as to include these other HR practices is not in the self-interest of senior staff, it would be in the interests of British universities to spread their resources and opportunities amongst everyone as it would lead to a more skilled workforce and more equality [8]. However, such HR practices have not been considered, primarily, because they contradict the dominant assumptions underpinning corporate governance.

## 4.2 Managerial power

It was also found that every remuneration committee used HR practices related to stakeholder consultation [43], appraisal system [44] and compensation costs [42] which also justified rises in senior pay. While British universities are not a corporation, they appear – in principle but perhaps not in practice – to share the same preoccupation with following best practice and limiting the power of senior staff to pursue their self-interest at the expense of their organization [24]. For example, it was explicitly stated that they engaged in stakeholder consultation over senior remuneration to provide an independent perspective [42]. While many of the reports were confidential, it is assumed that these best practices were encouraging senior salary increases as there were significant increases that year found when examining their financial reports:

*‘The recommendations took account of best practice within the Russell Group and the recent guidance issued by the Russell Group (appendix B of the report).’  
(University 17)*

Nevertheless, not every stakeholder was encouraging pay increases and several remuneration committees noted that the UK government, trade unions and student bodies had written letters to them. These letters were generally requesting universities to show restraint in increasing senior staff pay. While these letters were noted and read, they were rarely acted upon by most remuneration committees and senior staff salaries continued to rise. Nevertheless, considering stakeholder opinions created the appearance that their decision-making was inclusive:

*‘The Committee also noted the letter... which stated that: ‘We are very concerned about the substantial upward drift of salaries of some top management. We want to see leaders in the sector exercise much greater restraint as part of continuing to hold down increases in pay generally.’ (University 14)*

Remuneration committees also allegedly followed best practice by employing bureaucratic HR processes, specifically when undertaking senior staff appraisals. None of their pay decisions was made *ad hoc* and data were systematically collected and analyzed to determine whether a salary increase was justified or not through an evaluation scheme. No individual could abuse their power to avoid or manipulate this process [45]. For example, when someone asked for a pay rise it was said to the head of HR:

*‘...put the new Secretary/Clerk role through the job evaluation process to establish whether or not the additional responsibilities would put the role into the next pay band.’ (University 50)*

The appraisal system methodology appeared justified as it was transparent and all senior staff were said to be judged against the same standardized procedure. Essentially, the remuneration committees were acting upon policies that had already been decided and nothing was arbitrary. Self-interest appeared to be managed and limited through rules and regulations that ensured objectivity. For example, it was said that:

*'Clear guidance...developed for the HR website, clarifying the method of application and all potential outcomes regarding salary.'* (University 17)

While the remuneration committee was usually composed of senior staff members, to remove the possibility of claims about them pursuing their self-interest inappropriately, they would leave the room during their appraisal and this removed the opportunity for bias. For example, it was written:

*'To manage potential conflicts of interests, the VC, COO and Clerk to the board withdrew from the meeting for those agenda items under which their own remuneration was being considered.'* (University 60)

The final HR practice, which was underpinned by beliefs about managerial power, was compensation costs. Generally, it was suggested that the cost of senior staff remuneration was both relatively small, affordable and non-excessive. Indeed, many remuneration committees claimed that the total cost of senior staff remuneration was 'insignificant' in comparison to their overall expenditure and its growth has been consistent in relation to previous years. For example, it was written that:

*'[Senior staff remuneration] ...remained low at 3% of the total cost, the same percentage increase as in 2012.'* (University 45)

The remuneration committee minutes also often mentioned a specific budget allocated to them, which was approved by an additional and more senior layer of bureaucratic scrutiny. This helped them avoid claims about managerial power and under most circumstances, they kept within this budget, which gave their decision-making the perception of following best practice. However, on occasion, it was mentioned that they exceeded it and drew on the formerly discussed belief about competitive pay to legitimize their managerial behaviors as illustrated below:

*'The Committee is aware that this sum is greater than that originally approved by Court, but considers that it is appropriate in the context of the submissions it received and the lower than usual budget that had been set.'* (University 53)

Remuneration committees accepted that senior staff needed to be remunerated at a competitive level and their budget should be large enough to do so. Equally, remuneration committees suggested they needed a sufficiently large budget to expand and recruit additional senior staff who are talented. However, it was explicitly stated that this needed to be affordable:

*'Members agreed that the recommendation would enable staff to be rewarded to their contribution within an affordable framework that provided the University with the flexibility to increase staff recruitment.'* (University 49)

The problem with remuneration committees believing that they needed to limit managerial power was that it encouraged silence amongst remuneration committee

members. These HR practices were focusing only on processes and as long as they implemented best-practice then the outcomes of their decision-making could not be disputed. The issue is that the underpinning of these best-practices coincided with the ideology of corporate governance and beliefs about competitive pay. Essentially, committee members could not criticize senior staff for acting selfishly and instead normalized this behavior by having supposedly objective policies and procedures for deciding how much more money to pay them each year.

In addition to the HR practices noted earlier – workforce planning and training and development – remuneration committees could expand their remit to include recruitment and selection of senior staff. The basis of managerial power is the assumption that senior staff are selfish and will maximize their interest at the expense of the organization and these best practices limit it. However, the remuneration committee should seek to employ selfless senior staff members in the first place that will work hard, regardless of whether it is in their self-interest, instead for the greater good of their university and higher education. While according to the spirit of financialization and hyper-individualism there is no possibility of recruiting selfless senior staff members, there was an alternative spirit about altruism found within the minutes and this fits with the below belief about sacrificial leadership. It is possible that the ideology of corporate governance is a self-fulfilling prophecy that is encouraging senior staff to be selfish rather than it being a fundamental part of human nature [46].

### 4.3 Sacrificial leadership

Indeed, the final belief diverged from the previous two in that it aimed to legitimize pay stagnation instead of pay rises for senior staff. This ideology also diverged in that it was not underpinned by corporate governance [6] and did not base itself on self-interest and performance. Instead, sacrificial leadership was about how senior staff refused a pay rise, despite being legitimate according to the other two belief, because of personal ethics about altruism. It refuted the underpinning assumption of agency theory that senior staff pursued only their self-interest and it needed to be aligned with their university. For example, a remuneration committee acknowledged that the vice-chancellor had met his performance metrics but also opted to donate his salary to a student scholarship fund and he was applauded for it:

*‘The Committee considered the Vice-Chancellor’s achievements and agreed with the Chair of Court’s comments that the Vice-Chancellor has continued to lead by example in donations to the university.’ (University 17)*

The above vice-chancellor was not the only one to donate part of their salary away and it was common enough for other remuneration committees to have openly discussed this behavior during their meetings. Self-interest appeared not to be the driving factor behind the actions of all senior staff as the HR practice of employee participation showed:

*“It was noted that there had been previous examples where vice-chancellors returned a portion of their pay to institutions.” (University 37)*

Senior staff were not automatically given a pay rise and under normal circumstances, they either had to apply for it or it was integrated into their performance appraisal. In the former case, it was an individual choice whether to apply or not and there were years when no one submitted anything:

*'Given that there are no submissions for increases to salary in addition to the usual award of nationally agreed pay rates, it may be that the meeting will be relatively short.'* (University 12)

In the latter case, some senior staff made the individual choice to write in the comment section of their performance appraisal that they did not want to receive a pay rise and their employee participation process reduced inequality:

*'The committee was extremely pleased with performance in the last year but recognized comment in review and agreed an additional award should not be made this year.'* (University 20)

There was also another example when the remuneration committee recommended a large pay rise to their vice-chancellor as there was a disparity following beliefs about competitive pay. However, the vice-chancellor refused a pay increase. While he finally succumbed to the pressure of the other members and made compromise of a small pay rise, it was clear that some vice-chancellors are not motivated by money and this opposes their self-interest:

*'...whilst an increase was agreed, this was lower than that recommended by the Committee, and consequently the Vice-Chancellor's salary remained within the lower decile when benchmarked against UCEA data and compared against Scottish Vice-Chancellors of similar sized institutions.'* (University 1)

As illustrated above, this new ideology of corporate governance based on altruism did not go unopposed and the HR practice of employee participation was often contested. For example, at one university the executive team were supposedly contradicting the concept of market forces by refusing to increase their pay. Nothing was done to stop them but it was said that artificially lowering their pay levels may make recruitment harder in the future:

*"noted the possibility of compression on the pay scale for Executive members at the University and concerns regarding future recruitment to the role."* University 18

At another university, where the vice-chancellor had refused any substantial pay increase for several years, the head of HR was asked by the committee chair to calculate the implications of his sacrifice. It was also claimed that the consequences of his actions had prevented other senior staff from receiving pay rises and had reduced their motivation. While no reference is made to performance and no managerial action was taken at the next meeting, implicitly it was assumed that performance would be better if they raised the pay of their vice-chancellor and other senior staff:

*"The Director (Human Resources) agreed to identify the salary level the Vice-Chancellor would currently be receiving if he had accepted the average pay awards since starting at the University. ...a flattening of the Vice-Chancellor's remuneration had a detrimental effect on other senior staff"* (University 67)

Notably, employee participation within the remuneration committee process was never used to justify increases in senior pay, likely because it contradicts beliefs about managerial power [24]. Nevertheless, there were several instances when senior staff members took it upon themselves to oppose their pay rises and acted against their self-interest. It is argued this new approach was beneficial for British



universities and the spirit of altruism should be encouraged as a new ideology of corporate governance. Senior staff who perform to the best of their ability and will act against their self-interest for the betterment of their university appears a positive force for higher education. Specifically, it would promote more harmonious workplace relations by reducing inequality between senior and rank-and-file staff. Remuneration committees expanding their remit to consider HR practices about training and development, workforce planning and recruitment and selection in addition to employee engagement is recommended. Under this enlarged remit it may also be beneficial to change the name of this committee as their scope is expanded beyond remuneration.

Surprisingly, remuneration committee members disliked this altruistic behavior and instead predominately promoted the mainstream ideology of corporate governance, despite it being financially more expensive. While the HR practices that underpin are commonly discussed with the academic literature, it is argued that they encourage myopia and silence in this setting. The preoccupation across remuneration committees with self-interest and performance was legitimizing pay increases that were not in the best interest of universities or higher education, only senior staff. Members were either bystander by passively normalizing this selfishness behavior with beliefs about managerial power or complicit by actively encouraging it with beliefs about competitive pay.

## 5. Conclusion

Overall, this chapter identifies three different beliefs that were found to co-exist within remuneration committees and illustrates how each socially determines different HR practices. Beliefs about competitive pay focused on performance and the alignment of senior staff interests with their organization. Equally, beliefs about managerial power focused on implementing best-practice to prevent the misalignment of senior staff interests with their organization. Both of these beliefs coincided with the mainstream ideology of corporate governance and reinforced rises in senior staff salaries. In contrast to the former two beliefs, sacrificial leadership focused on senior staff ignoring their self-interest and promoting the interests of their organization and other stakeholders. It is suggested in this chapter that adopting this marginalized belief about sacrificial leadership would be more beneficial for all organizations.

Indeed, this chapter recommends the radical proposal to embed altruism and expand the remit of remuneration committees to include developing and training, workforce planning and recruiting and selection. Organizations could thereby have a greater proportion of selfless senior staff members. While this might be difficult within the context of financialization and hyper-individualism, this marginalized belief already exists and there is growing social pressure for organizations to act more socially responsible and ethical [9]. Therefore, this chapter serves to point at how HR practices can be used within remuneration committees to promote equality within this alternative ideology of corporate governance.

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# The Emergence of Risk and Return on Human Capital Development

*Cashandra C. Mara*

## Abstract

Performance improvement has been the focus of both public and private sector organisations for decades, but the extent to which human capital and human capital resources play a central role, has come into sharp focus only in recent years. Human capital, whether it is enhanced through local or foreign direct investment, can be turned into a dynamic capability, optimising and continually transforming collective human skills, competencies and expertise to improve performance and competitive capability. However, to understand the true contribution of human capital to dynamic capabilities, managers and team leaders require the ability to measure and manage the results of human capital improvement or training. Yet, they hardly do, for various reasons. In this chapter, the risk and return on human capital is highlighted, as well as the successes and improved relations organisations and countries may enjoy from understanding, managing and reporting on this important building block to human capital development.

**Keywords:** risk, return, evaluation, dynamic capabilities, human capital development, foreign direct investment

## 1. Introduction

An accurate tool to evaluate training and development has perplexed academics, managers and policy makers around the world in their search for means to evaluate the outcomes of training to improve individual and organisational productivity. What makes training evaluation more perplexing is that different stakeholders look for different outcomes, so for instance, a training manager may aim at closing the skills gap, while senior managers may aim at creating value through improved achievement of strategic objectives. For these reasons, there remains a gap in our knowledge on training evaluation and a reason for ongoing research.

As any investor would like to know or evaluate the return on their investment, by comparing it to the cost thereof, so would an investor in training. Training evaluation enables an investor to value the cost versus the benefit of the investment in training, with the aim of quantifying or justifying the investment. Investors in corporate training are usually employers, who seek to capture value in the form of a competitive advantage over rivals.

It has become a pressing concern though, as strategy makers, boards of organisations, and even governments are growing frustrated with the lack of training impact evaluation. If managers continue to fail at producing evidence of it, future decisions about spending on training may be negatively impacted and the likelihood of personal accountability, followed by disciplinary steps for failure to execute strategy

is not excluded. Management tends to reduce spending on training during turbulent times with the aim of reducing operating expenses, particularly as immediate return is not observable, while immediate cost cutting is. An investment in training may even be considered risky if the outcomes do not further the organisation's efforts to achieve its strategic objectives.

In this chapter we will explore five areas related to training and its evaluation. The chapter starts off with the reasons managers invest in training and are interested in a return, then continues to explore the benefits of an excellent workforce. The discussion is followed by exploring various ways that training may be evaluated and the risks resulting from no evaluation or poor evaluation. The chapter is completed with a look into global investment practices and concluded with an overview.

## **2. Why develop human capital?**

### **2.1 Knowing the value of investing in HCD**

Human capital can be defined as the accumulation of marketable skills, on-the-job training, work experience and many years of exposure to a particular field. Collectively, the skills of individuals and groups contribute to the overall human capital of an organisation or a country, and can be developed through further education and training. From a strategic standpoint, organisations are interested in improving their productivity with the help of skilled employees, but employees also go to work to achieve their personal career objectives. Therefore, when the objectives of employers and employees are aligned, human capital development (HCD) helps both organisations and individuals achieve their respective objectives.

As far back as the 1950's authors such as Becker [1] and Mincer [2] started taken an interest in the relationship between human productivity, education and training. It makes sense that organisations would favour investing in organisation-specific training, such that for instance, a news channel would only pay for journalist related training, while a bakery may only pay for confectionery training. The advantage is that the organisation alone benefits from their investment training, and not the rest of the competitive environment. But then economist such as Schultz [3] argue that through labour mobility, entire nations benefit from enhanced productivity levels among individuals who tend to move between jobs. That is why global organisations such as the African Development Bank [4] and the World Economic Forum [5] place major emphasis on skills development, improved country productivity and the competitive capabilities of entire continents.

Investing in an individual's education is expected to enhance their talents and skills levels, their productivity or output at work, and ultimately the strategic performance of the organisation, but that that does not imply that the individual is enslaved or owned by the organisation. Individuals enjoy and prefer generic training, for example management training, since it makes them more marketable, flexible and mobile, particularly in these times of rapid change. Unlike earlier generations that used to have "jobs for life", modern day individuals are not afraid to exercise their newfound mobility and move between jobs, cities or even countries, and the investing organisation is left with the dual loss of the money and time spent on training, in addition to employee attrition.

Wright [6] distinguishes between the value captured by the individual versus that captured by the organisation. The organisation would like to capture value from organisation specific skills in the form of improved competitive capability and the individual. However, individuals prefer to acquire generic skills, which have similar value across organisations and industries. Management scientists tend

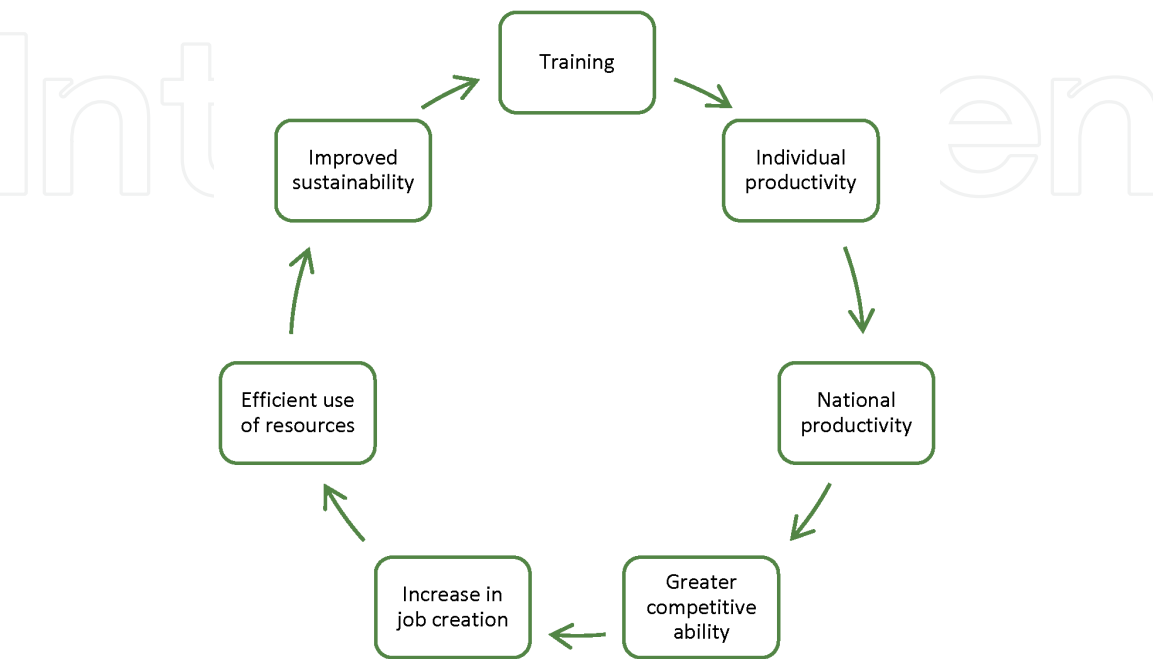


to lose focus of the psychology aspect, focusing only on the economic aspect of creating value and outcompeting rivals. Human psychology tells us that the very success in the form of profits and competitive advantages is afforded the organisation by the humans that work in it. Therefore human aspects, notably free will, identity, meaning and purpose, as well as community involvement are important considerations in an organisation's efforts to develop human capital strategically [6]. Free will implies that individuals choose the level of commitment they have to creating value for themselves or their organisation whether investing in generic or organisation specific skills. Individuals who identify strongly with their workplace are more likely to act positively toward the organisation and are not likely to leave the organisation. Humans seeking meaning and life purpose through work help the organisation achieve success and community refers to our tendency to build relationships at work.

Apart from management commitment, there are countless factors at work that may impact HCD success and the extent to which overall productivity is enhanced through an investment in HCD. Other factors may include quality of secondary and tertiary education, individual motivation, organisational culture and incentives governments use to encourage training. Training increases the individual's productivity, and subsequently, that of the nation, as the productivity cycle below illustrates [7].

In **Figure 1**, seven steps to productivity are illustrated, and form the productivity cycle. Through training, individual and national productivity is expected to increase, which ultimately leads to improved sustainability as countries become more competitive.

While managers and leaders are expected to strive for productivity gains through HCD, it is frequently incentives such as tax breaks or spending allocated funds, also called ticking boxes, rather than the actual improved human capital and productivity gains that become the driving force behind spending on training. It remains important that as managers, we need to make informed decisions about the money spent on training, versus the return we receive through training evaluation. Over the years, many efforts at training evaluation have been researched, as we will explore later.



**Figure 1.**  
*The productive cycle [7].*

Functional managers work together as a team, and successful team efforts can lead to synergy in the organisation. In that sense, sometimes line managers need to perform a typical HR function, such as identifying a training need or even coach a team member or subordinate. Hence, the flatter and less hierarchical organisational structures we tend to see in modern organisations result in the roles of functional managers converging and it was found to improve the organisation's performance. Indeed, managers are the implementers of the organisation's strategy, but manager perceptions and personal interests may interfere with strategic goals. Although all managers are appointed to act as agents or representatives of the organisation they work for, not all of them buy equally into the vision and goals of the organisation. The extent to which managers are committed to and identify with the vision and goals, and work hard to implement the annual strategy, determines the effort they will exert in strategy implementation or organisational change.

## **2.2 Human capital as dynamic capabilities**

Dynamic capabilities (DC) result when an organisation succeeds in an ever-changing external environment, at transforming itself, by sensing, seizing and reconfiguring its resources. By optimising and continuously transforming its successful, routine ways of doing things, while learning new knowledge, an organisation develops dynamic capabilities, which improves its ability to outperform rivals and build a sustainable competitive advantage [8].

Dynamic capabilities theory is based on four principles, being i) the resource-based view (RBV), ii) the knowledge-based view (KBV), iii) the evolutionary perspective and iv) the market-based view [9]. In this chapter, we will only explore the resource-based view (RBV) and the knowledge-based view (KBV) for its relevance to HCD. According to the RBV of dynamic capability theory, all organisations have similar access to technological and financial resources, and therefore it is the success with which each organisation can sense, seize and reconfigure its unique combination of valuable, rare, inimitable and non-substitutable (VRIN) resources that will create competitive advantage. The RBV of dynamic capability theory supports the views of Schultz and Becker, that organisation specific HCD is most valuable to the investing organisation, than for any other. Thankfully, modern organisations invest not only in organisation specific human capital, but also in generic human capital. Since such generic skills are valuable to any organisation, the human capital of the entire nation is enhanced through labour mobility, giving the nation better global competitive abilities.

The knowledge-based view (KBV) is an extension of the RBV and theorises that knowledge can be used to create dynamic capabilities, competitive advantage and subsequently, value for an organisation's stakeholders. Knowledge is a strategic asset, especially if management can collect, manage and retain valuable, rare, inimitable and non-substitutable (VRIN) knowledge sources [10]. Value creation is optimised when internal knowledge sources are complemented with other relevant, available knowledge to create new knowledge. However, the acquisition of knowledge through means such as formal education or on-the-job training is contingent on management's bounded rationality, or the finite knowledge, time and other resources they have at their disposal at the time knowledge acquisition decisions are made. Care should be taken that the cognitive limitations of managers or their personal agendas do not interfere with knowledge acquisition.

The three micro-foundations referred to by Teece [11], sensing, seizing and reconfiguring, warrant more in-depth exploration. Sensing is management's savoir-faire to attract human capital, and seizing refers to transforming existing human capital to develop capabilities with the aim of seizing new market opportunities.

Reconfiguration refers to the reordering and reformation of human capital resources to give the organisation the best possible chance against competitors. Sensing is a vital first step in securing the best possible team but what can managers do if they lack certain capabilities and time to develop them? They need to recruit or acquire human capital. This could be done through the normal recruitment channels, or through acqui-hiring. Acqui-hiring takes place when an organisation acquires an entire outside team or separate organisation to gain access to the expertise they need [12]. We see such practices often, with Google and Facebook probably the leading organisations to acquire skills in that manner. Facebook acquired WhatsApp for its talent and to drive innovation more than the organisation's assets or products.

Seizing talent gives management the option of retraining existing employees, using consultants temporarily or by acquiring individuals or teams externally. The large scale use of information and communication technology (ICT), the world-wide-web and the onset of social media has enabled the formation of virtual communities of practice (COP's), a virtual group who share the same concerns or their passions about a particular or variety of topics. Such a COP can source of shared knowledge, innovation and expertise, which the organisation can seize to build on its existing knowledge base.

Reconfiguring as the final leg of Teece's micro-foundation is the management action of combining existing and newly-acquired skills to improve organisational performance and enhance value. A frequently reconfigured VRIN resource base, makes an organisation agile, flexible and much more competent to align their resources to a turbulent external environment. The combination and fine-tuning of the three micro-foundations all come back to building the organisation's VRIN resources.

Since the seminal work of Teece, Pisano and Shuen [8] more than 2 000 articles were published on the dynamic capabilities theory. Major criticism against the theory is its continuing foundation level and conceptual nature, with no material empirical research to back up the theory. A number of empirical studies in the last two decades on dynamic capabilities have tried to remove the vagueness around the concept. In these studies dynamic capabilities were analysed based on more specific strategic efforts, such as customer centricity, competitor orientation and strategic investment in technology [13–15].

The knowledge based view suggests that organisations can use knowledge to create value, meaning that knowledge can be an asset to be invested in. In a knowledge economy, knowledge workers make an organisation very valuable for the shareholders [12]. Think about Facebook acquiring WhatsApp and a variety of other lucrative business, not for their intellectual properties, but for their human capital and more specifically, for their abilities to innovate. Knowledge is a difficult investment to manage, but what a manager would most appreciate is to see newly acquired knowledge have a practical impact on behaviour [16]. Behaviour is expected to change in the individual when they acquire new knowledge through learning, assimilate and apply that knowledge to improve their work and the organisation's business processes. Humans build newly acquired knowledge upon existing knowledge and the intensity of effort increases our absorptive capacity [17]. Collectively, the absorptive capacity of individuals build the absorptive capacity of the organisation and in organisations with a functioning knowledge management strategy, higher absorptive capacity is a dynamic capability.

### **2.3 Evaluation practices in HCD**

The calculation of the costs and benefits of an investment in training is not a new academic or business challenge. Schultz [3] noted that it is far easier to

calculate the quantitative aspects of training that the qualitative ones. Quantitative aspects are the costs related to the training venue, the cost of the trainer, possible travel to the venue, even the time away from the offices is calculable. However, the benefits of training are far more elusive to determine, because managers cannot estimate increased productivity from training, considering the many factors involved, such as the employee's prior knowledge, retention of acquired knowledge, and their intensity of effort after the training. We already know that the effects of training seems to wear off as time passes, and the timing of evaluation will therefore produce varied results. Understandably, it is not viable to try and determine the value of knowledge acquired and retained during training. Although researchers in the 1960s questioned whether it was worthwhile to put a value on training and education, the scene was set for subsequent research on how individuals and organisations may benefit from training. That would only be possible if a formal evaluation technique is employed.

Such a technique was first formalised by Donald Kirkpatrick [18] who developed the Kirkpatrick-Philips Model of Training Evaluation as a doctoral thesis. Soon it became the industry standard for the evaluation of human capital development, and although often criticised by subsequent researchers and authors, it remains the industry's most acceptable evaluation tool. The model is summarised below as **Table 1**.

In short, the Kirkpatrick Training Evaluation Model contains four steps to evaluate training interventions, being participant satisfaction, learning that took place, the application in the workplace or training transfer, and impact on organisational results. As we progress through the actions, from Level 1 to Level 4, placing an accurate value on training outcomes become increasingly difficult and therefore, avoided. Whether it was the individual, the workplace or government that invested in the training, return on investment needs to be measured. As the knowledge based view suggests, it is the determination with which we change our behaviour after training, and apply our newly acquired skills and knowledge, that can become a dynamic capability. It is human nature to change our behaviour immediately after training, and with the passage of time, to resort to old and ingrained habits. Nevertheless, the measurement of training transfer may be hypothetical at best, but managers can manage it through incentives and disincentives, by encouraging their employees to apply newly acquired skills continuously.

Another author who criticised the Kirkpatrick Training Evaluation Model was Jack Phillips [20] who contributed a fifth level, that of return on investment (ROI). This level intends to measure the financial benefit of the training intervention in relation to its costs and was dubbed Five-Level ROI Framework. See **Table 2**. Typically the financial benefit is observed in improved customer service, product quality and organisational performance.

Measuring, recording and reporting on the benefits from any organisational intervention are not equally simple to conduct. Any good management tool such as

Step	Action	Description
1	Reaction	The extent to which the training participant enjoyed or accepted the training attended.
2	Learning	The skills or knowledge acquired during the training.
3	Behaviour	On-the-job application of the newly acquired skills and knowledge.
4	Results	Business improvement in the form of reduced costs, increased morale or customer satisfaction.

**Table 1.**  
*The Kirkpatrick four-step training evaluation model [19].*



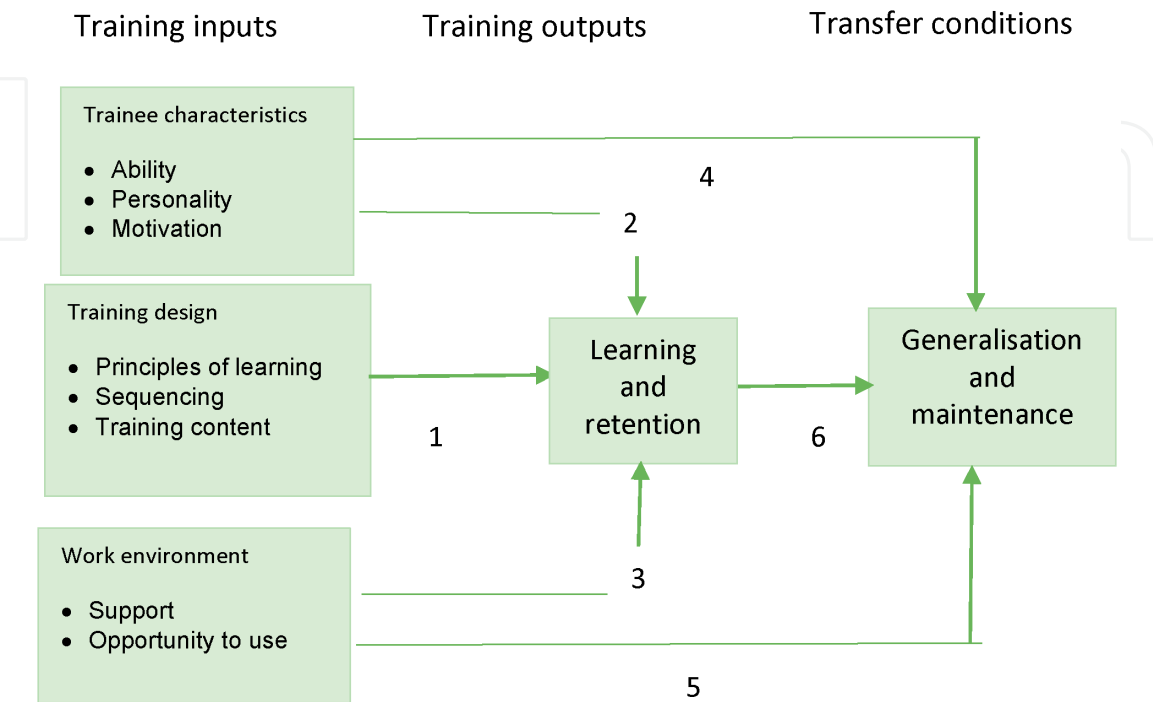
	Level	Description
1	Reaction and planned action	Measures participant's reaction to the programme and outlines specific plans for implementation.
2	Learning	Measures skills, knowledge or attitude changes.
3	Job application	Measures change in behaviour on-the-job and specific application of the training material.
4	Business results	Measures business impact of the programme.
5	Return on investment (ROI)	Measures the monetary value of the results and costs of the programme usually expressed as a percentage.

**Table 2.**  
Five-level ROI framework. Source: Adapted from Phillips [20].

the Five-Level ROI Framework should serve its purpose of informing management of the advantages and disadvantages of a management decision. Perhaps Phillips should have named his contribution to the Kirkpatrick model a “cost–benefit-analysis. Either way, another solution may be to verbalise expected benefits, and compare actual benefits against it. Training evaluation should not be the emphasis, but rather the realignment of training to key business outcomes such as creating stakeholder value, career progress and employee retention.

Training evaluation and effectiveness remains evasive, and although the questions of the learning environment, trainer efficacy and training design have been researched, it was found to be less influential in HCD effectiveness. Individual motivation to learn is not automatic and varies among employees. However, in addition to our own determination and effort, workplace factors such as managerial and even peer support, may negatively impact how much training is absorbed and transferred to the job and the rest of the team (**Figure 2**).

The Baldwin-Ford Learning Transfer Model [21] was one of the first conceptual models to explain training transfer, and it was developed to overcome some of the shortcomings of the Kirkpatrick Phillips model. The three main elements are



**Figure 2.**  
The Baldwin-ford transfer of training model [21].

training inputs, outputs and conditions of transfer. Training inputs include the characteristics of the trainee, the design of the programme and the workplace conditions following training. Training outputs relate to the extent of which learning and retention occurs and the conditions of transfer relate to the maintenance of the learning over time. Subsequent models [22] suggest that other factors such as timing and key stakeholder influences also impact training transfer. Clearly, these factors point to the complexity and multifaceted nature of training transfer.

Nevertheless, it remains regrettable that most organisations fail to evaluate training beyond Kirkpatrick-Phillips's Level 1, which measures participant satisfaction. This takes place immediately following a training intervention, and participants are asked to complete a "smile sheet". Most managers do not evaluate the impact training has on business results and therefore are unable to improve results.

## **2.4 Risk in HCD**

The continued failure to calculate benefits from investments in training could eventually lead to enterprise risks, embodied in various forms that range from strategic and operational risk, to the risk of legal non-compliance. According to risk literature there are three vital components present in enterprise risk management, being uncertainty, risk and opportunity. Uncertainty implies that we are unsure about the outcome of an event, and in turbulent times such as the present, volatility increases uncertainty. Risk implies an undesirable outcome, and possible negative consequences that follow, whereas opportunity implies potential positive outcomes and consequences. Considering that risk may present a potential positive outcome, managers should actively pursue opportunities, but manage risks discretely and carefully, rather than avoid it.

Enterprise risk management has been a vital element in corporate governance for a few decades, despite which the world has seen a fair quantity of corporate scandals, involving agents who act in their own interest, leading to reputational and financial loss and even bankruptcy. Risk is also perceived differently by different people and risk perception includes subjective judgement, expectations and bounded rationality. Management's response to risk depends on these factors in addition to their risk appetite. However, to adopt a holistic vantage point on enterprise risk, not only financial risk, but indeed systems and people risk must be considered. A holistic enterprise risk approach is one where all managers, including those responsible for human capital, are involved in managing risk. Human capital risk is defined as an investment in the improvement of human capital that does not meet the expected outcomes [23].

To date, measuring, reporting on and managing human capital risk is an emerging concept and still very foreign to most policy makers, in private as well as public organisations. It is no surprise then that managers do consider the loss of pivotal employees, adverse employee conduct leading to reputational damage, or union militancy as material enterprise risks, but do not record and quantify it as such. Equally, many hidden risks and opportunities may be present when managers fail to evaluate the cost and benefits of their investment in training.

Since organisations achieve their strategic objectives by optimising the dynamic capabilities of its human capital, the human capital strategy should be aligned to the organisation's annual strategy. Human capital is a significant distinguishing factor in the competitive strategies of all organisations and every part of the organisation depends on human involvement. Apart from the obvious risks in human capital development, such as losing key personnel or compliance risk, there are also less obvious risks such as management attitudes and perceptions or risk, or the earnestness with which we implement newly acquired knowledge after training (see the

KBV above). What is most important though is that all levels of management need to be aware of, record and report on human capital risks. Such a strategy, formalised in a policy, will remove uncertainty, provide management with more information and improve their chances of making informed decisions.

Acqui-hiring is an example of management striking a fine balance between active opportunity pursuit, and managing the parallel risk. In the case of acqui-hiring, usually the acquiring organisation pays lucrative salaries to attract this expertise and if knowledge is not transferred, the acquired expertise leaves the organisation or the team does not achieve its goals [12], there is a risk of financial loss. The emphasis of acqui-hiring is the human capital acquisition, and not the customer base, products, or goodwill of the target organisation, and could introduce major risks,

Early studies in human capital risk have presented a holistic view of the Kirkpatrick-Phillips Five-Level Training Evaluation Model, and innovatively added a pre-training assessment step and a risk management component, in what is referred to as The Risk and Return Framework for Human Capital Development [24]. Although not previously tested, this study findings were based on empirical research. It is important that a holistic and systematic view is adopted of training evaluation, commencing with understanding the performance gap, and concluding with the measures executed to manage the risk of not closing the gap. So much remains contingent on management attitude, ability and willingness to manage human capital risk, their bounded rationality, and that in itself presents a risk [25].

## **2.5 Global practices in HCD**

Globalisation continues to lead to interconnectedness among economies everywhere in the world [16]. Through globalisation, money, skills, improved livelihoods and prosperity are channelled from rich countries, where investors are perhaps running out of investment opportunities, to developing or emerging economies. This process is called foreign direct investment (FDI) and is defined as the acquisition of a foreign enterprise with the aim of obtaining lasting control [26]. Through globalisation and FDI, a multinational community is resulting, and everybody, including HCD practitioners has to adjust to new ways of working. For example, e-learning is taking the place of instructor-led training, and immediately language becomes a consideration, as well as access to computers and the internet. Many host nations expect the foreign investor to make available expatriates, albeit temporarily, who will create jobs, recruit and empower the local workforce, and through the systematic transfer of skills and expertise, which is ultimately expected to improve organisational efficiency. For example, the branded sport shoes you find in your local store could have been partially manufactured in your home country, by your compatriots, through foreign direct investment in skills, expertise and capacity building.

In general, a country's prosperity is expected to improve due to FDI. In addition, human capital is also expected to improve, as multinationals provide on-the-job training, and through labour turnover, those imparted skills spill over into other organisations. FDI can be in the form of government policies and priorities to help create human capital, by providing incentives to FDI investors who provide on the job training, and by encouraging higher education to train students the skills demanded by industry [26]. Cognitive skills have been found to be a major draw-card for foreign FDI [27].

Foreign direct investment is already complex, and further complicated by language proficiency and the host nation's human capital endowment [28]. Language proficiency refers to that of the investor and that of the host nation.

Researchers found that the effectiveness of HCD is greatly dependent on language proficiency, implying that the effective absorption and retention of knowledge can be improved when the language barrier is reduced or eliminated. A significant consideration is the lack of acceptance, and therefore low trust level of foreign investors and the expatriates working for them. The use of expatriates and their eventual repatriation to their home country is expensive, and multinationals prefer to use local human capital for menial tasks that do not require specialised skills. Furthermore, an investment in the human capital of the host nation helps to increase the perceived legitimacy and acceptance of the multinational investor, who are often not welcomed in the host nation, due to perceptions of plundering and exploitation. Foreignness increases mistrust, conflict and low levels of acceptance between host country nationals and multinational investors, translating into a risk for the investor. However, high language proficiency, coupled with the perceptions of expatriate professional competence, improve acceptance, social integration and therefore knowledge transfer improves [6].

When multinationals invest in identified countries, the quality of human capital is an important consideration [27]. In the absence of standardised evaluation tools, the number of years of university education is often used, although that measure is inaccurate, as it does not reflect skill attainment through short courses attended or on-the-job training. In that sense, a host country with an abundant endowment of skilled knowledge workers, may be more attractive to foreign direct investors, who expect to exchange knowledge easier, thereby lowering their operating costs [16]. High quality human capital therefore becomes an important attractor of FDI, while on the contrary, perceived insufficient human capital translates into a risk of attracting FDI.

Many more emerging market multinationals (notably Brazil, India, China and South Africa), compared to mature market multinationals, have invested in Africa in recent years [27] and the observed differences in investment practices are thought-provoking. For instance, emerging market multinationals seem to value access to the market more than access to skills and talent. Corruption and bribery in the host-nation is of little consideration, and in some instances, even welcomed. To that end, Chinese MNC's do not capacitate the host-nation workforce, and instead employ expatriates for menial jobs, regardless of the risk of lawsuits, bribes demanded or the socio-political chagrin this may attract [28]. The local workforce is not capacitated for the duration of the investment, especially if the multinational's top management does not support HCD practices other than organisation-specific HCD, for fear of employee mobility or demands for higher salaries [29]. These practices introduce other risks as well, such as low levels of trust, isolation of the expatriates, or in extreme circumstances, xenophobia [30].

### **3. Wrapping up and looking back**

The importance of a dynamic national stock of human capital, with world class education, skills and competencies, can never be emphasised enough for its significance in improving country competitiveness. Country competitiveness is enhanced through training or human capital development, which is the collective skills and competencies of a team, including on-the-job training, built upon high school or university education. Collectively, the human capital possessed by a team, contribute to both individual and organisational productivity, national wealth and long-term sustainability. However, although it has been proven over and over that human productivity improves as human capital improves, the matter of estimating the benefits versus the cost to investors who are typically employers, remains top of mind for management practitioners, academics and policy makers alike.



The complexity of the operating environment and the myriad of influences from the external environment, necessitates the continuous monitoring, fine-tuning and impact evaluation of human capital development. Dynamic teams that can adapt to a volatile external environment with greater ease and a management team that is able to anticipate volatility and market demands, sense, seize and reconfigure VRIN resources in good time, is in itself a dynamic capability for any organisation. However, the agents involved may have varied agendas, such as legal compliance or spending allocated budgets, and not necessarily real outcomes in the form of productivity gains. Continuous management efforts to calculate the benefits of training will help inform future spending on human capital development, for which more and more justification is required in the face of tightening financial constraints. If management can perform training evaluation systematically, and with the use of an accurate instrument, the benefits of training on a micro and macro level will become visible and manageable. On the contrary, continuous failure to prove the return on an investment in human capital, may lead to a number of risks, such as ill-informed spending decisions, loss of critical members of a workforce, and non-compliance to organisational policies or strategies. Management may be held personally accountable for such failure.

Good corporate governance makes it a management responsibility to ensure adequate human capital and the efficient enhancement of it through training. Efficiency can only be determined with the use of a tool, such as the Kirkpatrick-Phillips Five-level ROI framework or similar recognised evaluation tools. Risk management is an integral element of corporate governance following a number of corporate scandals and a terrorist attack such as 9/11 that led to the loss of entire teams. However, early research has found that human capital development risk is not yet a vital consideration for many organisations. Not managing human capital development risk may be material, but due to the novelty and complexity of the concept, not widely researched and there is definite scope for future investigation.

Making informed management decisions about the costs and benefits of human capital development and the resultant risk of failing of such a calculation, may have further reaching consequences than merely meeting compliance requirements. As western multinationals are exploring new corners of the earth as investment targets, they are attracted by the quality of the country's human capital. A country failing to attract FDI due to inefficient levels of HCD may lose out on such investments, and eventually find its sustainability under threat.


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# Muddy Realities of Organizational Existence: Should HRD Dive in or Take an Ostrich Defense from the Sidelines? Review of Literature, Framework Development and Future

*Kebafentse Tshiamo Modisane*

## Abstract

Workforce management goes beyond the management of people and the management of human resources processes and projects, to deciphering organizational climate of operation, activities and behaviors that could hinder organizational progress thereby negating good strategy implementation plans. This chapter intentionally selected several challenges that usually entangle organizations, throwing them into muddy pools where entangling meshes of corruption, workplace incivility, stigmatization, crises and management failure among others envelope and bring some of these organization to their perilous ending. The chapter asserts that the field of Human Resources Development (HRD) could play a meaningful role in the identification of organizational challenges and the initialization of the designing and implementation of interventions that could address systems blockages. By getting inside the challenging muddy pools, HRD would assume a strategic position in redefining its purpose of existence by decoding organizational bottlenecks and introducing interventions that could create new paths and new avenues for organizational effectiveness and sustainability even during environmental turbulences. Through a detailed discussion of negative issues bedeviling organizations, including the crisis brought by the corona virus pandemic that has not spared organizations either, this chapter asserts that HRD cannot take an ostrich defense of burying its head in the sand while chanting the 'I see no evil, I hear no evil' slogan pretending that challenges bedeviling organizations are not HRD's concern. The chapter asserts that through new research pathways and the provision of appropriate interventions, HRD has great potentialities of removing systems blockages and supporting both leadership and the workforce to be flexible and adaptable to environmental turbulences of organizational operations.

**Keywords:** dynamics of organizational operations, corruption, organizational crisis, corona virus pandemic, workplace incivility, stigmatization, globalization and resistant to change, management failure, HRD field potentialities

## **1. Introduction: dynamics of organizational operation**

Management of human resources requires flexibility for continuous adaptability to environmental turbulences. Organizations currently function in dynamic environments that continue evolving depending on climate of operation. Such evolving environments require leadership to understand the dynamics of market demands and versatilities for being innovative and resilient despite environmental turbulences. Such skills and abilities cannot occur on their own volition but require proper nurturing through leadership development programs, reflective sharing of experiences, collaborative project inquiry [1] that could promote change [2], risk taking [3], and a call for leaders' humility and trust [4].

While globalization opened international market competitions and advanced the use of technology for organizational growth and profitability, on the flip side, seething below the rosy technological welcoming front are dark forces of corruption, scandals, leadership mismanagement, employee incivility and unethical behaviors, (among others), that continue engulfing and lingering over many of the organizations' core existence, thus seeking to erode the hard earned efforts that globalization sought to promote- the building of globalized human resources and the dignifying of human lives through socio-economic advancement of nations. Through an intentional selection of some of the challenges bedeviling organization, this chapter takes readers through negative issues entangling organizations subsequently sinking them into meshes of muddy pools of ineffectiveness, poor quality in service and product delivery, organizational toxicity, bankruptcy and ultimate closure. The chapter also brings out the crucial implications of these dark forces to HRD and its potentialities to positively identify the bottlenecks in the system followed by the launching of appropriate interventions that could support organizations as they strive to find new paths for sustainability and growth.

## **2. Review of literature: inside the muddy realities of organizational existence**

### **2.1 Corruption; whistle blowing; employee voice**

Corruption tops the list of issues that scholars bring out as the darkest issue affecting organizational existence, 'clogging the wheels of progress and frustrating the realization of noble ideas' [5]. Scholars worldwide affirm that corruption is responsible for many organizational woes as it translates to organizational failures that could manifest in abandoned projects, poor quality in the implementation of projects, dilapidated infrastructure, nepotism and tribalism [6]. Even more, corruption is associated with poor organizational performance, low quality product deliverables, business losses, subsequently business failure.

Corruption is defined as the abuse of power for private benefit [7]. Many governments in both developing and developed economies have come to the realization that persistent corruption contributes to the erosion of national economic gains and the dignifying of human lives. Gabbioneta [8], points that corporate corruption seems to have become endemic in the society. Surprisingly, one of the most striking features of corporate corruption is the inability of professionals and professional service firms to recognize and expose corruption. Findings of a study undertaken in China by Chen et al. [9], indicated that lower- status leaders with high power were more likely to engage in corrupt behaviors, whereas high status

leaders with high power were more likely to do so in a western cultural context [9]. The study made notable contributions to literature on power, status and corruption as it provided information on leadership qualities that could be susceptible to the accommodation of corruption and corruption practicing behaviors. After making a similar finding on leadership's role on corruption, Di Pietra et al. [10] pointed that the relationship between corporate governance and corporate corruption are now 'ripe for systematic analysis from multidisciplinary approaches'. Upon realizing that corruption occurs across legal, cultural and organizational boundaries, just to mention a few, Di Pietra et al. [10], concluded that corruption is a complex and rich phenomenon worth exploring further in different contexts and environments.

It should be noted that corruption varies across countries as much as labor costs or corporate tax rates vary from one country to another [11]. Corruption remains multi-dimensional and multi-faceted and continues to negate organization's financial strategies and profitability while bringing many economies to their knees. In some developing economies, corruption is associated with inefficiency, reduction of foreign direct investment, reduction of economic growth, and increased rates of poverty and inequality [7]. In developing economies, corruption deprives these nations of potential investors, distorts public expenditure, increases costs of running businesses, costs of governance and encourages the diversion of resources from poor to rich nations [5]. Indeed corruption practicing behaviors of fraud, money laundering, misappropriation of public funds for personal gain, procurement scams, kickbacks on awarded contracts and payments for favorable judicial decisions among others are instituted by corruption practicing cartels as they swindle and loot public funds for personal gain. According to Doh et al. [7], while corruption is present in a variety of industries and different countries, it is more common in sectors where large investments and complex contracts are made including during infrastructure development of various projects. For example, corrupt side-payments could easily be disguised by using payments of various forms and channels including excessive fees charged for the project, fees with no legitimate services delivery, fees supported by false documentation, failure to disclose conflict of interest during the tendering process by government official, employment of relatives of officials 'with no show up to assume work', yet receiving monthly salaries; gifts by contractors to a government official responsible for awarding a contract or tender, leases of accommodation or offices owned by government officials or their immediate families at inflated rates, and cash payments to projects inspectors or sub-contractors disguised as legitimate fees. Such corrupt side-payments differ by country but would be undertaken with the purpose of improperly influencing the recipient directly or indirectly as a way of 'greasing and oiling' the skewed relationship and maintaining it for a long time. For many people, the analogy as Di Pietra [10] alludes is, 'if so and so is doing it, why can't I?' Though many law abiding citizens could out of frustration give in to sordid corruption practicing behaviors for livelihood's sake, but the truth is that, everyone who joins the bandwagon of these corruption cartels expands the corruption leaven even further until it reaches the core fabric of societal ethos denting, eroding and crippling the nation's socio-economic development efforts while leaving the nation hopelessly entrenched in muddy pools and meshes of corruption. It is true that corruption milks national resources and rewards unproductive behaviors by channeling finances to firms and contractors that are dodgy while penalizing efficient, ethical and 'straight' operating business oriented firms in the process.

Since corruption is mostly embedded in governmental institutions, some firms are concerned that exposing corruption would reduce profits or anger corrupt officials without changing their behavior [7]. Such points of view, however,

encourages acceptance of the status quo and the futility of standing up against corruption subsequently surrendering to the corruption practicing cartels as they clean, loot and empty the treasury while the rest of the nation wallows in poverty and hopelessness. It should be noted that since governments to a large degree, “set the rules of the game, it could thus be concluded that it is the same governments that could introduce a new game plan that shuns corruption and corrupt practicing behaviors by tightening the loose nuts and bolts of government institutional systems subsequently exposing these corruption practicing cartels. While some consider corruption as the “grease” that makes commerce possible and profitable, Rodriguez et al. [11], posit that such small advantages to few members of the society masks deeper developmental challenges that are far more costly. For example, if one person amasses US\$ 84 million through corrupt practicing behaviors while public hospitals do not even have panado painkilling drugs to administer to the sick, and the health facilities do not even have personal protective clothing and wheel chairs to transport the critically sick within the hospital premises, and to top the cherry, public schools have no stationary for the learners, then this state of affairs implies that deeper national crisis are looming in the horizon including impoverishment of the already poor families that may not even know for a certainty if they would afford the next meal. A study undertaken by Joshi and Fast [12] revealed that group interdependence leads to great corruption as people tend to protect group members who engage in corrupt acts that benefit the group as they are motivated by collective gain, and as a result, would more likely protect those who engage in corrupt behaviors that benefit the group. The results of study 3 and study 4, by Joshi and Fast [12], revealed that interdependent mindsets are less likely to punish corrupt members who benefit the group when they are motivated by collective gain than participants with an independent mindset [12]. Basing on the findings of these studies, it could rightfully be assumed that corrupt practicing individuals are like a drug cartel that functions as a syndicate. Such a syndicate or ‘cartel’ is difficult to uproot or eliminate as it has many avenues, team members and routes that render it not easy to follow.

Mathur and Jammulamadaka [13] concluded that anti-corruption efforts in India were failing because when they were put in place they did not acknowledge the locally constructed nature and the meaning of corruption. Corruption in India, according to Mathur and Jammulamadaka [13], is indexical in nature, and locally constructed by prevalent social norms emerging out of social relationships and power considerations. Obuah [14] mentions that in Nigeria, the dishonest use of office for personal gain is done by appointed public office holders and top bureaucrats who use their positions of authority to actively engage in corrupt practices. A study undertaken from the era of Prime Minister Tafawa Balewa until the era of President GoodLuck Jonathan concluded that the root of corruption in Nigeria’s public sector emanates from societal pressure, tribalism, nepotism, and low- risk high-benefits of involvement in corruption by others [5]. Even as corruption reaps apart many of the developing economies while benefiting a few cartels and individuals, evidently, countries with low levels of corruption are better able to reduce inequality in the society through entrepreneurial activities [15]. However, Chowdhury and Desai [15] point that the exact reason of wide income distribution across any country remains unclear and remains under investigation. Further research needs to be undertaken on this topic, in order to examine the key variables in-depth. Though Castro and Ansari [16] assert that when the context is ‘ripe’ for change, it would be ideal to launch anti –corruption operation, but, it could be ideal for nations to embark on multi-stakeholder participation and multi-disciplinary efforts to uproot this societal evil as it remains a deeply entrenched phenomenon that is complex and multi-faceted to decipher and untangle. Mitchell et al. [17],



asserts that those who are in desperate poverty have lost economic hope and suffer from extreme need, anxiety, or despair due to economic hopelessness. Therefore a picturesque view seen through the eyes of scholars is that while on one side others lavishly live on proceeds of corruption, on another side others languish in economic despair and hopelessness with hunger staring at them squarely on the face. These two extremities of life within societies, especially in developing economies, continue to widen disparities between people and cannot simply be bridged through food hampers and handouts but require leadership that would seek and pursue in earnest institutional change that would launch anti-corruption operating systems that would yield breakthroughs and provide hope, dignity and a future to many citizens.

It should be noted that no economy can pride itself that its economic success and sustainability were derived from corrupt practices hence governments all over the world continue to put measures in place to fight corruption. Corruption of government officials are recognized as an increasingly critical problem both domestically and internationally. Rothstein and Eek [18], assert that if government officials in a society are known to be corrupt, people will believe that government officials cannot be trusted. People will therefore think that most other people cannot be trusted. It is true that indeed trust and corruption do not see eye to eye and the first causalities to corruption are trust, integrity and ethical standards. Despite multilateral treaties and national efforts undertaken in the past 15 years to address this problem, corruption continues to affect firms' economic and financial strategies, behaviors, organizational situations, and international management and financial reporting [10]. For example, the US Foreign Corrupt Practices Act and similar efforts by the Organization for Economic Cooperation and Development (OECD) and other international institutions signaled a collective push to reduce corruption [11]. Advocacy against corruption has also been launched through the UN Convention Against Corruption (UNCAC); African Union Regional Anti-corruption Convention (AURACC); Transparency International (TI); World Bank and McKinsey Global Institute among others. However, it remains visible that, though corporate governance mechanisms have been employed to reduce corruption and limit the effects of corruption, but corruption still persists as a covert strategy to obtain business [10]. Overwhelmed by the escalation of corruption in the country, Brazil launched operation 'Lava Jato' (Car wash operation), the largest anti-corruption operation ever launched in Brazil by those who were seeking institutional change, in order to fight corruption. The operation yielded breakthroughs only at certain points in time when the context was 'ripe' for change. Castro and Ansari [16], points that the Lava Jato operation was successful as the cumulating work of purposeful actors for the anti-corruption action led to gradual changes and breakthroughs.

Researchers point that corruption and unethical behaviors in organizations can be reduced by cultural change within the organization. For example, leadership could maintain ethical practices that organization members could identify with [19]. Organizations may also work with governmental bodies that are eager to promote local participation to crack down on corruption [7]. For example, Corruption and Economic Crime Agencies or Institutions in different nations could partner with regional and international bodies in order to learn, to network and benchmark new ways of fighting corruption in order to strengthen role requirements and capabilities for the eradication of corruption. For example, several bodies and agencies include Transparency International Corruption Perception Index, Afrobarometer, World Economic Forum, Business Anti-Corruption Portal and Think Tanks and Civil Societies Program that could help with the strengthening of ties and learning from best practices in order to scale up responses to corruption. Other scholars

posit that since it is difficult to stop corrupt activities that have become embedded within the daily operational routines, perhaps those in leadership could introduce preventive measures [20] that would aim at educating employees, the public and stakeholders about dangers of corruption to organizations and to national economies.

Apart from dealing with corruption, other nations especially developing economies suffer from malpractices of tribalism and nepotism [21]. Tribalism is when those in positions of power favor those from the same tribe with them by giving them priority on hiring, promotion; compensation or any other better work treatment or project even though people from other tribes could fare better than the preferred candidate. Nepotism on the contrary is when those in position of power favor their relatives, community or religious group [22] at the expense of qualifying candidates who do not fall within the defined network. Ugwuebo [23] asserts that such actions contribute to organizational ineffectiveness. For example, employees of La Compagnie Ivoirienne d'Electricite in Ivory Coast reported that tribalism was one of the paternalistic factors affecting firm operation and performance [24]. Ijewereme [5] asserts that using tribalism and nepotism as a method of awarding contracts or work, or even promotion or appointment to public office while ignoring principles of merit provides room for preferential treatment of one individual over another and is a highly biased method to rely upon. Where there is prevalence of such action, it has been established that the quality of the public service is downgraded [25].

The irony is that, in the era of globalization, while affluent economies move ahead with the development and betterment of their communities, developing economies remain steeply entrenched in corruption and corrupt practicing behaviors, including practicing tribalism and nepotism-unsavory practices that undermine logical reasoning and intelligence at the detriment of quality in performance, efficiency and socio-economic progress. Though Abueva [26] asserts that strong kinship ties, which are characteristic of Africa's societies placed nepotistic pressure on public officials to help relatives, but, reality is that the globalized world of today unlike the 1970s has no room for tribalism and nepotism but places merit in quality of performance, expertise in skills and competencies at the forefront prior to the awarding of a contract or a job. Unfortunately, since developing economies continue being a safe haven for the proliferation and acceptance of tribalism and nepotism practices even today, Africa's genuine intellectuals, techno savvy individuals and innovative thinkers whose potential could set the "Silicon Valley and Google -land of Africa" would remain forever in oblivion while mediocrity and below average work output reign amidst the spirit of cronyism and favoritism that engulf institutional governance and systems in developing economies. It is a worrying issue of concern that developing economies, especially African economies, continue along this unsavory path denying their high performers opportunity to use their intellectual capabilities for the advancement of Africa's technologies and innovation drive. Sadly, Africa's dream of becoming a major globalized team player would remain forever a pie in the sky. Furthermore, as pointed by Modisane [27], 'HRD practitioners and leadership developers in Africa should be concerned about lack of research that could influence organizational practices. Equally, they should be concerned about leadership mismanagement practices that seem to engulf the continent unabated (p.3). It is true that no economy should allow room for nepotism and tribalism to flourish at the detriment of merit and quality outputs, including in the developing economies as they readies themselves for the globalized bandwagon that values ethical practices, quality outputs and the dignifying of human lives.

As the developed world relies on the capabilities and the potentialities of excellence in performance at the Silicon Valley of California and also at China's

Silicon Valley of Shenzhen, these megacities through sound leadership practices and versatile governance of the Eric Schmidt's and the Jonathan Rosenberg's of the world bit the odds and excelled in leading powerful teams that have contributed immensely to the world's technological advancement as instituted through Google platforms. Larry Page, Google co-founder and CEO when giving the foreword to the book *'How Google Works'* by Eric Schmidt and Jonathan Rosenberg [28], pointed that, 'it is hard to imagine now when we started Google Maps, people thought that our goal of mapping the entire world, including photographing every street, would prove impossible. So if the past is any indicator of our future, today's big bets won't seem so wild in a few years' time. These are the principles that I think are important...' This book indeed illustrates how quality in hiring turns into quality work output. Larry in the foreword emphatically mentions that management at Google placed much energy into hiring independent thinkers and setting big goals because if they hired the right people and had big enough dreams they were positive that they would get there and even if they failed in the process, they would probably learn something important from the attempted failure. True, aiming to reach the stars through the achievement of organizational goals and ensuring sterling quality performance would not have room for nepotism and tribalism that do not place emphasis on quality hence the fruitage of quality inputs of hiring sterling performers at Google continues to benefit all nations and people indiscriminately until now. The irony is that mediocrity and average inputs of nepotism and tribalism practices are only self-serving practices and by nature would not develop wings that could spread out and benefit many nations and humanity at large.

Whistle blowing is regarded as a practice that could help reduce corruption by pointing out to illegal practices that are taking place in organizations. Whistle blowing could be done by employees, board members or internal auditors who are close to the day to day inner workings of the organization, and whom by virtue of close proximity to the organization may witness or experience wrong doing first hand. According to Dryburgh [29], whistle blowing could ultimately help correct workplace conditions and curb illegal practices. However, it should be noted that blowing the whistle does not always receive the expected responses from colleagues, supervisors and managers [30]. More often than not, whistle blowing triggers accusations of disloyalty, secrecy breaching, and leaking sensitive information [31–33]. Retaliation for whistleblowing, according to Parmerlee et al. [34] may take many forms including isolation of the whistle-blower, character defamation, exclusion from meetings, harassment, firing from the job and many other negative forms in order to silence the whistleblower or prevent full public disclosure of information. Basing on negative circumstances that may befall whistle blowers, protection of whistle blowers is important if organizations would like to win the war against corruption. However, fewer countries have put up whistle blowing protection acts thereby defeating the purpose of listening to voices of concern that could assist in stemming out corruption. On 27th November, 2012, the US signed into law the Whistleblower Protection Enhancement Act (WPEC) to provide protection to federal workers' need to safely report government corruption and wrong doing [32]. It is hoped that other countries would emulate USA since employees' voice should be encouraged in the fight against corruption and unethical practices.

In the exit –loyalty –voice ELV framework, McLean et al. [35] point that employee's voice has been of interest to organizational scholars at least since Hirschman in 1970. Scholars have been debating whether employees challenge the status quo or exit the organization if their voice is disregarded [35]. Morrison [36] defines employee voice as an informal and discretionary communication by



an employee to share ideas, suggestions, opinions or concerns about work related matters to persons who might be able to take appropriate action that could bring improvement or change. The reality is that faced with unsatisfactory situations within the organization, employees may opt to exit, voice the misconduct or remain silent. Research indicates that more often than not, employees with greater tenure may prefer to voice the misconduct than exit. Such employees may have power to effect the change especially if the wrong doing tended to be unacceptable and uncomfortable [37]. Researchers posit that instead of voicing matters, an employee may opt to remain silence even if they have an opinion, suggestion or concern about issues. This could occur if employees do not want to be viewed as trouble makers or complainers. Employees may also opt to remain silent if they do not want to jeopardize the relationship with their supervisor as he/she controls the rewards, resources and assignments [38]. In 2010, The US Department of Homeland Security launched a national campaign called, 'If you see something, say something' for residents to alert any anomalies for national security reasons. The notion of reporting anything out of the ordinary, is a leaf that could be borrowed and contextualized to organizations so that employees voice issues of concern, opinions or suggestions that could bring upon change or improvement to current situations, including whistleblowing against acts of wrongdoing and unethical behaviors and practices.

In organizations, when employees experience problems or observe opportunities for improvement, naturally it is assumed that they would dialog with their supervisors. A study by Detert and Trevino [39] revealed that employees were likely to engage in voice to their direct supervisor if the supervisor had a positive relationship with top management. Employees reasoned that if such a relationship existed, it was likely that the supervisor would have greater likelihood of being heard and the issue acted upon. Some scholars posit that if supervisors do not address issues raised, and employees continue experiencing the same conditions they raised, employees may conclude that it is futile to speak up [39]. When employees are not listened to, they could lose faith that management would make necessary improvements [38]. It should be noted that by virtue of their positions, supervisors have the power to influence decision making process of senior level managers by advocating for issues that employees raise, similarly, employees have the prerogative to exit the organization if they feel that their voice does not matter and the work environment could subsequently become toxic if they remained.

## **2.2 Organizational crisis; corona virus pandemic**

Besides the various forms of corruption that could entangle organizations, it is evident that organizations could 'fall prey' to crises, scandals, accidents and disruptions that could directly affect organizational operations [40]. Currently, organizational crisis have become more complex and prevalent. These situations include among others investor fraud, financial meltdowns and dramatic fall in market value, bankruptcy, terrorist acts, diseases outbreaks and natural disasters that severely impact organizational sustainability. The corona virus pandemic has severely affected many organizations with mom and pop small businesses and spaza tuck-shops now closed down. This indeed has created a period of uncertainty and crisis beyond human comprehension since a pandemic of this nature was last experienced with the Spanish Flu of 1918–1920 which claimed millions of lives worldwide. Though nations today may not cry wolf in comparison to what happened in 1918–1920, but, a loss of one life to the pandemic is too much a loss taking cognizance of the advancement of medicine and science, sophisticated



telecommunication systems and well developed human resources which renders our world to be in a much better standing compared to the Spanish Flu era of 1918–1920. Currently, pharmaceutical companies' world-wide worked round the clock since 2020 to develop vaccines which could be administered to the general populace probably from 2021. Nonetheless, preventive measures of social distancing, wearing of masks in public places, hand washing, monitoring and self-isolation of those who have been exposed or are symptomatic remain in place.

When the corona virus pandemic started unraveling, at national level, many nations imposed travel restrictions, and instituted lockdowns and curfews to curb the spread of the virus. Organizations too grappled with handling the crisis and more importantly devised new ways of survival and staying afloat beyond the crisis. At its highest peak, the corona virus pandemic altered and disrupted workplaces leaving trails of organizational uncertainties, closed industries and crippled the hospitality industry world-wide including hotels, restaurants, and tourism sights that remain closed. The airline industry which ferries travelers for business and leisure purposes was brought down to its knees and many of its employees were furloughed. Within a short period of time, many employees found themselves out of work, on unpaid leave or working remotely from home. According to the McKinsey report on 'The future of work after COVID- 19 (2021), the scenario of massive job losses suggest that many people may require the switching of occupations, re-training and upskilling on digitalization for occupational mobility and independent work or changing careers altogether. Organizations could require the reimagining of how work should be done and digitalization of infrastructure as well as organizational retooling for management of remote workers. It is envisaged that as the pandemic fades, the creativity of workers, organizations' adaptability to environmental turbulences, launching of interventions by program developers, and policy makers would need continuous relearning and learning for effective workforce performance, management and organizational profitability. Carnevale and Hatak [41], posit that today's organizations have to remain alert and adoptive to unforeseen events such as external crisis, which create increased uncertainty among the workforce and pose immediate threats to organizations' performance and viability. It is basing on these viewpoints that indeed the reimagining of work and reskilling of the workforce could be viewed as inevitable undertakings for settling into the 'new normal' which may influence workforce management beyond the current pandemic.

The pandemic created unforeseen crisis to organizations and increased uncertainties' among the workforce. With continuous lockdowns and curfews instituted to control the virus spread, organizations found themselves navigating into new terrains of operation, and in some instances without any customers to break even and were forced to place employees on unpaid leave, lay off staff or close shop because of lack of business. Other organizations survived by switching to digitalized remote work so that employees continued with their work while under lockdown at home. In many places across the world, the pandemic exposed weaknesses in organizations' operations' systems, and weaknesses in public support systems. Sarkis [42] posited that shocks in the supply chain sustainability revealed operational supply chain fragility and faltering global supply that pointed to conspicuous lack of operational agility. Not to be outcompeted during the pandemic was the ugly head of corruption which also reared its head in different forms. Venelin and Petrou [43] point that the pandemic increased potential risks of corruption activities borne from states of emergencies and the concentration of power at the top, as well as the injection of large sums of money in the economy. Bulgaria curbed the increased risks of corruption through increased reliable communication and information

sharing by public institutions, transparency in the public sector, regular inspections to curb possible illegal spending of public funds, spontaneous investigations and inspections of price hikes on food, medical supplies and fuel and the auditing of procedures for the utilization of large cash flows that were allocated as aid and support to members of the public and the private sector.

Just like findings made by Venelin and Petrou [43], when discussing the situation in Bulgaria, Hamzah [44] stated that since large negative shocks that required fast and massive spending could increase corruption, the Indonesian government instituted measures to ensure vigilance against corruption and curbed any fraudulent activities that could likely happen amidst the corona pandemic. In order to be pro-active in approach, the Indonesian government increased monitoring and inspections of procurement of goods and services for accountability, effectiveness and transparency. Implementation of the procurement of goods and services procedure was also audited and if fraud was detected in accordance with the contract agreement, the contractor was subjected to sanctions. Government contractors were supervised by the Government Financial Supervising Agency which provided assistance in the implementation of procurement. It is noteworthy pointing that the Indonesian Anti- Corruption Behavior Index (IPAK) recorded 359 corruption cases from 2004 to 2019 and indicated that 2020 may have an increase in reported cases in comparison to 2019 which had 3.84 cases of corruption (on a scale of 0 to 5). Indonesia relied on Civil Law articles on Criminal Act of the Corruption Eradication Commission Circular No 8 of 220 concerning procurement of goods and services for the disclosure of public information as a form of transparency and accountability, imposition of strict sanctions on fraudulent contractors who breached contract agreement, and implementation of good faith and ethical principles during the procurement of goods and services to curb corruption in Indonesia.

As the corona pandemic raged on, Veins and Eyawo [45] postulated that decades of corruption that left health systems, particularly health systems of the developing world that had been underfunded for a long time, inadequately staffed, and insufficiently regulated would likely experience dire overwhelming of facilities that could be catastrophic. Dincer and Gillanders [46] also posited that poor health infrastructure and endemic corruption would make it difficult for low income communities and developing economies to contain the virus through the public health system necessitating the developed economies to step in to assist these nations. Evidently, failure to build quality health systems and to rightfully equip them by many nations was visible when many people became sick from the virus and required hospital admission and oxygen. Shortages of ventilators, beds, personal protective clothing, and limited health personnel became glaringly visible thus overwhelming the already insufficiently equipped health systems. In some places, the sick were left unattended or returned home during the dire time that they required medical assistance. In some instances, the hospital had to choose who would be given a ventilator and who would be left to die. Yet in some countries, those in top leadership who became critically ill because of the virus were flown in private jets to neighboring countries or to developed countries because they understood fully well that the state of local medical facilities was inadequate and wanting as these facilities were poorly funded, understaffed and ill equipped. Veins and Eyawo [45] point that lockdowns, travel bans, and airport closures prevented the elite from being flown to the developed world to receive high quality care in countries with functional health care systems- something that was normally done when they were ill. COVID 19, according to Veins and Eyawo [45], made it clear that health vulnerability is for everyone and prioritization of health funding should be at the fore front of governments in the developing economies in order to have effective health systems and integrated pandemic preparedness structures. Despite the challenges experienced in all the

countries world-wide, all nations, including developing nations, would forever be grateful for the selfless health care workers who were at the fore front of the pandemic. True, many of them succumbed to death in their line of duty by contracting the virus and this should be seen as a lesson of resolve to well equip, fully train, fully staff and remunerate health personnel in order to ensure that lives are not placed at risk for nothing. Had nations properly built, equipped and resourced health facilities and hospitals some of the deaths could not have occurred at a larger scale and could have been contained or alleviated.

Besides the current corona virus pandemic, the financial meltdown in Greece in 2015 left the economy on its knees while many multinational companies pulled out of the country. Even more, the 2007–2008 financial crises that rocked the USA left many economies affected and numerous organizations closing down. Scholars posit that crises leave painful emotions like sadness, worry, and confusion that linger questions of whether such an event could have been prevented [47]. Crises also leave organizations with a vacuum of pondering on the theoretical framework that could have been established or pursued to curtail disruptions. It should be noted that predicting when and where crises will occur is difficult. Even more complicated is planning for the effects of crisis because there is basically a lack of precise information about the course to follow when crisis occur [48]. Indeed even if it is generally not clearly foreseeable when and how crisis would occur, but a crisis management plan is required to comprehensively manage the situation and apply an integrated approach [49] in order to curb a disastrous overwhelming impact on the community and the nation. The current corona virus pandemic led to many pharmaceutical companies rushing to develop vaccines while nations queued to secure doses for their people especially for the health workers in the frontline.

### **2.3 Workplace incivility; stigmatization**

Organizations just like communities cannot exist in environments where the law of the jungle prevails. Human civility matters a lot as it dictates basic principles of simple personal behaviors during communication, interaction with others, actions that could be done and those that should be avoided. Pearson, Andersson and Porath [50] point that civil behaviors help preserve norms for mutual respect at work, positive connection to others, building of relationships and having empathy for others. Incivility on the contrary, entails exposing of uncivil behaviors including rudeness, erosion of empathy, uncooperativeness and mistreatment of others that might lead to disconnection and breach in relationships. Uncivil behaviors in organizations could start as unsavory jokes that could later on translate to negative patterns of behavior that may include bullying and even physical violence [51]. Uncivil behavior could result in a hostile environment that is not conducive to employee learning and development [52]. Such behaviors may have negative impact on witnesses and those who directly experience such incidents. It is important to note that every organization has standards of moral understanding that members hold dearly to. Therefore, violations of these standards could result in incivility [50]. Acts of incivility could include having one's credibility undermined in front of the others, being excluded from a meeting that you regularly attend, neglecting to greet others, cutting off someone on the telephone line while they are speaking with you, leaving trash for someone else to pick, a sarcastic remark by a supervisor in the presence of the subordinate's peer group [50]. Research conducted by Pearson et al. [50], indicates that rudeness is on the rise and is influenced by the changing nature of work, complexities and fragmentation of workplace relationships, overwhelming use of digitalized telecommunications, teleconferencing,



including overbearing workload and time pressure. In a study conducted by Pearson et al. [50], one supervisor responded by saying that; 'how can I take time to thank each of my subordinates for a job well done when I have five deadlines to meet, four meetings to attend, and a spouse and two kids at home who need to be fed dinner?' Building of interpersonal relations, understanding of workplace incivility, using different modes of communication to reach out to group members could help with the building of long lasting relationships with peers, subordinates and other stakeholders.

Uncivil workplace behaviors could carry financial costs including costs for absenteeism, turnover, legal action, and reduced productivity [51]. Research by Pearson, Andersson and Porath [50] indicated that 70% of males in comparison to 30% of females were more likely to be involved in acts of incivility. While men were more likely to target someone of lower status to them, women were more likely to target their supervisors but less likely to target their peers. It is noteworthy mentioning that acts of aggression go beyond incivility. According to the US Department of Justice, workplace violence could include incidents of physical/emotional abuse, bullying, harassment, threats, extortion, stalking, theft/robbery, assaults, kidnapping, rape, homicide, terrorist activity and mass murders [53, 54]. Uncivil work environment could lead to poor employee health, low job satisfaction, low organizational productivity and commitment, high employee turnover, and poor application of learning at work [55–58]. Whether instituted by men or women, but incidents of workplace uncivil behaviors should worry and concern HRD practitioners hence HRD could help the organization to put in place systems for dialoging and resolving such issues amicably.

Supervisors could also engage in destructive behaviors by displaying hostile verbal and non-verbal behaviors, excluding physical contact in order to prevent personal goal attainment of followers [59, 60]. The destructive behaviors of people in leadership positions have often been referred to as abusive supervision [60]. In a study conducted by Schilling [59], 42 managers were asked about their conceptions of negative leadership, its antecedents and consequences. Results show that the concept of negative leadership is associated with eight behavioral categories of insincerity, despotic, exploitive, and restrictive, failure, laissez-faire, and active and passive avoiding leadership [59]. To achieve the destructive goal, the supervisor could develop authoritarian rule over his followers using every kind of measure to achieve obedience and submission. I.e. the supervisor could use commanding, ridiculing, lying, or humiliating [59] tactics to achieve the destructive goal over followers. Tepper et al. [61] posit that supervisors who are exposed to procedural injustice in the organization are more likely to experience depression and behave abusively towards their followers whom they perceive as vulnerable and/ or provocative. Tepper et al. [61] summarizes that subordinates who experience the abusive wrath of the supervisor could be less satisfied with their jobs, less committed to the organization, less trusting of their co-workers, more psychologically distressed, more resistant to supervisor's influence and less willing to perform pro-social organizational behaviors. Ashforth [62] describes such supervisors as petty tyrants who revert to oppressive, capricious, and vindictive use of formal power and authority which, in essence, reveals the arbitrariness and small mindedness of the actor. Such behaviors have destructive consequences to the organization and in the long run contribute to corporate downfall [59]. Scholars posit that, apart from individuals experiencing lowered self esteem, insecurity, fear and doubt about the worthiness of the supervisor, the organization could also be affected from conflict escalation, negative team spirit, and destructive organizational climate that could lead to high rates of employee turnover and sickness due to stress and excessive work load [59, 61]. To prevent destructive leadership behaviors, organizations could support



leaders through counseling programs in order to help them cope with pressure and personal stress associated with their job. Encouragement of building communication channels and encouragement of constructive feedback could also be used to build good relations. Joint problem solving, team work and peer networking could provide mechanism for building good relations. Concepts of negative leadership, workplace incivility and stigmatization could be included in leadership development programs, workplace attitudinal surveys, seminars and workshops to sensitize leadership and discuss such issues with depth in order to find common ground of understanding through dialog.

Employees may be subjected to stigmatization in the organization. Stigmatization could originate outside the organization or could originate from workplace issues and incidents [63]. It should be noted that in spite of its origin, stigmatization could bring harmful effects to the employee and the organization. Stigma could trigger negative attitude, beliefs and emotions. Those holding on to stigma may deny others opportunities through stigmatization. Furthermore, stigmatized individuals could be subjected to discrimination including bullying, harassment, and social rejection [63]. For example, an employee with a mental illness could come to believe that she/he is less competent than others and that she/he does not deserve advancement opportunities- a kind of thinking that could be the result of being subjected to stigmatization and social rejection. Similarly, a person with arrest or criminal record could be unfairly excluded from employment and as a result could revert to criminal acts [63]. Other individuals in the organization could face stigmatization because of certain diseases and health issues. Scholars posit that coping with stigma may be a 'draining process that ultimately hurts individuals [63]. Because of the destruction and disruptions associated with stigmatization, organizations could strive to promote socially valued behaviors. Organization could create a friendly work environment where all individuals could internalize their ideals and strive to live their personal identities without harassment. Leaders and employees could all cultivate humility consequently developing a spirit of tolerance, inclusion, acceptance and compassion to fellow workers. Scholars posit that leaders' humility is still viewed as a rare personality trait that somewhat mysteriously produces favorable organizational outcomes [64]. By cultivating humility, it could be speculated that leaders and employees would help create a friendly work environment that is conducive and inclusive to all employees irrespective of their backgrounds, personal identities, religion, race or creed.

## **2.4 Globalization; resistance to change; management failure**

Though globalization has turned the world into a 'global village', but some scholars look at globalization with skepticism [65]. These scholars quickly point that globalization has altered the competition landscape of firms resulting in growth or decline. Such scholars view globalization as a process that is beneficial to some organizations while on the flip side capable of brewing hostility, fear and increased inequality within and between the nations. Scholars posit that globalization also threatened employment, living standards and even thwarted social progress of others [65]. Other scholars, however, contend that many organizations fail because they "fail to anticipate, recognize, avoid, neutralize or adapt to external or internal pressures that threaten their long term survival [66]. Such organizations gradually slide to low levels of innovation to meet market demands consequently experiencing slow growth, low risk aversion, liquidation of subsidiaries and conservatism. The following organization illustrates vividly, this line of thought. In *Innovation Generation: Creating an Innovation Process and an Innovative Culture* (2008) Merrill

[67] tells a story about a company called Ashton Brothers that made baby nappies called Zorbit nappies. The story is as follows;

*They had the most powerful brand in the baby care industry. They had been incredibly profitable, year in year out, for nearly a century. The CEO was an accountant and rejected the innovative move to disposables. This could not be justified given their huge investment in terry weaving machines. That investment had to be recouped. Terry cloth was “what we do well” at Ashton Brothers.... The global trend on disposables was moving like a juggernaut. The Zorbit nappy business, after nearly a century of success, crashed and burned in two years. The brand disappeared overnight and became synonymous with “yesterday”. The new generation of mothers was no longer interested in hanging a dozen bright white terry napkins on the washing line in the back yard. Washing napkins was no longer an “act of love” for the new born. It was now domestic imprisonment. ...It was too late for Zorbit [67].*

One realizes that failure to “read” the fine lines of market demands and accept that new mothers no longer wanted to use terry white nappies and preferred something that would be convenient brought Ashton Brothers to its perilous ending; now Zorbit nappies is history. The ability to read the external environment and meet market demands are crucial for organizational sustainability and continuous growth.

Resistance to change, centralization and scape goating of leaders are some of the primary symptoms that could be attributed to organizational decline [68]. Probst and Raisch [69] point that some once prosperous companies collapsed at the height of their success as they were affected on areas of growth, change in leadership and organizational culture. In most cases such companies grew and changed too quickly, had too powerful managers or nurtured an excessive success culture [69]. The Ashton Brothers nurtured on past successes of nearly a century and anticipated to be around, probably until Kingdom come; because ‘they offered the best terry nappies’. By investing in more weaving machines the company thought that it was a way of cementing its long standing position in the market - unfortunately the market had taken a different direction that the company could have adjusted and adapted in order to maintain their presence in the market.. The crushing down of Ashton Brothers because of failure to adjust and to meet market demands, compounded by having a rigid CEO who invested in more terry sewing machines before ‘reading’ the market is a clear example to all organization in these turbulent times that control of the market today does not guarantee tomorrow’s success; instead, assessing the market is crucial to meeting customer needs, subsequently staying afloat.

Other scholars argue that organizational failure could be attributed to unfortunate events in the firms’ external environment that does not imply management ineffectiveness or inefficiency [70]. These scholars suggest that organizational performance and failures are the outcomes of a process of ‘natural selection’ whereby those firms that do not fit the environment got ‘selected out’ and died [71]. Such reasoning could be correct for certain industries but not for all. For example, it could be incorrect to speculate that in the airline industries, well managed airlines in Africa with robust strategies like South African Airways, Ethiopian Airlines, Kenya Airways continued growing while other national airlines like Ghana Airways, Cameroon Airlines, Zambia Airways, Air Afrique, Nigeria Airways and Uganda Airlines collapsed because of natural selection. In the case of state owned airlines, it was suggested that in general, factors that could contribute to their decline among others were excessive bureaucracy, poor management, lack of clear strategy, over staffing, political interventions and undercapitalization [72]. In concluding a study on the collapse of Ghana Airways, Amankwah-Amoah and Yaw [72], pointed that the frequent changes of executives was largely due to the deep seated problems of

political interferences in the firm. In the study conducted by Amankwah-Amoah and Yaw [72], majority of the respondents attributed the high staff turnover at executive level to government's interference on management operations of the airline. It could be contended that majority of countries in Africa would relate to the statement made by Amankwah-Amoah and Yaw [72]. It is therefore fitting to reason that, selection of leadership for high organizational positions should be based on meritocracy, good performance and experience above everything else. Such leader would have the capability to assert themselves against internal and external pressures, coupled with possession of acumen to change direction when the environment changes. Probst and Raisch [69] posit that a good organizational leader often changes directions. Studies have suggested that sustained organizational decline is often associated with lack of managerial foresight and failure of the top management team to respond to changes in the external environment [73, 74]. Debrah and Toroitich [75] suggest that monopoly status and the lack of checks and balances contribute to the performance decline of some state owned firms. Similarly, ineffective boards with directors chosen through the influence of the CEO could fail to provide the necessary checks and balances. Therefore organizations need to rise beyond politics of the day by nominating effective leadership and board members who would positively guide firm strategies and growth in order to attain success. Such leadership would rise beyond organizational challenges and assess environmental temperament while using their competencies, intellect and acumen to steer the firm into rightful directions.

The ability to read the internal and external environmental factors and the repositioning of the organization basing on market demands requires creativity and innovation. According to Skarzynski and Gibson [76] companies should always keep the momentum of innovation even during their dark moments. The example of Whirlpool, a North American manufacturing company of home appliances provides the illustration:

*When its fledgling innovation system was beginning to show its first serious results, the organization was hit by the largest spike in commodity prices in history. Suddenly, in a single year, CEO Jeff Fettig had to swallow an additional \$700million in material costs. .... The trick, as Whirlpool discovered, was to be able to shift some weight to one end of the rope for a year or so- to let the organization concentrate temporarily on cost reduction- without completely losing the tension from the innovation side.... What Whirlpool learned was that even in the face of intense cost cutting, the momentum and credibility of a company's innovation activities must be kept alive. People need to see that while innovation has been temporarily scaled back, it is definitely not gone. Some tactics for achieving this included:*

- Preservation of the organization's innovation infrastructure (i.e., vice presidents of innovation, discovery teams, innovation boards.....
- Continuation of public recognition of innovators (i.e., through award ceremonies)
- Making a clear statement of commitment by keeping some of the company's best people focused on future opportunities
- Publicly and explicitly talking about the tension between innovation and efficiency [76]

Whirlpool's survival indicates that the momentum of innovation should never be lost even when an organization is going through turbulent times because that



is what could resuscitate the organization later on. Maintenance of the innovation momentum even during turbulent times by balancing the scale of attending to crisis while at the same time holding on to the innovation strategies is crucial for survival. Whirlpool had well developed innovation systems and processes and when former Whirlpool CEO David Whitwam announced his vision of “Innovation from Everyone and Everywhere”, he simultaneously took on the role of ‘Chief Innovation Officer’ of the company [76]. Therefore, organizational leadership could play a crucial role in setting the innovation culture and taking the lead in walking the talk just like David Whitwam. Organizations could synchronize their processes, metrics, and structures over a period of years despite economic ups and downs. This synchronicity could bring coherence to the organization ultimately innovation could become an organization’s character, part of its essence [76]. Skarzynski and Gibson [76] point that organizations must recognize...practices, policies, and processes inside their organizations that are toxic to innovation and remove them. Leadership need to realize that building a truly innovative company is not a matter of simply asking people to be more innovative but a matter of positively changing those things that today diminish or stunt the organization’s innovation potential [76]. HRD has the potentialities of identifying and pointing at organizational toxicities that hinder organizational progress and stunt organizational growth and sustainability. Such toxic practices or behaviors should be corrected. HRD professionals should function like plumbers by seeking blockages in the system in order to remove these blockages and allowing smooth organizational operations to take off.

### **3. Crucial implication to the field of HRD**

The muddy realities that organizations find themselves steeped into require multidisciplinary approaches in order to find long lasting solutions that could be sustainable. Therefore, as organizational environments become more complex and complicated, and organizations find themselves inside the muddy pools of challenges, HRD could aid these organizations by using strategies and interventions that could appropriately address organizational challenges. Scholars posit that it is important for the HRD profession during challenging times to step up into the global podium to address issues of managing change by supporting managers through the provision of relevant programs that could help organizations to become more competitive and sustainable [77]. Holton III and Yamkovenko [78] assert that the time is right for the field of HRD to consider an even broader platform for continuous growth and evolution. “On the one hand, we believe that organizations are continuing to demand even more of HRD professionals as knowledge and expertise continue to grow as the key source of competitive advantage” ([78], p. 271). Ngcobo [79] in analyzing Maritime Educational Institutions in South Africa concluded that South Africa has a potential to advance seafarers both in the region and internationally but could only achieve that through development of human resources in universities, investment in infrastructure and benchmarking from developed economies for maritime technological advancement.

HRD could also make a strong positive contribution to the development and implementation of interventions that could facilitate learning and reduce the likelihood of corruption, uncivil behaviors, organizational crisis and scandals, stigmatization and leadership mismanagement. HRD could provide leadership development programs that could develop creative and innovative skills for global competitiveness. Williams and Foti [80], point that organizations could directly stimulate innovation through formal development programs. Similarly, leadership entrepreneurial



capabilities could be developed so that leaders could successfully deal with organizational competitive environments [81]. It is noteworthy mentioning that competitive environments of today should not necessarily be viewed as an evil undertaking but a means of providing customers with alternatives and better products. For example, the introduction of pampers nappies saw the Ashton Brothers go under the bridge after serving the market for over half a century. The perilous ending was brought by market demands for a more convenient product. The new mom, now, a working lady, could not be conveniently served and sustained by Zorbit nappies. Basing on the terry nappies story, it could be stated that competing on innovativeness and product quality is a noble undertaking that could provide the world with convenient products that take cognizance of the needs of the populace and their circumstances. HRD could help organizations create conducive climate for innovation, implement various programs including ethics programs, coaching and mentoring programs, corporate digital communication platforms, employee voice providing mechanisms and forums, employee reskilling programs, remote work adaptation and digital communication programs, and talent management among others.

Even more, HRD could develop leadership development programs (LDPs) that aim at the provision of current and future leaders with new perspectives of leadership. The corona virus pandemic exposed leadership unpreparedness and indecisiveness in handling the pandemic during the initial stages hence the finger-pointing and the blame game robbed nations of precious time that could have been fruitfully used for joint collaboration and team work during the initial stages. It is hoped that such crisis mismanagement episodes provided a learning curve to all those in leadership. Shuck and Herd [82] point that leading requires new perspectives of leadership as well as new scaffolding of understanding the complexities of leadership in an evolving landscape; one that maintains varying levels of identity simultaneously. LDPs could include management of crisis, diversity and inclusion, remote working; creativity and innovation; workplace adaptability and work-life balance in order to address current organizational crisis. Kormanik and Rajan [83] assert that managing diversity entails managing in a way that is designed to fully realize the potential benefits that differences could bring to the workplace. Leadership that is open entails being aware of differences in behavior, leveraging strengths, acknowledging biases/prejudices, avoiding assumptions, and focusing on merit. Calls for leadership' humility intensified in the wake of corporate scandals that were attributed to unbridled egos, hubris, sense of entitlement and self importance of corporate executives [4]. HRD could develop LDPs that would take cognizance of leadership behaviors, organizational environment of operation, external pressures as well as envisaged strategic directions, values and the culture that the organization would like to build.

Organizational crisis are areas of inquiry for HRD. Hutchins [47] posits that HRD could offer many opportunities for enhancing organizational crisis management practices. HRD could be at the fore front through the provision of contextualized training programs that address organizational challenges, and help organizations use multidisciplinary approaches and digitalized learning platforms. The current corona virus pandemic that is sweeping across the globe unabated has exposed weaknesses in the majority of our leadership and their unpreparedness at handling national and global crisis meticulously. The pandemic punched holes of unpreparedness that were left gaping and exposed the failure to have communication strategies in place; crises management plans and enough funding and resources to mitigate crises. HRD could facilitate organizational plans that could include crisis management teams, crises budget and funding, crises communication processes, crises training, drills and simulation. HRD could

participate by bringing together crises management communication structures and lobbying for funding and development of standards of operating procedures. It should be noted that through multidisciplinary approaches, HRD could bring all stakeholders together in order to forge a holistic approach that addresses the crises. Emphasis could be on multiple stakeholder approach and continuous learning. Rusaw and Rusaw [84] posit that, an effective crises management program could promote flexible leadership and organizational structures to respond effectively and efficiently during emergencies while promoting openness in participation and multiple formats. This flexibility, it could be opined, could be crucial in order to listen to all voices of reason. The flexibility could also allow experts on the issue to lead and guide the resolution of the crises while networking and working collaboratively with colleagues globally could also allow learning from best practices and approaches since crises may take different forms and shapes that have not been experienced before.

One of the submissions of the 2021 Academy of Human Resources Development (AHRD) scholar-practitioner nomination award was entitled, *"Using HRD Research-to-Practice Frameworks to Mitigate COVID-19 in US Hospitals: Deploying Action Research Strategies in the Coronavirus Pandemic"* Through the submission, De George et al. [85] provided a vivid example of the role that HRD could assume during times of crises. Working with US Midwestern based hospitals of the Allina Health System; these HRD scholars provided interventions that resulted in increased knowledge of efficient usage of personal protective clothing and defined risk zones. These efforts resulted in lowered risks of self-contamination by less frequent doffing and containment of the COVID 19 patients in specific units to limit hospital-wide outbreaks. Basing on the analysis of the submission by De George et al. [85], the conclusion reached was that the team demonstrated crucial role requirements and expectations of HRD in times of crisis in terms of identification of blockages in the system and removing these for smoothening operations.

This chapter also addressed uncivil work behaviors, stigmatization and the ill-treatment of whistle blowers. The chapter suggests that through multiple stakeholder approach, HRD could dialog with relevant stakeholders, and design training and counseling services that could address uncivil behaviors [51] and aftermaths of traumatic experiences of violence in the workplace. HRD could also promote local participation to crack down corruption by using public education forums and speaking out against corruption during social gatherings [7]. HRD could also help with the development of anti-corruption knowledge centers and ethical programs for the workplace. Even more, authentic leadership training could ensure that at the helm of organizations there are responsible and ethical men and women who shun corruption and corrupt practicing behaviors and instead choose to lead organizations through integrity and ethical behaviors.

HRD practitioners could also cultivate a culture of networking and collaboration by promoting the use of latest technology to internally integrate organizational members and also to external link with key stakeholders. The use of virtual technologies [86] could provide opportunities of learning organizational culture, organizational expectations and model corporate communication style [87]. As the corona virus raged on, the use of digitalized communication platforms including chat rooms, news feeds, remote meeting platforms, skype and emails for reaching all employees was crucial for organizational communication, continuity and sustainability. Even though digitalized technologies have been in existence for a while, there was no urgency for organizations to adapt to their usage. The corona virus pandemic aftermath should be 'credited' with the elevation of digitalized platforms for remote working in order to ensure organizational continuity and

sustainability. These digitalized channels, even though they became 'fashionable' because of the unwavering nature of the pandemic but it appears that their usage would in some way mark new organizational working styles that were not previously utilized. More importantly, the digitalized platforms have opened new communication channels and cultures that value the sharing of information with employees, listening to all voices of reason and the learning of self-management and self-evaluation of performance. Therefore, through virtual communication channels, individuals, groups, teams and top management could get information about new ideas, new techniques and current important issues so that both the left and right side of the brain of the company would know what is taking place. If after the pandemic, it becomes evidently clear that a good percentage of remote working employees self-managed and achieved work plans, daily activities and the quality of their performance was above average, probably, this could signal that instead of micro-managing employees in the office, it would be ideal for remote work to be given a chance as one of the employees' working platforms. Not only would remote working lessen traffic jams and reduce the number of daily commuters on the road but it would also lessen car emissions experienced on the roads.

During the pandemic, many employees worked remotely from home in order to social distance, observe laid down national protocols, or were socially isolating under observation. Needlessly, all these remote workers required effective guidance from team leaders and supervisors in order to achieve results. Previously, face to face meetings in the office or boardroom were conveniently used and all could read facial cues and body language. Unfortunately, that was not the case with remote working. However, many organizations continued functioning even during turbulent times hence the ability to manage virtual teams is inevitable and cannot be avoided. HRD could provide more ways on how virtual teams could be effectively managed in order to achieve organizational goals. Virtual team leaders could require retooling in order to become supportive to the remotely working employees. Remote workers could require support during the development of their work plans and setting of key performance indicators and action plans. Simultaneously, employees could be developed through e-learning programs so that they transition to the 'new normal' and embrace the status quo of remote work. Through implementation of rightful programs and techniques, employees could be guided to develop new work plans and performance targets. If work expectations and communication channels are clearly communicated and understood, remote working could become a 'new norm' for majority of workers.

Maintenance of work-life balance, even during periods of remote working amidst a raging pandemic is necessary in order to avoid burnout. Employees could be assisted so that they do not become overly overwhelmed by the 'isolation' or overworking themselves to the state of reaching fatigue. Since more time is spared because there is no longer time lost while commuting to work, the use of this extra time could be rewarding as leisure activities like cooking, exercising, gardening, crocheting and painting could be valuable time well spent. The 'resuscitation' of 'old' hobbies that could have been abandoned during periods of work pressure and the lingering on through traffic jams for hours coupled with unending office meetings and office politics could spell healthier lifestyle and the ushering in of effective work-life balance equilibrium that was not in place before.

More importantly, the good part of being with the family and the maintenance of healthier lifestyles including eating homemade freshly cooked foods could be viewed in a positive and appealing light. The organization too could probably relearn to learn that an 'office' does not mean a literal space but could be 'a virtual platform' where all members meet during meetings and discussions. Management of a literal office with all equipment, furniture and maintenance costs could in-fact



safe office rental money, including having less or no utilities payments. Even more, as digitalized platforms become familiar to all, organizations could tap into the global talent pool which could diversify the organizational talent and human resources.

HRD has the potentialities to conduct empirical research on topics of corruption, workplace incivility, violence, crisis and scandals to better understand the nature, magnitude, and outcomes of these issues and the extent to which they impact individuals and organizations. HRD professionals could develop appropriate strategies that reduce the likelihood of these unsavory behaviors from recurring. Ghosh et al., [51] posit that HRD could conduct exploratory studies that capture overall status of individual and organizational awareness on the issue of violence and provide preliminary evidence in order to develop theoretical framework. For example, studies point that there has been a relative neglect of research on stigmatization in organizations and work settings [63]. Estes and Wang [88] posit that the phenomenon of uncivil workplace behavior has been largely overlooked by the field of HRD. Therefore the field of HRD has a lot to offer the world in terms of development of empirical research studies to address organizational pressing issues including research on stigmatization, workplace incivility, and organizational corruption. Research findings could provide HRD with opportunities to institute contextualized programs that address encountered challenges.

#### **4. Conclusion**

The muddy pools that organizations are steeped in prove that workforce management is a complex and multifaceted role that requires flexibility and adaptability to environmental situations. It requires leadership that could discern and interpret market demands and continuously remodel the organization so that it could adapt to environmental changes like a chameleon. Scholars have a moral imperative to guide leaders, employees and stakeholders through a robust evidence on mechanisms that could help tackle global problems [89]. The field of HRD does not function in an island and 'requires a new paradigmatic shift to continue its growth and evolution' [78]. HRD professionals and practitioners could critically reflect on their own potential culpability in the global crisis and their roles and responsibilities in a post crisis environment [90]. HRD cannot just be a support function, [78], but could show that it has the ability to directly contribute to organizational financial outcomes, organizational competitiveness and effectiveness including addressing organizational social ills with other disciplines. Gubbins and Garavan [91] posit that HRD practitioners could work on more complex problems such as change initiatives rather than concentrating on training programs. It should be noted that by bringing relevant stakeholders together, HRD would not necessarily be assuming the 'jack of all trades persona' but through coordination of activities, HRD could bring together rightful stakeholders for multidisciplinary approach in resolving of issues and the use of diverse expertise in order to address organizational challenges from different perspectives. De Man et al. [92] posit that collaborative research is beneficial and would allow both Scholars and Practitioners to research on topics that are common to both groups. HRD practitioners therefore, could create platforms for interaction with various organizational departments, functions and groups and individuals in order to manage projects and activities. By assuming a bigger organizational role, HRD could dive into the muddy pool of organizational realities and not take the ostrich defense from the sidelines- HRD sees and hears and cannot take an ostrich defense. HRD could open new research pathways and avenues for the understanding of different environmental climates and for the



development of appropriate interventions that could support both leadership and the workforce to become flexible and adaptive to environmental dynamics of organizational operations.

N.B. Original article presented at the 2016 AHRD International Research Conference in the Americas, February 18–20, at Jacksonville, Florida, USA.

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# Impacts of Mobbing and Bossing in Human Resource Management

*Darja Holátová and Monika Březinová*

## Abstract

Nowadays, every organisation is looking for new approaches and ways that lead to the optimal usage of workforce and potential of workers which in turn leads to improved status of the business subject within the competitive environment. A still unappreciated element in business management is the level of relationship between the managers and employees and among the employees themselves. Good social relationships, open in-house climate and quality communication significantly influence the behaviour of employees and their performance, contribute to participation of employees in fulfilling the organisation's goals and by that increasing the performance of the workers and the organisation as a whole. This sphere of social relationships, in-house climate and quality of communication is a stabilizing or unstabilizing element in businesses. In and unsatisfactory and stressful environment, undesirable fluctuations in the employees' performance occur. Harmful practices (bullying), which prevent the optimal usage of the workforce, lead to the creation of an unfriendly and dysfunctional Environment, breakup of teams, they lower the creativity of the employees and encourage bad attendance and fluctuations. A decline in morale of the whole company occurs and the performance, quality of work and productivity of workers also decreases. In spite of the aforementioned reasons why we should fight against these harmful practices which show signs of bullying, more than 40% of Czech employees between 2007 and 2011 have experienced some form of bullying.

**Keywords:** workforce, research, social relations, organization climate, quality of communication, participation of the goals

## 1. Introduction

Work relationships, their quality and system of communication influence achieving the company, work and life goals of each worker. Harmonic, tactful and satisfactory work relationships, to which even interpersonal relationships and a quality system of communication are connected, create an overall company climate that is a prerequisite for being a productive one as well. This climate also has a positive influence on individual, collective and overall company performance. It reflects beneficially in the satisfaction of workers and aids in unifying both individual and company goals and interests. Work relationships in a company influence all of personal activities and usually significantly determine their effectivity [1].

Unhealthy, disorganized work and interpersonal relationships create an environment in the company where it is challenging to predict, plan ahead and fulfill work goals. In such environment, conflicts take place very often, mistrust among workers

and between workers and management rises. This creates space for more negative and socially undesirable phenomena. Because of the reasons listed above, work relationships should be at the center of interest of every company. These relationships should be given exceptional attention and managers as well as all of the workers should collectively care about their harmony and improvement [1].

Work relationships are unfair in some companies. The crisis, threat of dismissal from work, fast pace of work, atmosphere of fear and stress all contribute to this. These factors are an advantage to people at the workplace who are pushy and can use the situation to their advantage.

Conflicts and various disagreements in the workplace have always occurred. With increasing stress, competition, constant pressure to improve performance and lower costs and the effort to increase productivity at all cost, conflicts are only increasing. The situation is made worse by the supported individualism that also significantly contributes to the formation of unbalanced circumstances in the workplace [2].

Unethical behaviour is becoming the norm in some companies. The fact that an atmosphere of fear, unfair relationships and intrigue is dominant in a company is often overlooked by the management until the best workers, who are sensitive to such practices, leave. A psychological research hinted that an atmosphere which indicates unethical behaviour is present in many companies [2]. The sources of conflicts and communication defects can differ: a misunderstanding in the workplace, the style of managerial leadership, the way of forming work teams and groups, shortcomings in personal work, the personality of managers, work conditions, pressure on productivity and others [1].

A key point for an organisation to reach their goal effectively is for their goals and the goals of their workers to be complementary, if possible. If the organisation want their workers to work effectively they must strive for their satisfaction. This can, among other things, be influenced by open communication which significantly influences loyalty and performance of the workers [2].

A socially undesirable behaviour is generally regarded as one that is mostly characterized by not adhering to or violating social norms, legislation and ethical values. A behaviour that leads to damaging one's health and the environment in which they live and work in its consequence also leads to individual, group and societal defects and deformations. Socially undesirable phenomena are an indicator of crisis in human conduct and in the behaviour of the organisation as a whole [1]. They are especially present when the human factor fails and also when norms and general human principles (for example ethical ones) are violated. These undesirable influences accompany the human conduct during various activities and even during their management and organization [3].

Feter [3] labels socially inappropriate and unethical behaviour as an umbrella term for unhealthy, abnormal and generally undesirable societal phenomena and methods which society deems undesirable because they disrupt its social, moral or legal norms. The definitions of an inappropriate behavior tend to differ, however it is a behaviour that is contradicting norms and good manners. Different, mostly sophisticated intrigues that look harmless on the surface, are used. For this reason it is difficult to prove such conduct and that is its biggest danger.

## **2. Forms of inappropriate behaviour in the workplace and protection against them**

There can certainly be various antipathies and divergences in the workplace. Everyone sometimes experiences an unjust action from a coworker in the

workplace. They don't fulfill a promise they made, spread sensitive information, speak badly of us in front of the boss or intrigue. Such worker feels anxiety, anger and confusion afterwards and experiences disillusion. It is not uncommon for people to jump to generalised, unjustified conclusions based on one negative experience, however we cannot assume that an inappropriate behaviour is taking place in the workplace based on a single negative experience, such behaviour has to be regular [4].

Except for unethical conduct and unfair communication there is also a deepening discrepancy in interpersonal relationships in some companies that can lead to a behaviour that is characterized by attacks and intimidation. In Great Britain, USA or Australia the term bullying is common. Sometimes including specific relationships such as mobbing, bossing and staffing, which are used to describe psychological pressure [5].

The causes of bullying can be seen in the shortcomings in organisation and management of groups, incorrect ideas about fulfilling the roles in a group contradictory to official organisation, defects in social behaviour of individuals and rarely in pathology of a personality. Vašutová [6] divides bullying into different forms: physical, verbal, emotional and psychological – spreading rumors, manipulation with social relationships, social extortion (indirect relationship aggression).

## 2.1 Mobbing

Represents derogatory conduct from coworkers – either individually or as a group – long-term (at least 6 months) and repeated (at least once a week) towards a specific person. Mobbing is more common in companies than we dare to estimate [5]. It can have a whole palette of forms and vary in intensity – it could be degrading, blaming, irony, underestimating, finger pointing and other disruptive behaviour. The deceit of mobbing lies in its secrecy and length. It is mostly smaller attacks that seem harmless and random on the outside but create a complex, organised and health-threatening phenomenon.

In order for us to speak about mobbing, one important condition has to be met: Mobbing is happening where there exists a system that permanently damages a chosen victim – the worker. It does not have to be a system consciously put in place, it can be created unconsciously. Mobbing is negative communication conduct directed towards a specific subordinate. It is usually happening often and last a long time. These signs clearly point at the relationship of the victim and offender [7].

According to The Ministry of Labour and Social Affairs of the Czech Republic is bullying (mobbing) a purposeful and long-term, especially psychological, harm which is committed by specific people at the workplace [8]. It manifests in the form of slander, ridiculing, degrading, overlooking, embarrassing, intimidating, irony, underestimating etc. It occurs, for example, because of [9]:

- jealousy (satisfied family and family background, work ideas, performance and achievements, reliable friends, fit figure, clothes, hobbies, money etc.)
- desire to control others
- show off in front of “their” people
- sexual motives
- bad moral characteristics and insufficient legal knowledge of the workers etc.

Konrad Lorenz, an Austrian ethologist, studying the behaviour of animals used the term “mobbing” in cases where he was describing the so-called territoriality of animals. A wide spectrum of animal species lives in their home territories and if an intruder appears they do not hesitate to attack. A German author Peter-Paul Heinemann, who used the term “mobbing” in 1972 when he was studying aggressive behaviour in kids at school yards who sometimes managed to even drive their classmates to suicide, is also worth mentioning, states [10].

Ziegel [11] clarifies that the credit for the word should be given to a Swedish doctor and psychologist Heinz Leymann (1932-1999) who coined the term “mobbing” in 1993 in Germany which transferred both the word and the phenomenon into psychology. He was the first to apply the analogy of animal behaviour to situations in the workplace. While studying patients with communication and relationship issues he discovered that some workers in companies treat their colleagues as an “attacking pack”.

### *2.1.1 Mobbing as a process*

Mobbing is a type of conflict which quickly escalates and also usually leads to great damage. It is an insufficient ability to communicate, insufficient personality, arrogance, jealousy, bad manners and treating others, inability to solve conflicts and approach them openly [10].

Mobbing has, according to the authors, 4 phases, Svobodová [12] states them as follows:

- First phase. It is formed with a conflict in the workplace, among the participating people. The conflict does not have to look fatal, it could be a random action.
- Second phase. A systematic psychological pressure comes in and the actions of the mobber are planned and carried out with the intent to damage a specific coworker.
- Third phase. The terror is becoming official, attacks are more frequent, the crisis between the participants is escalating. In this phase the victim is becoming aware that they are being bullied. Other coworkers can also join in in this phase.
- Fourth phase. The victim is excluded from the work group community, starts to make mistakes under the pressure and a decrease in performance occurs. An intervention from the management, personnel department or other responsible department in the workplace must take place. If the intervention does not help, the victim has only one choice and that is leaving work.

Various factors influence mobbing. For example the following:

- increased level of work stress as a whole,
- overload– extreme requirements for work,
- tension – conflict of roles, general values are not clear enough,
- poor work management – culture of the organisation, which does not see bullying as a problem and is tolerant,



- boredom and unoccupancy – makes it possible to pursue coworkers and subordinates,
- poor and inconsistent management of the company – sudden changes in organisation, poor relationships among coworkers, poor relationships between management and subordinates,
- pressure of competition.

An insufficient qualification for leading people (authoritarian style), poor ability to deal with conflict, constant pressure to increase performance and lower costs and company culture with low level of ethics could also be put in this category.

## **2.2 Bossing as a specific form of mobbing**

If the initiator of the psychological pressure is a superior, then we are talking about bossing. The term bossing is probably the youngest in this sense of word. It's Norwegian author S. Kile [10] labeled "systematic pressure from a superior" as such in his studies and brought attention to this negative phenomenon. As Čech [13] states, bossing is a specific form of mobbing. It is a process during which a superior attacks their subordinate. Bossing is actually mobbing coming from higher (head) positions often leading to a purposeful "disposal" of inconvenient employees [5].

It is essentially the same scenario which is, considering the significant authority of the superior that they are granted by legal documents and which can be utilized, that much more dangerous. The superior can overwhelm the employee with work or assign task that they are not able to complete. On the other hand, assigning duties that are below the level of the victim's qualifications is also quite common. Everything is accompanied by an often ironic clarification; then, a critical and degrading evaluation of the work follows. Bullying manifests as slander, ridiculing, degrading, overlooking, shaming, financial damage etc.

Making disadvantages for the worker can also have different forms in bossing and manifest as for example in rewards, a part of salary that cannot be demanded, during special rewards, personal surcharges and other tangible rewards which are not in direct legal demand. In praxis, a large room for illegal discrimination or rather for favoritism to specific employees that are "friends" with the managers and for whom a reward is not for their contribution but for servility, adulation and snitching on coworkers. In regards to a considerable authority of the superior, bossing is more dangerous than mobbing.

### *2.2.1 The role of the head employee*

Atmosphere at the workplace is closely connected to the head employee. A manager has a large amount of authority in his hands. The means of management, setting of the communication, treatment of employees and the manager's behavior has a decisive influence on the pathological relationships at the workplace. Inappropriate communication phenomena appear in an environment in which the head employee is indifferent to the climate in the team, doesn't want to talk about problems thus doesn't want to solve them either, when the head employee doesn't have a sufficient qualification in managing workers, looks over conflicts, doesn't solve them or poorly and with a bias solves the mistakes and oversights of the workers [12].

The style of managing is very important. A democratic style is the most suitable. Autocratic and authoritative or too liberal styles evoke an atmosphere that is favorable to the development of mobbing. Liberal style and excessive freedom

evokes anarchy and chaos. Excessive directivity evokes irritability, dissatisfaction and aggression [12].

The head employee must also have the ability to relate to the problems of others and must also be able to rationally control their own emotions [12].

If the management of human resources overlooks the roots of conflicts and the problems aren't being solved, they can turn into open conflicts. Attacked employees have worse both physical and mental state and their behavior changes. They close in on themselves, lose contact with their coworkers, go into isolation, start to make work related mistakes and lose credit and trust [5].

Coworkers and, regrettably, often even managers would sometimes rather overlook the lapse of others so they don't have to solve them and not get into a conflict themselves. If even the head workers are indifferent towards unethical behavior, that behavior then becomes the norm.

If the necessary moral traits and legal knowledge are absent in the head employee, it's as if they were giving a signal to the spread of mobbing at the workplace. Such head employee often has their own complex and a strong need to control people and manipulate them [9].

Managers responsible for relationships at a workplace should be able to identify emerging problems, diagnose them and push for a change [5].

A problem of course is, when the head employee is the initiator of disagreements and worsening of relationships between people. When a person gets into a head position who's ambitious, fulfills given tasks but doesn't get along with people it's often tolerated. Only when conflicts expand and start to negatively manifest in performance characteristics and business turnovers is when owners or top management starts to get interested, but that can already be too late [5].

From it it's apparent that an inappropriate, unwanted climate which is often a key factor for the development of bullying at a workplace results in decreased work motivation and performance of employees which manifest in both the quality of work and the quality of the workplace relationships which can be seen as a driving force of any firm or company. This, in both cases, brings significant economic losses for the business [14].

Corporate culture should be a collection of written and said rules on how the company should proceed in similar cases and situations and on what the communication, atmosphere, style of work and subordination procedure inside the company is like. Thus corporate culture is more important the larger the business is [15].

Corporate culture significantly affects the satisfaction with work and the degree of identification with the company. If it's well set employees feel comfortable which has a positive effect on their performance. However when a negative atmosphere prevails at the workplace it supports the development of pathological relationships. It's necessary that the corporate culture is based on a strong moral foundation for the creation of the correct workplace atmosphere [12].

In companies which are certificated under ČSN EN ISO 9001 is a declaration of the vision of the company and its politics a basic standard, from which further more specific in-house norms and guidelines are derived. One of its common points is a paragraph which focuses on employees and highlights their importance to the company. An extension of these basic points can even be a moral codex – rules of norms of behavior binding to all employees.

### **3. Negative influence on an individual and the whole organization**

The influence of any form of unfair treatment such as mobbing, bossing or staffing (bullying of a superior by the employees) and its impact is very

extensive, affects the entire organisation and its consequences affect all members of the work team.

Dishonest and disloyal employees are at the same time a timed threat for the company. However companies themselves are often at fault for the problematic behavior of their employees. Employees start to intrigue and lie, leak discrete information regarding the company and its know-how and abuse their work position. With such behavior they can cause their employer high damages which can, in certain situations, liquidate the company.

Employees who have issues at the workplace have a tendency to leave it to themselves. Despite their effort, alarming symptoms start to appear: tendency to socially isolate themselves, decrease of energy and health issues. All of these issues can later become chronic, such as headaches, stomachaches, digestion issues, chronic fatigue, sleep disorders or problems with the heart. Often as well appear problems with concentration, fear of failing and loss of confidence [7]. Further moral, social, health and economic consequences befall not only affected individuals but even entire collectives. Typical response to an unfair treatment are mental disorders (such as depression, anxiety, memory disorders, problems with concentration, paranoid states, aggression, etc.) and psychosomatic illnesses (stomach and gallbladder problems, heart problems, pain, skin diseases, sight deterioration, asthma, bulimia, high blood pressure, etc.). Mobbing might only happen at work but also significantly affects the private life, adds [16].

Results of mobbing can be, according to Venglářové [17], divided into three categories:

- Mental issues – decreased confidence, concentration disorders, increased irritability, anxiety and even depression. Development of a post-traumatic disorder is considered severe.
- Health issues – (on the basis of psychosomatic reactions to stress) – decreased immunity, cardiovascular diseases, breathing problems, gastrotestinal diseases.
- Long-term influence on the private life – mental problems lead to withdrawal from daily life, victim starts to avoid being in contact with people, has problems functioning in their family life etc. [18].

Employees have worse performances, are more often ill, in the worst case they take refuge in resigning or strive to work at a complete different position, team work is disturbed and atmosphere in the company worsens [19]. Productivity of work, quality of products and willingness to innovate decrease and the company image begins to be threatened. Created losses are striking [5].

Unfair treatment and stressful situations resulting from it also have context with the question of work safety. Since under its influence, concentration disorders appear in the victim which can have an increased rate of failures, errors or injuries as a result. Morbidity and incapacity increases which serve as an escape from an unsatisfactory environment. Further aspects can also according to Dědičové [20] be an affect on losses which negatively manifest in competition with other companies such as:

- Decreased productivity, effectivity and profitability
- Increased absence and fluctuation of employees

- Decreased morality and loyalty
- Increased costs due to hiring new employees and requalification
- Indirect costs related to dealing with bullying
- Negative effects on the image of the company
- Potential fines for non-compliance to health and safety laws
- Potential increase in insurance costs

To that is also related a bad atmosphere at the workplace, hostile and unfunctional environment is created, team falls apart, performance decreases and so does quality. Creativity of employees is lower, worse productivity, bad attendance and fluctuation. Decrease in morality of the entire company occurs. With all of that the costs increase.

### **3.1 Selected influences and options of prevention**

As a prevention against the consequences of this behavior, which damages the company, mechanisms are created which try to prevent this behavior – ethical codexes are accepted, a company ombudsman is established, box for complaints etc. [21].

A special form of prevention of this issue can also be a collective contract, eventually a warning of an option of a legal course of action. A defense of unfair treatment is in practice very difficult. It requires a high degree of bravery and perseverance.

Above all it's important to resist the pressure and not let individuals control the entire collective, to not be indifferent to what's happening at the workplace and finding quality and honest people in the collective. Bullying needs to be reported to human resources and to superiors as it is a very dangerous matter which can even have fatal consequences. Every employee at the workplace has the responsibility to report acts of bullying. Then the true corporate culture will reveal itself [9].

Very important is also the creation of a beneficial work environment, suitable communication climate and quality work relationships.

Dědina [22] comes with a concept of a communication climate which exists in a business and severely affects the behavior of employees and therefore the entire organisation. The author states extreme cases of open and closed climates, viz.

**Table 1.** Communication climates of real organisations lie somewhere between these extremes and it's important to know which climate it inclines towards.

Pauknerová [18] a Svobodová [12] state that participation of managers on the creation of concrete social conditions and social climate at the workplace is critical.

According to [11] the goal of a head employee is to lead a well integrated and motivated group in which socially harmful relationships don't occur, a group, which reacts and acts coherently and in which positive team climate prevails which is essentially important in fulfilling the business' goals.

In order to not support unfair relationships the head employee has to combat tell-tale, conspiracy, machinations, has to not downplay the complaints of employees, has to solve the causes of problems and give employees necessary information.

Svobodová [12] adds, that a head employee must also have the ability to relate to problems of others and must rationally control their own emotions.



Open communication climate	Closed communication climate
Descriptiveness Communication is informative rather than prescriptive	Prejudice Finding culprits, employees are told they are incompetent
Orientation on solving Orientation on solving problems instead of that, which can't be solved	Control Conformity is required, differences and changes are suppressed
Openness and frequency Non-existence of lateral communication paths	Infrequency Hidden meanings, manipulative communication
Interest in others Empathy and understanding, interest in coworkers	Lack of interest in others Cold and non-personal environment, lack of interest in coworkers
Equality Every member is appreciated regardless of position and role	Castes There are clear differences in state and the ability of individuals in communication
Forgiveness Mistakes are understood as inevitable part of work, focus on their minimization	Dogmatism Minimal discussion, unwillingness to accept the opinions of others, unwillingness to compromise
Feedback Positive, inevitable for both performance and relationships.	Hostility Suppressing importance of other workers

Source: Dědina and Odcházel [22].

**Table 1.**  
*Open and closed communication climates.*

The way of managing, setting communication, treating subordinates and the behavior of the manager has a decisive influence on bad relationships at the workplace.

The most suitable style of managing – a democratic style. Autocratic, authoritarian or too liberal styles evoke an atmosphere favorable to a development of unsatisfactory relationships. Liberal style and excessive freedom evoke anarchy and chaos. Excessive directivity, on the other hand, evokes irritability, dissatisfaction and aggression [12].

A fundamental communication tool inside of a company should be clear rules, defined rights, duties and responsibility of the participating.

In the case of occurring problems and problematic relationships it's necessary to try to solve the conflict without outside interferences.

Attacked employee should request a talk in private. Strong voice, correct posture, topical arguments and not letting themselves be provoked and naming things without shyness are important. If the talk ends with no positive result or doesn't have sense, they should request a talk with a third person. That third person can be a head employee. If the talk is productive, the head employee or the person responsible for the given problematic has a responsibility to oversee, whether the situation is getting better. In the case that not even a talk with a third person doesn't help legal process remains [7].

From a longterm viewpoint it's necessary to start while hiring managers and paying attention to a balance between the candidates relationship towards people and tasks. It's certainly better to dedicate the needed time, energy and money to a thorough diagnosis of not only professional, but also (and maybe even primarily) to personality and characteristics of managers, than to then solve problems at the workplace [5].

## **4. Conclusion**

For the creation of healthy and harmonic workplace relationships it's necessary to continuously observe the atmosphere and climate in the organisation and systematically recognize eventual sources of conflicts and try to prevent them and in the case of a formation, removing them.

If there's an unsuitable and bad atmosphere at the workplace, hostile and disfunctional environment forms, team breaks up and decrease in creativity of workers, bad attendance and fluctuation all appear. Decrease in morality of the entire company occurs. Performance of workers and quality of work and productivity decrease and the costs increase. Disfunctional communication between the head employee and their subordinates and the absence of information towards the subordinates evoke a feelings of neglect and even injustice.

Occurrence of unethical behavior is in fact proportional to dissatisfaction at the workplace, poor social climate at the workplace and occurs at workplaces with a low level of ethics. It occurs there, where's competitive pressure, fighting for a better position, fighting for more benefits, there, where's existential uncertainty and fear of losing employment. Relationships between workers in such places and very weak and intolerant [12].

"Cleaning" the atmosphere can be helped by setting a style of managing, corporate vision, mission, rules of cooperation and principles of a collective contract in a way, that makes (or at least restricts) the creation of socially unsuitable work relationships impossible [5].

When problems persist it's necessary to be consistent: for example establish a crisis centre, name a corporate ombucman (a person who is responsible for solving conflicts among the company's employees). A responsible person, independent of the corporate hierarchy and who doesn't work in the company but is well acquainted with the situation in the company and is eligible to solve negative situations, has the necessary jurisdiction and is able to use legislative tools, corporate norms and moral principles of organizational behavior [5].

A basic communication tool in a company should consist of clear and understandable rules, delimitation of rights and obligations, responsibility of the participating and declaration of what behavior is expected and what behavior won't be tolerated of the employees. For rules clarify relationships and prevent unnecessary misunderstandings and feelings of injustice [12].

Corporate philosophy/culture which represents a set of values that are expected and norms of behavior is helpful in prevention of socially unsuitable phenomenons and relationships at the workplace.

And the behavior of head employees is either consciously or subconsciously mimicked by their subordinates [12].

Managers could use anonymous questionnaires, monitoring of satisfaction of the employees, their evaluation of the quality of the relationships at the workplace, monitoring the employees' evaluation of the quality of communication and use "Questionnaires of negative acts", to monitor specific phenomenons.

Despite above mentioned reasons, why we should combat any behavior that shows signs of bullying in any of its form, according to Machálková [2] more than 40% of czech employees in the years from 2007 to 2011 used any of the following practices:

1. Stealing ideas of coworkers.
2. Abusing corporate resources.

3. Indifference and tolerance of iniquity.
4. Intrigues and spreading of lies.
5. Spreading discrete information.
6. Abusing jurisdiction.
7. Accepting bribes or manipulating hiring processes.

From a psychological research it follows that Czech people have double standards when it comes to unethical behavior. When someone else breaks the rules they easily condemn them, but when they act the same way they find an excuse and an intellectual justification. Rationally explaining and upholding own unethical conduct is inherent to the human psyche. [2].

The standard in the European union in mobbing is 5-8% of bullied people [23]. In the year 2012 16% of Czech employees experienced, according to a research, mental abuse at the workplace. Most threatened are newcomers and people who don't feel the need to socialize. If victims don't have evidence at hand lawyers aren't much help – domestic laws don't know about bullying at the workplace [2].

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# Riders, Rights and Collective Action

*Holm-Detlev Köhler*

## Abstract

The aim of this chapter is to develop a conceptual framework for analysing the collective actions and organisational practices of delivery and transportation gig-workers, building on Rosa Luxemburg's colonisation concept and on the power resources theory employed in current trade union analysis. The empirical bases are recent surveys and studies on platform work, the analysis of websites and social media communities for the collective action of platform workers and conversations with platform activists in several European countries. The specific characteristics of platform workers' collective actions and organisational practices are examined with a view to identifying their potential and the opportunities they afford in the light of different trade union power resources.

**Keywords:** sociology of platform work, platform economy, power sources, employment relations

## 1. Introduction

Not so long ago, the only people who looked for “Gigs” were musicians. For the rest of us, once we outgrew our school dreams of rock stardom, we found “real” jobs that paid us a fixed salary every month, allowed us to take paid holidays and formed the basis for planning a stable future [1].

At the annual meeting of the World Economic Forum in Davos 2020 [2], several leading platform companies including Uber, Deliveroo and Cabify published the ‘Charter of principles for good platform work’ as a reaction to the growing public awareness of the problems of their business model regarding social and employment conditions. The emergent platform economy is reshaping business models and employment relations in Europe, challenging conventional social agents and regulatory institutions. The term ‘platform economy’ or ‘gig economy’ refers to online platforms that coordinate the demand for specific services with individual service providers using digital algorithms. Digital labour platforms are economic agents providing virtual spaces for matching labour supply and demand via online technologies based on algorithmic management, that is, by automated data and decision making, thereby substantially lowering transactions costs. In the classical economic theory of the firm, transaction costs are the main explanation for the existence of the firm as an organisation in a market economy [3]. The classical entrepreneur was a risk-taker mobilising risk capital. The platform owner, by contrast, shifts nearly all business risks and costs onto others. By eliminating this key reason for the existence of value-creating organisations, “online platforms push the

process of decentralization, networking, outsourcing, subcontracting and breaking up work into single performances or ‘Gigs’ to a new limit in which all that remains of the firm is a profit-making technique” ([4]: 9). “Algorithmic management’ allows these platforms to increasingly track and discipline workers, in many cases circumventing or flouting existing labour and health and safety regulations, to the detriment of platform workers’ social protection” ([5]: 5). Digital technologies are thus giving rise to a new business model with anonymous relations among employers, employees/self-employed and customers, thereby challenging the traditional institutional regulation systems. These gig-enterprises externalise all relationships with customers and employees, thus maximising deinstitutionalisation and flexibilising service provision, working time and labour relations. In particular, the gig economy challenges all collective organisation and representation channels built up by workers in the course of the 20th century in their struggle to civilise capitalist economies and de-commodify labour. This chapter looks at emerging attempts of gig-workers in the transport and food delivery sectors to develop collective action capacities and resistance strategies.

The structure of the chapter is as follows. The following section examines the principal characteristics of platform work through the lens of sociological approaches to conceptualise capitalist work organisation. The third section introduces the trade union power resources approach and examines experiences of collective action to analyse the particular structure of labour relations and collective action in the gig economy. The empirical bases are recent surveys and studies on platform work, an analysis of websites and social media communities for collective action of platform workers and conversations with platform activists in Spain, Germany, the UK and Norway. Section four examines the potential and opportunities of platform workers’ collective actions in the light of different trade union power resources. The chapter closes with a short conclusive reflection.

## **2. The sociology of platform work**

Platform work – the matching of supply and demand for paid labour through an online platform – is an emerging and growing employment form which still lacks a clear definition, shows a heterogeneity of business models and calls for the regulation of the contract and employment status and the working conditions [6, 7]. It includes both web-based platforms, where work is outsourced through an open call to a geographically dispersed crowd (“crowdwork”), and location-based applications (apps) which allocate work to individuals in a specific geographical area (**Table 1**).

The main differences between these types reside in the scale of tasks, the service provision (online or locally), the required skills, the process of contact between clients and workers and the form of work allocation. Other taxonomies of platform work make similar distinctions between location-based vs. remote platform work and between microtasks or microjobs vs. macrotasks or project jobs (see [6, 8, 9]).

Following classical approaches on capitalist development, the gig economy is a new form of capitalist colonisation of non-capitalist spaces. Rosa Luxemburg [10] (1913; see also [11]) distinguished two forms of colonisation of non- or pre-capitalist spaces: external colonisation towards pre-capitalist countries and regions and internal colonisation of non-capitalist spheres in existing capitalist economies. The platform economy combines both forms of capitalist colonisation. Gig work opens new spaces for the capitalist mobilisation of cheap and flexible labour, operating in a no-man’s-land outside the scope of labour and social legislation and without

Name	Description	Example
On-location platform-determined routine work	The platform assigns tasks to workers, which are performed in person	Ride-hailing services such as Uber
On-location client-determined moderately skilled work	Clients choose workers for tasks, which are performed in person	Household task service platforms such as Oferia
On-location worker-initiated moderately skilled work	Workers choose tasks and perform them in person	Household task service platforms such as ListMinut
Online moderately skilled click-work	The platform assigns tasks to workers, which are performed online	Professional services platforms such as Crowdfunder
Online contestant specialist work	Workers perform part or all of a task online in a competition, then the client selects a winner	Professional services platforms such as 99designs

Source: [7]; 6.

**Table 1.**  
*Five types of platform work.*

collective bargaining mechanisms. Looked at from this perspective, gig work is the colonisation for capitalist exploitation of new human spaces and new labour potentials (evenings, weekends of students, housewives, care workers, rural workers in Africa or Asia...) for capitalist value production. Digital networks facilitate temporally and spatially extended access to a labour pool otherwise inaccessible to wage labour [12]. For example, gig workers in Africa or Asia often have to work at night to be in sync with the time zones of their clients in North America or Western Europe ([13]: 67). In his classical study of the development of German post-war capitalism, Burkart Lutz [14], drawing on Luxemburg, described the prosperity decades after World War II as an exceptional period of capitalist colonisation of non-capitalist milieus. The current expansion of platform-based business models may be seen as a new period of capitalist colonisation using the possibilities of globally dispersed digital work and electronic networks [15].

From a historical perspective of capitalism, many, if not all, of the organisational work practices of the platforms are not genuinely novel [5, 16]. Breaking up jobs into small, low-skilled, repetitive tasks, home-based production practices, the ‘putting out’ system, on-demand work, piecework, intermediary-based business models, etc., were part and parcel of early capitalism in Western Europe up to the 19th century and remain common in the global South until today. The gig economy is reintroducing these practices into Western core countries, while at the same time enabling the exploitation of geographical differences in skills, labour costs, environmental and fiscal regulations.

Gig work represents a new form of capitalist work, a new dimension of the recommodification of labour in the context of the shift towards neoliberalism from the 1970s onwards, a new contested terrain to be regulated by politics, labour law, interest groups, etc., a challenge to invent new institutional settings in an emerging field of precarious and flexible work [17]. To a large extent it is low-qualified flexible but standardised work outside regular labour contracts, a sort of digital Taylorism without the Taylorist mass worker [9, 12]. As a new business model, the gig-enterprise represents the complete disintegration of the traditional Fordist organisation and its collective interest groups into a flexible, market-driven, individualised form of enterprise-customer-worker network. “The gig economy can be regarded as the latest stage in the development of atypical forms of employment”



([18]: 36). The institutional form built around the Fordist enterprise with a fixed contractual workforce, collective bargaining and labour relations, labour law, social security, health & safety provisions, fiscal responsibilities and social responsibility is fading away.

The classical transformation problem in the management of labour, i.e. how to convert contracted labour power into effective value-creating work, adopts a new form of managerial control in the case of app-based platform work. All direct and personal control is replaced by an app which exerts total surveillance over the workers through automated messaging, assigning tasks, working time, location, performance evaluation (rating and ranking), etc.; “an algorithmic Panopticon provides a God-like view over the workers’ behaviour through a combination of Taylorism and panopticism” ([19]: 13). “The unremitting process of appraisal and evaluation generates a level of pressure that is of such magnitude, it is completely out of sync with the activity or task” ([9]: 30). The app is the boss and entirely in the hands of the employer, thus representing the completest expropriation of workers’ means of production in the capitalist era.

Having developed a general taxonomy and the main elements of the business model of the expanding platform economy, the following sections on the employment relations will concentrate on the delivery and transport gig-work as one form of location-based platform work where several labour conflicts and worker mobilisations could be observed recently.

### **3. Employment relations in the gig economy**

To evaluate in a more systematic way the potential of collective action and the organisation of platform workers, we refer to the power resources approach widely recognised and applied in recent trade union research. In its current form the literature on trade union power draws on the concept used by Beverly Silver [20] in her historical analysis of workers’ movements since 1870. A research group at the University of Jena developed the concept further with a specific focus on trade union revitalisation [21]. Since then it has been used in a variety of studies on trade unions and labour conflicts (see [5, 22, 23]). Following this approach, workers’ organisations have four traditional power resources, built up during the struggles and conflicts of the nineteenth and twentieth centuries:

1. structural: possessing scarce skills or competences or occupying strategic positions in the production process, giving the union workplace or market-place bargaining power;
2. associational: membership, willingness to pay, providing the union financial resources;
3. organisational: unity to collectively support its purpose and its policies, willingness to act;
4. institutional: legislative support, administration of social welfare, tripartite corporatism.

Regarding potential trade union revitalisation strategies and developing innovative forms of contestation against new forms of exploitation and precarisation in times of crisis and weakness, these traditional power sources require three

complementary, more discursive resources that are not necessarily new, although they may have been slightly forgotten or insufficiently appreciated:

- a. moral: a mission and identity based on achieving social justice and a better society;
- b. collaborative or coalitional: seeking allies and sharing resources with other groups and movements which have goals and interests in common;
- c. strategic: intelligent and more effective use of scarce resources.

The particular working conditions of delivery and transport platforms imply a structural weakness of traditional power sources. Trade unions are trying to organise the growing platform workforces (see the examples below) but effective unionisation results very difficult. Digital labour platforms tend to circumvent existing rules on employment, social protection and corporate taxation. Working in the gig-economy can be extremely isolated, with the app as the only communication channel between worker and employer and hardly any communication among employees. The employers tend to negate their responsibilities by not recognising their workers as employees nor themselves as employers. Those working for them are considered as self-employed or 'independent contractors'.

Workers are no longer in-house technicians, drivers or operators but external service providers performing their work within the company without belonging to it, without knowing their colleagues, without having any say in the organisation of the work, without knowing either the HR manager or the head of the department for which they are working, without contact to union representatives, without discussing things with their peers over a cup of coffee. Although they work for the firm, they only have a marginal role... The transformation (or hybridisation) of a traditional company into a digital platform means nothing less than the abandonment of the whole field of employment relations by the entrepreneur. A platform is nothing more than a marketplace for services, in which there is no place for labour laws and social security ([16]: 21, 27).

The majority of platform workers are underemployed with poor payment and working conditions, complementing pay from other jobs or combining housework with platform work. Platform workers often achieve wages below the minimum wage, lack all elementary workers' rights such as paid holidays, sick pay, insurance in case of accidents or disease, social security and have to pay for their own transport equipment (bicycles, motor scooters) and smartphones.

In spite of the individualised labour relations and difficulties to organise collectively, "many workers (28 to 60 per cent, depending on the platform surveyed) have turned to worker-run online forums and social media sites either to get advice or to follow the discussions about issues facing crowdworkers" ([24]: xviii; [25]). With regard to labour relations, at least two different types of platform work have to be distinguished. Delivery and transport platforms such as Deliveroo or Uber provide local services by localised workforces, whereas global internet platforms such as Amazon Mechanical Turk or Upwork provide their services on a global scale and allow the work to be decomposed into many micro-tasks distributed around the world. Though difficult, it is possible to organise the former and in fact there are increasingly attempts of riders/drivers to take collective action (see below). As regards the latter category, it is extremely difficult to bring such workers together around shared interests [25]. In this chapter we therefore concentrate primarily on the delivery and transport platforms.

Following descriptions of platform work by riders (personal conversations of the author; see also [26], and [27]), international observatories and trade unions [24, 28, 29], the main characteristics of delivery platform work are:

- a. The rider has no say in the contents of the contract imposed by the employer.
- b. The rider is always and easily substitutable just by the unilateral suspension of the contract.
- c. The employer determines all working conditions, the price, the time and the form of delivery without negotiation or consultation.
- d. The employer has a wide range of workers at his disposal, workers without any bargaining power or organisational infrastructure.
- e. The App allows total control of all movements, the speed, the delivery times of the riders by the employer. The employer always knows the location of the worker and at the same time keeps all information on the job under control.<sup>1</sup>
- f. The rider has to provide the vehicle, smartphone and data-contract. All risks (accidents, vehicle defects, sickness) have to be assumed by the rider.<sup>2</sup>

Platform work thus implies an employer strategy shifting as much as possible all risks and responsibilities of the employment relationship onto the workers. For trade unions, these characteristics minimise all traditional power resources and imply several key challenges to organise and unionise platform workers:

1. The lack of a clearly defined employment contract – many riders work in a self-employed capacity – makes representation and organisation in traditional labour relations institutions very difficult.
2. Platform workers do not come together in a common work centre, they do not share physical spaces, which makes communication and collective organisation complicated.
3. The cultural and educational background of many platform workers – often young highly-educated individuals – imply a distance to traditional trade union representation.
4. The unprotected status of platform workers, exposed all the time to an easy replacement, and their lack of effective bargaining power make unionisation improbable.

Two riders explain their working conditions [30]:

The way to manage our Deliveroo autonomy is really oppressive. Not being able to control your situation when you are really paying some expenses to be able to control it. Another thing that affects a lot is the fact that they tell you some things

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<sup>1</sup> An example for the control strategy is that the riders only get the information on the client's location after having received the prepared food at the restaurant.

<sup>2</sup> In a personal interview with the author a rider reported that in case of an accident the employer asks the rider not to reveal the fact that it happened during the working time to avoid any problems with the health insurance.

when you are going to start that are false, such as that you will not make an order of more than six kilometres or that you will be protected in extreme weather conditions and it is not true. It is not possible that there is no plus if you pass the mileage or driving under a thunderstorm. The biggest drawback is how vulnerable we are in this situation of false autonomous, physically and as workers. (own translation from Spanish).

I did in the beginning write emails - long emails - pointing out ways the platform could work better for [workers]. With screenshots, detailed explanations of how they were making our lives difficult, but I realised that they do not care about that. If you make any issues for them, they'll just fire you or find a way to stop giving you work. (Delivery rider, London, quoted in [28]: 14).

Most platforms, including Uber, Amazon Mechanical Turk, and Upwork, are Transnational Companies (TNCs). The food delivery apps Deliveroo and Foodora had about 50,000 and 7,000 riders working for them in 13 and 10 countries resp. in 2018 [19]. Although organisation and collective action are difficult challenges for platform workers and trade unions, there are an increasing number of encouraging experiences of self-organised platform worker struggles and trade union initiatives to support platform workers' interest representation (see also [31]). The European Trade Union Institute reported 127 platform-worker protest actions worldwide in 2018 [32].

One form of union support is the introduction of a specific website for gig workers trying to build up organisational and collaborative power. The most encompassing initiative to organise and assist platform workers so far is the platform Fair Crowdwork (<http://www.faircrowdwork.org/>), a joint project of IG Metall (the German Metalworkers' Union), the Austrian Chamber of Labour, the Austrian Trade Union Confederation and the Swedish white-collar union Unionen, in association with various research and development partners. On 13–14 April 2016, this network held the first International Workshop on Union Strategies in the Platform Economy in Frankfurt am Main (Germany), bringing together staff members from the above-listed organisations, along with legal and technical experts from Asia, Europe, and North America. It ended with the “Frankfurt Declaration” [33] on fair platform-based work. In a collective learning process, Fair Crowdwork is continually widening its scope and activities (personal conversation with Fair Crowdwork trade union officials).<sup>3</sup> The Spanish trade union confederation UGT (Union General de Trabajadores) launched in 2017 its website <http://turespuestasindicales.es/> as a service for platform workers, offering advice and legal assistance from experts, networking and complementary services.

More and more trade union federations all over Europe are offering full flat-rate membership and web services, giving crowdworkers access to legal protection and counselling. In South-West France (Gironde/Bordeaux), the bike courier CGT union has been set up, representing hundreds of food delivery riders. In the UK, the Independent Workers' Union of Great Britain (IWGB), a breakaway from Unite and UNISON and organising predominantly low-paid migrant workers, has supported several campaigns and strikes of food delivery couriers claiming employee status. In October 2018 couriers from 31 groups all over Europe hold the European Assembly of Riders in Brussels to form a Transnational Courier Federation [34].

Collective agreements with platform companies to gain some institutional power are very rare so far. In Denmark, the United Federation of Danish Workers concluded in 2018 a 12-month pilot collective agreement with the private cleaning

<sup>3</sup> A similar initiative has been started by a research group at Oxford University founding the Fairwork Foundation (see <https://www.oii.ox.ac.uk/research/projects/a-fairwork-foundation-towards-fair-work-in-the-platform-economy/>)



sector digital platform Hilfr on wages and working conditions for the platform's users. Workers benefit from a pension scheme, paid holidays and sickness pay. In May 2019, the Italian food delivery company Laconsegna signed a collective agreement with three trade union federations that clarifies riders as employees. They are covered by the national collective agreement for the logistics sector and benefit from all social protections.

In Germany, several platforms, along with the Crowdsourcing Association and the Metal Workers' Union, have established an Ombuds Office. These platforms have signed a code of conduct for crowdsourcing and crowdworking. In Cologne, Deliveroo, Foodora and Lieferando riders managed to set up a works council with the support of the Food&Beverages Union NGG in February 2018. A WhatsApp group and Facebook site (<https://www.facebook.com/liefiernamlimit/>) served as coordination and network media. Deliveroo contested the initiative with the non-renewal of the contracts for all works council members. However, the struggle for worker representation continues: Delivery Hero (Foodora) had to accept worker representatives on its supervisory board in accordance with the German co-determination law.

In the face of the difficulties associated with collectively bargaining with the platform companies, some trade unions are trying to include platform work in overriding regional or sectoral agreements. In Catalonia/Spain, trade unions and employers' organisations signed in July 2018 a cross-industry framework agreement (Acuerdo Interprofesional de Cataluña, AIC), which contains a section on platform work and explicitly defines the relationship between a platform and a service provider as an employment relationship. All these initiatives represent attempts to strengthen the weak associational, organisational and institutional power of platform workers.

Besides such incipient forms of self-organisation and unionisation, there are already some experiences with strikes and collective action [18, 32]. In Belgium, riders are free to join a trade union and have set up a self-organised, network-based Riders Collective.<sup>4</sup> When Deliveroo unilaterally changed its contract model from an employee status to a self-employed model in 2017, several rider groups - mainly in Brussels - organised strikes and the temporary occupation of the Deliveroo building. Although the actions disrupted food delivery, Deliveroo did not alter its contract model or make any concessions [35].

In October 2016, Foodora riders in Turin organised strikes and shitstorm campaigns against the conversion of their contracts from hourly contracts into delivery contracts [18, 36]. Besides disrupting deliveries, public campaigns and protest rallies damaged the platform's image and resulted in a slight wage increase, although all other demands of the riders were ignored. The contracts of all strike activists were not renewed and most of them are now working for other platforms. The probably most important impact of the strike was the increase in public awareness, leading to parliamentary initiatives to regulate the delivery and transport sector.

In Spain, Deliveroo and Glovo riders in Barcelona and Madrid created the platform 'Riders X Derechos' to support their demand for employee status and better working conditions.<sup>5</sup> In summer 2017, they organised several protest rallies, petitions and short strikes which were countered by repression and dismissals. To gain logistical support and legal counselling, the platform workers contacted the regional Catalan grassroots union Intersindical Alternativa de Cataluña (Alternative Trade Union Confederation of Cataluña).

<sup>4</sup> See the Facebook web-site of the collective <https://www.facebook.com/collectif.coursiers/>.

<sup>5</sup> The example was followed in Italy by the platform RidersXiDiritti [37].

They sell you the nice idea that you are free to work whenever you want, but in reality you are subject to the way each company distributes the schedules. The problem is that there are more and more riders and not enough work for everyone”, stated one rider. “Keeping us in a self-employed and low-income regime suits them, because it avoids a group feeling arising, gets us competing against each other for jobs – and they always have a rider available. (El Diario, 30.06.2017; own translation from Spanish).

A rider from Deliveroo in Madrid who had participated in a public lawsuit against the company explains the forms of repression: “Before my testimony I worked 30 hours a week. Then the platform reduced them to four, without any explanation. It is their new strategy. Instead of disconnecting you, if you complain, they reduce your work hours until it becomes unfeasible.” (El País, 23.02.2020, own translation from Spanish).

In May 2019, hundreds of Uber drivers in the UK went on strike as part of an international protest initiated in several North American cities. They were demanding to be recognised as employees and paid the minimum wage (The Guardian, 08.05.2019). The action was supported by the Independent Workers of Great Britain union.

The specific employment conditions of delivery riders mean that collective action has certain characteristics. First of all, the contents of negotiations and agreements are very basic, addressing elementary labour rights such as regular contracts, minimum wages and working hours, the right to holidays, sick pay and social security. Platform workers have to start where the labour movement began in the 19th century. Whatsapp is the main communication media when calling a strike, while Facebook is the main organisation and publication media. Strikes are short, concentrated in the main delivery hours and accompanied by public campaigns against the platforms. Attacking the platforms’ branding and pressuring public authorities to control and regulate the sector are the most important objectives.<sup>6</sup> Drivers and riders thus mobilise discursive power resources (moral, collaborative and strategic) to compensate their weak traditional ones.

Most platform labour conflicts concern workers’ employment status. Platform employers try to avoid conventional employment relationships, exploiting labour law fuzziness to force their workers into a self-employed regime. National responses across the European Union are divided, with some Member States plumping for the existence of an employment relationship while others support the idea of platform workers being independent contractors [38]. Regarding the case of Uber, the Court of Justice of the European Union has ruled that Uber carries out a classic transport service and the legal relationship with its drivers should be deemed an employment relationship.<sup>7</sup>

In Spain, three recent judgements of courts in Barcelona, Valencia and Madrid confirmed that Deliveroo and Glovo ‘riders’ do have an employment relationship with the platform and should be considered as employees. The courts dismantled Deliveroo’s position of the alleged autonomy of its riders, arguing that the platform exercised constant control over the riders, that the company was the sole holder of the information necessary for the business and that the real means of production was the platform in itself and not the phone and bicycle. The riders performed a personal service under organised conditions directed by the company [38, 39].

<sup>6</sup> In all conversations with activists and unionists involved in mobilisations of delivery and transport workers the public reputation of the platform appears as a most important pressure means. The public image is a priority concern for platforms and thus one of the very few weaknesses the riders and drivers can use in case of labour conflicts.

<sup>7</sup> See Judgement of the Court 20 December 2017, In Case C-434/15, ECLI:EU:C:2017:981

Furthermore, the firm used geo-location monitoring (GPS) for the constant surveillance of every worker and every delivery. Therefore, the platform owner had to be considered an employer. It is important to notice that the plaintiff in this case was not a rider or a union but the Spanish Social Security following a detailed investigation by the labour inspectorate. These examples show the importance of legislative institutional power in the sector and the potential of support by political agents and trade unions.

Other key but less-discussed problems of platform workers are their social isolation, voicelessness and non-communication. A delivery platform worker in the UK stated:

The company itself is a strange one to work for, ... you can only communicate with them via email. I've never met anyone officially from [name of platform] since the first day when I was interviewed... There's a phone number you can ring during the shift if you have a problem with the delivery or if you have a problem with the app, but you are not allowed to ring that number to discuss anything like shifts or other problems. Like sometimes they mis-paid me. You have to email, and it's quite a slow process and it can be quite frustrating... even if it's their fault, they do not pay until the next payslip, and then they make another mistake and, all of this, you have to go through emails, explaining again, to a different person each time, what the situation is ([40]: 41).

Many platform workers think that this lack of direct personal contact leads to negative behaviour and arbitrary decision-making that would normally be unacceptable in face-to-face relationships with managers. The employers are invisible, hidden behind the apparent neutrality of the algorithm technology. Information, ratings, evaluations, all communications are anonymous pseudo-objective messages, yet the consequence of the programming and decisions of platform management. Social isolation and high work intensity under the pressure of ratings and algorithmic control are problems reported by all gig-workers and unionists. With workers having no influence over the contents of the apps, they are left without any control over their means of production.

Another type of player has emerged in a number of countries: cooperatives organising self-employed workers and providing them with a range of services. One of the most established is SMart (Société Mutuelle pour Artistes), an organisation founded in Belgium in 1998 as an association of creative and cultural freelance workers and then transformed into a non-profit cooperative [6, 35]. SMart is currently active in nine European countries and has extended to other sectors beyond creative work. In exchange for a fee, it provides self-employed workers with a wide range of services, including help with invoicing and the declaration of income, getting paid as an employee (and therefore gaining access to social security), debt collection, pay advances (through a mutual guarantee fund) and access to training and co-working spaces.

SMart is based on a participatory process: all members are invited to participate in the annual general assembly, and all profits are reinvested. SMart, as with other similar workers cooperatives, does not usually bargain on behalf of its members. Only occasionally it publicly voices the concerns of freelancers and advocates on their behalf. The agreement between Smart and Deliveroo in Belgium including insurances and minimum wages was thus an exception [6]. The model proposed by SMart is not uncontroversial and has been criticised by some unions as it "legitimises grey zones" instead of fighting them [41].

In autumn 2018, the Spanish 'Riders X Derechos' launched their own cooperative delivery platform 'Mensakas' to create decent jobs and fight precariousness.

Mensakas is an app for online ordering and home delivery. The cooperative will be self-managed by its own workers. Everyone will have an employment contract



and therefore taxes and social security contributions will be paid. Using the digital tools, logistics, and media that we have developed, we will contribute to the drive towards a social and solidarity-based economy, as well as responsible, local consumption. Our bicycles and electric vehicles mean we'll be riding through the city in an environmentally-friendly, sustainable way [42].

Mensaka joined the European federation of bike delivery coops CoopCycle (<https://coopcycle.org/en/>) founded in 2016 and operating in 16 European cities. In New York, after several labour conflicts with Uber and Lyft, the first worker-owned ridesharing platform TDC (The Drivers Cooperative) was founded to offer a human, self-managed alternative to the Uber business model [43].

The need to regulate the platform economy and to guarantee fundamental rights for users, workers and citizens is also felt by city administrations. During the 'Sharing Cities Summit' 2018 in Barcelona on 12–15 November, 31 cities from around the world, including Amsterdam, Barcelona, Lisbon, Madrid, Montreal, New York, Paris, Sao Paulo, Seoul, Milan and Vienna, signed the 'Declaration of Principles and Commitments of Collaborative Cities' to **claim their sovereignty when negotiating with large digital platforms** negatively impacting their economies, as has been the case with Airbnb and Uber [44]. The search for sustainable and socially responsible models of the platform economy may be a natural ally for employee initiatives on labour rights in the sector.

As the platform economy is growing and to a large extent made up of young highly-educated workers familiar with new communication technologies, it can be assumed that collective organisations and forms of interest representation will emerge in spite of adverse working conditions. The ways of organising and the forms of collective action to be developed are still quite open. There are divisions between those relying on traditional unions and those thinking of alternative self-organised interest organisations or between those fighting for labour rights in the current platforms and those in favour of creating alternative, more coop-oriented platforms. "Currently emerging patterns hint at a possible co-existence or combinations of mainstream trade unions and other unions and union-like organisations defending platform workers' needs and interests" ([5]: 6).

#### 4. The power resources of platform workers

Drawing on the examples and experiences reported so far, in this section we come back in a more systematic manner to the different power resources of gig-workers. To examine their potentials to surmount the difficulties of collective organisation and develop alternative power resources we analyse the Foodora strike in 2019 in Oslo, which is rather exceptional but very suitable in analytic terms.

In general, the *structural power* of platform workers is low due to their easy substitution, the low skill requirements of their work and their disorganised position in the production process. This at least applies to the on-demand delivery and transport workers. The situation may be somewhat different for high-skilled freelance workers in creative industries, but these platform workers are not likely to organise in trade unions.

Their *associational power* is also low because of the evident difficulties to unite dispersed workers without a clear employment relationship in stable and structured membership organisations.

Their *organisational power* is stronger than initially expected. Although organising is difficult without a common workplace and shared working experiences, the communication culture of the young, often highly-educated workforces via social media and informal contacts facilitates coordinated responses to employer abuses,



self-organisation practices, online communities, campaigning and wildcat strikes. Nevertheless, power relations are very asymmetrical, with the platforms able to simply disconnect or exclude troublemaking couriers and adjust their algorithmic control mechanisms.

Their *institutional power* is almost non-existent as they work outside traditional trade union and representation structures and are not recognised as a distinct collective with regular rights in the established public institutional system. In some exceptional cases such as the Foodora riders in Germany who send representatives to the company board or their Austrian colleagues with their works council, platform workers have been able to benefit from existing representation institutions. But even in these exceptional situations, their institutional power is very limited as the platforms can easily relocate their headquarters to another country.

In this situation, complementary *discursive power* resources such as moral and collaborative power resources gain in importance. As the riders are visible on city streets, strategies like public campaigning, grassroots protests and online ‘naming and shaming’ actions may result in effective power resources being placed in the hands of platform workers. Not only the platform owners but public authorities and courts of justice are feeling the pressure to become active in defence of the labour and social rights of these new collectives. Examples like the Riders Union Bologna, a network of food delivery riders who went on strike on 23 February 2018, thereby forcing the platforms to suspend their services, show the potential of grassroots discursive power. On 31 May 2018, the riders union managed to sign a ‘Charter of fundamental rights of digital work in an urban context’ with the three main trade union confederations, the centre-left city council and some local food delivery platforms. In a ‘naming and shaming’ move, both signatory and non-signatory platforms are listed on the city’s website. Other cities are set to follow Bologna’s example ([5]: 17).

The example of the Foodora strike in August/September 2019 in Oslo illustrates the different power resources mobilised.<sup>8</sup> A group of Foodora cyclists organised in the ‘Foodora Club’ joined the Transport Workers’ Union in demanding a collective agreement with improved wages and regular representation structures (elected shop stewards and a works council). When the Foodora management declared the demands to be unaffordable, some 200 riders went on strike, organising several weeks of colourful cycle rallies on the streets of Oslo (‘pink parades’), social media campaigns, a public ‘Foodora cyclists’ soup kitchen, etc. In doing so, they received public support not only from the trade union confederation LO but from political parties, local politicians, academic circles and public media. The successful outcome of the strike – a collective agreement guaranteeing decent wages and employment conditions and including institutionalised representation and bargaining structures (works council) – shows the effectiveness of combining power sources available in the Norwegian context. The local labour market is forcing employers to pay competitive wages and give workers employee status, a form of structural power that platform workers in other countries largely miss. The established power of the trade unions and the advanced labour rights add significant institutional and associational power, effectively used by a group of militant workplace leaders (organisational power). Finally, the riders on strike were able to mobilise public support and visibility, putting the company and public authorities under pressure to listen to their demands (discursive power). “People see and know us in the streets. We are always friendly to them” (a strike activist and now works council member, IntOslo1). This exceptional availability

<sup>8</sup> This paragraph is based on a long personal conversation with one of the strike leaders in December 2019.

of the main trade union power sources was able to overcome the isolation, precarity and lack of collective organisation and bargaining power largely dominant elsewhere in this sector.

Transportation, food delivery and care-work platforms show certain emerging discursive and associational power sources [45]. Delivery workers with their branded backpacks and vehicles are visible and often meet in urban hotspots and waiting areas, while care-workers often form strong personal ties with their clients. These conditions allow for some embryonic forms of solidarity, communication and public support, especially as these workers are not as easily replaceable as other crowdworkers. ‘Brand shaming’, a practice originally developed by alternative consumer activists, is an additional power resource in the hands of riders, opening up opportunities for further coalitions with other civic movements in urban contexts.

## 5. Discussion

Given the attractiveness and growing relevance of the gig economy, this chapter has concentrated on the potentials and emerging practices of collective action and the organisation of platform workers in the face of structural obstacles and on innovative attempts to counterbalance the asymmetrical distribution of power resources in the platform sector. The mismatch between the existing categorisation and regulations of work and the volatile work practices of the platforms have left many workers without protection and at severe risk. Political authorities and social partners are called on to act and tackle these challenges. “The application of big data, new algorithms, and cloud computing will change the nature of work and the structure of the economy. But the exact nature of that change will be determined by the social, political, and business choices we make” ([46]: 61).

Platform work is a new form of re-commodification of work with no clear definition, quite heterogeneous practices and some common features with general trends of work reorganisation and flexible business models. “It forms part of a spectrum of rapidly-changing and overlapping forms of just-in-time work that draw to varying degrees on digital media for their management” ([40]: 50). In this chapter we have focused on delivery and transport workers and their attempts and potentials to collectively organise and take action. Our power sources analysis has revealed the importance of the public reputations and branding of the platforms as a specific foundation, upon which collective action and pressure in favour of the recognition of labour and social rights of platform workers can be developed. To what extent platform work represents an extreme form of a common ‘platformisation’, ‘uberisation’ or ‘precarisation’ of our economies ([40, 45]: 48; [47, 48]) remains an open question, as does the possibility of finding new forms of collective self-organisation outside the traditional trade unions. Looking at both trends, the spread of gig-work practices across labour markets more generally and the emergence of new forms of flexible collective action and online-community organisation, we have found empirical evidence of their emergence.

## Acknowledgements

Parts of the fieldwork were realised in the framework of the research project SOcial Dialogue in the TRansforming EConomy/SODITREC, Agreement number – VS/2019/0096, financed by the European Commission, DIRECTORATE-GENERAL FOR EMPLOYMENT, SOCIAL AFFAIRS AND INCLUSION.

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# Beyond HRM's Performance Management: Towards Strategic Workforce Resilience

*John Mendy*

## Abstract

HRM professionals' reliance on using teamwork, organisational planning and managerially- controlled appraisal measures within the framework of High Performance Organisation (HPO) and High Performance Work Systems (HPWS) has outlived its useful applicability and sustainability in today's SME crisis-ridden environment. This chapter highlights the gap between the HRM discipline, whose measures to resolve the organisational performance problem have instead resulted in a deepening of the performance crisis in resource-constrained SMEs and an urgent need to address such a fundamental problem through the creation, development and sustenance of more innovative measures. A critique of HPO and HPWS's structural and systemic approach to solve the effective organisational performance implementation gap led to an additional discovery, which is how to solve the performance problem competently and sustainably such that SMEs have a more strategically viable future. The study's interpretivism paradigm backed up by a survey of 85 management and staff respondents in a longitudinal study spanning 7 years in the UK highlighted 6 important themes. These were combined to develop a new 'Strategic Workforce Resilience Management Model' as a way to solve the SME performance quagmire. This fills the performance implementation and strategic sustainability gaps and introduces resilience characteristics into the way HRM professionals should be managing the performance problem. The limitations, the implications and future research areas are discussed.

**Keywords:** HRM, performance, management, staff, resilience, model

## 1. Introduction

Managing organisational performance has been a problematic area for Human Resource Management (HRM) professionals. This is partly because the discipline has depended on traditional measurement methods as part of managerial control [1]. Although appraisals have been used to measure role or on-the job and financial performance [2] as well as overall employee satisfaction [3], the organisational performance problem appears to have fallen into a state of crisis [4]. This chapter defines organisational performance as the sum total of the tasks that managers and staff complete in order to help an organisation achieve its operational and/or strategic goals/objectives. Despite such significance, greater emphasis of performance management appears to have been focused on larger firms [5]. This neglect has been



partly due to environmental change to which organisations have to constantly adapt to [6]. The frequency of change has challenged managers' competence to implement effective performance management and, by extension, employment relations practices [7]. Therefore, performance management issues within the changing organisational context in which SMEs operate could not be timelier [8].

It is envisaged that addressing organisational performance will help to identify innovative ways via which HR professionals can more effectively deal with the problem ([9]; Miller et al. [10]). Emerging literature is suggesting that financial constraints be attributed to SMEs' organisational performance problem [11]. Other scholars such as [12]) have identified the way knowledge is created and managed as an additional constraint on performance whereas Castagna et al. [13] has specifically highlighted customer management as a major challenge to the way HR professionals manage performance. The emerging debates are therefore suggesting that management competence ought to be addressed if employees' commitment to improving organisational performance is to be enhanced [14] in dealing with overall organisational performance. It is also highlighted in the emerging literature that the traditional methods of measuring, monitoring and evaluating performance through performance indicators are shifting towards innovation capability [15] whereby resource [16] and risk management become critical [17, 18]. Other researchers are even proposing network relationship management [19] whereas other scholars have highlighted the importance of managing the emblematic organisational culture in order to improve performance capability [24]. Despite the plethora of suggestions and propositions, it is still not known whether these management practices will facilitate a more sustainable performance management that will not only minimise SMEs' performance problems but also increase their resilience in the longer term [21, 22]. Therefore, the question that this chapter seeks to address is 'can a model be developed for SMEs which will help its managers become more competent in addressing the organisational performance problem in a way that enhances their resilience?'

Immediately after the introduction, this chapter examines the foundation on which performance management is based by critiquing the role of management in High-Performance Work Systems and High-Performance Organisation models. An examination of the research methods is followed by the study's empirical findings, which are then used to develop a new 'Strategic Workforce Resilience Management Model'. This model is designed to help managers become more competent in addressing the performance problem of SMEs in a changing environment.

The model also highlights the chapter's contributions to the literature on performance in four areas, namely on how to fill the firm-level performance gap, how to develop management's competence, how HRM professionals can become more innovative and effective in addressing performance problems and how to become individually and collectively resilient in a new theoretical development referred to as 'Strategic Workforce Resilience Capability'. The implications of the chapter's findings and the model are considered, the conclusions and areas for future HRM studies are considered.

## **2. Performance management theory**

Two seminal models on the issues impacting on organisational performance, as highlighted in the introduction, are examined and critiqued in greater detail in this section. They are High Performance Organisation (HPO) and High-Performance Work Systems (HPWS). Proponents of HPO such as and Holbeche [23] identified teamwork and planning in their efforts to help management gain greater control

of the performance problem [24]. However, the model does not specify what type of knowledge would be needed [12] or whether its implementation will help SMEs to minimise their performance risks [17] or the extent to which they are able to deal with their financial constraints [11]. Although the model adopts an anti-hierarchical approach and looks promising, it does not tell us whether the organisation of tasks into team-based activities will be beneficial to the way SMEs address their customer-related performance problems [13]. It is also far-fetched to intimate that team-working is the panacea to all organisations' performance problem given that some firms like SMEs do not have enough human resources to implement team activities as noted by Lin and Lin [19]. Likewise, the planning required takes time and this is an added drain on smaller firms that are already resource constrained. There is an additional difficulty here in the sense that solving a fundamental management competence and their ability to intervene as suggested by Reinhardt et al. [25] does not necessarily resolve a wider staff performance commitment issue [14]. This is partly because both staff groups could have different perspectives, preferences and objectives from management's team and network orientations proposed by HPO enthusiasts. Secondly, Katzenbach and Smith [26] highlighted value creation as part of the management planning process so as to make organisations more financially viable [11]. However, this proposition has not addressed the core human resource issues related to what staff regard as valuable, meaningful and sustainable organisational performance practices [21, 27]. In addition, creating reward systems for staff as suggested by may help in partially alleviating keeping staff financially satisfied but this measure has also prompted critique that it overlooks a wider and more crucial staff development and knowledge management issue [28, 29].

The disagreements within HPO scholars has amplified the performance problem and has led others to suggest that not knowing which of the HPO characteristics to use has even caused an organisational performance crisis [8]. This has also led to a wider organisational viability predicament [10, 21]. Within such a state of affairs, management and staff groups are left divided on which strategy to focus on [5] and which resolutions will be effective [30, 31] in the sustainable future [27].

The second seminal model on performance is High-Performance Work Systems. It identifies HRM practices such as appraisals as pivotal in boosting organisational and financial productivity [11]. Its earlier proponents such as Dyer [32] and Pfeffer [33] and recent additions by Messersmith et al. [34] uphold that performance management should be treated as a 'black box' and overall system problem. This means that both managers and staff should view performance as a coordinated set of system-wide organisational activities, whose implementation will help address an organisation to tackle the root causes of performance. Earlier scholars such as Vakola et al. [35] and Schuler and Jackson [36] and recent researchers such as Shin and Konrad [37] believe that there is causality between HPWS and organisational performance boost. HPWS scholars also propound a linkage between the internal application of performance enhancement measurements [20, 15, 16] and the external development of network and knowledge management relations [13, 19]. This involves the implementation of not only appropriate teamwork, planning, appraisal and reward structures but also tailoring the structures in such a way that they modify managerial and staff behaviours and an overall culture of performance [24]. Similar to HPO proponents, HPWS advocates such as Schuler and Jackson [36] and more recently, Murthy and Naidu [38] and Kaur et al. [39], also believe in using value-creation mechanisms to increase performance and minimise waste. Therefore proponents of both models believe that the adoption of flatter structures such as teamwork and incentivisation schemes could encourage staff commitment and buy-in and, as such, less resistance to the performance measures [40]. Yet, the extent of how effective the implementation of these measures are in dealing with

performance issue is yet to be finalised. Therefore, based on the examined HPO and HPWS models, there is a fundamental organisational performance gap problem, which has led Higgs and Dulewicz [8], Van de Ven and Jing [41] and recently Miller et al. [10] to refer the situation we are currently in as 'a crisis'. Other scholars have also opined the unsustainability of the management practices used [21, 27]. In order to see whether other literature could help resolve this research problem, the chapter examines Resilience Theory next.

### **3. Resilience theory**

Resilience Theory expounds people's coping mechanisms to deal with adversity such as the performance crisis organisations are in [42]. Resilience enthusiasts refer to this capability as 'bouncing back' especially when the adversity had surfaced a certain level of incompetency [8, 43, 44]. Therefore, resilience research provides a lens to examine the potential benefits that the teamwork, planning and organisation aspects of HPO and HPWS had promised in their recommendations [30, 45]. To ascertain the extent to which resilience could contribute where the structural interventions recommended by HPO and HPWS had floundered, the chapter looks at value creation mechanisms such as team-working and management capability as advised by Katzenbach and Smith [26]. These scholars had proposed that in order to facilitate the required performance and behavioural modifications embedded in the performance models examined earlier, management need to resolve a much bigger problem, which is their interactions with staff. It is believed that doing so will enhance a deeper psychological capital among the interacting parties thereby triggering buy-in [46]. It is such management-staff interactive engagement which is critical for not only high performance [47] but also the development of resilience characteristics which are needed if both groups are to develop the teamwork, learning and entrepreneurial skills that Jones and Macpherson [48] and Jenkins et al. [49] think are crucial for longer term high performance. These qualities are similar to HPO's and HPWS's management competency development. The major and crucial difference is that they include a wider pool of staff (i.e. those lower down an organisation's hierarchy). The additional elements should therefore focus on how individuals and/or teams could develop not only decision-making capability [50] but also the capacity to become more innovative in doing so given resource constraints that most SMEs face and, therefore, given the need to be high performing [22, 44, 51]. In order to see whether developing an ultimate model, which would be beneficial for the respective parties and one that may be similar to Farkas et al.'s [52], the research methodology is examined next.

## **4. Methodology**

### **4.1 Data collection**

Between 2004/5 and 2011 the study conducted two sets of surveys on 4 SMEs in the UK. This was done as a result of the researcher being informed by the SMEs' management and staff that they were having major performance difficulties. The latter involved how to deal with customers' complaints on low quality goods, how to provide affordable housing in line with strict government specifications, how to provide healthier eating choices, how to provide affordable and supportive care to the elderly and decent alternative education for the youths. All of these



constraints increased the obviousness of the companies' underperformance and the urgency to research what was going on. To find out how staff and management addressed these performance problems, a longitudinal study that started in 2004 went on to 2011 because of the interesting data that was emerging from each firm. The data was collected using the interview method with middle and top management and staff. In total, 85 respondents were involved (see **Table 1** for a breakdown). Each interview set lasted for nearly 1 hour per respondent. In the first set, the opening questions were "What challenges has your organisation recently faced?" and "What did your department do to solve the challenges?" In the second set, the questions started with "How did you individually and collectively address the challenges?" and "Did the challenges have any effects on the way you performed your job?" and "What types of impacts on your performance are there?" Each respondent was free to elucidate their answers and talking more about what their experiences were and how they felt. These experiences and emotions were taken as staff's and management's perceptions of what they did to solve their respective performance problems in line with Peter et al. [1] (i.e. those related to regulations' compliance, goods and service improvement and good quality education provision for example). The fact that each of the 4 SMEs were dealing with similar staff and management performance issues necessitated their inclusion within the state timeframe in order to ascertain both their successes and continuous difficulties in line with Watson [53]. Respondents' age groups ranged from 18 to over 60 and they were all guaranteed anonymity and data reporting confidentiality.

The chapter's selected methodology is Interpretivism, which is defined as conversational agents' ability to interpret a set of meanings from their research contexts via a range of language forms. Adopting such a paradigm allows the researcher to also interpret (i.e. make sense of) participants' meaning making processes in a way that facilitates not only the development of new theory or model but also surfaces any potentially couched meanings in the collected data. This process is part of qualitative research, which features lived experiences, the emotions and perceptions of the conversational agents [54, 55]. Conducting the longitudinal study allowed for a continuous flow of conversations between the research and the respondents [56] and a wealth of experiences in terms of how to address the performance difficulties in the 4 firms. After considering 'third way' and other forms of narration, this chapter adopted the conversational agents' perspective to the meaning making of performance. This approach warranted the types of conversational questions asked during the data collection sets, the extended timeline and the nature of the conversations collected (**Table 2**).

SMEs	Roles	Respondent compositions
Lagat	Management Employees	10 employees, 7 management = 17 in 2004/05 2 employees, 2 management = 4 in 2011
Bakkavor-Laurens Patisserie	Management Employees	10 employees, 7 management = 17 in 2004/05 2 employees, 3 management = 5 in 2011
Eden Housing	Management Employees	10 employees, 7 management = 17 in 2004/05 2 employees, 2 management = 4 in 2011
Longhurst	Management Employees	10 employees, 7 management = 17 in 2004/05 2 employees, 2 management = 4 in 2011

**Table 1.**  
*Employee and management respondents in the 4 SMEs.*



Aspects	HPO Model	HPWS Model	Practical solutions from SMEs
1	Create a performance environment	Develop an overall performance system	Staff's performance behaviours were implemented as part of an emerging performance culture
2	Develop team-working mentality	Align internal capacity with external demands to perform	Both staff and management saw the urgency to perform and started working on its implementation
3	Create space for individual and collective high performance	Identify managers who will be performance champions	Management started to streamline material resource allocation whilst staff saw the importance of working with colleagues
4	Encourage some flexibility	Build an interactive and open system of collaboration	
5	Be strategic in performance drive	Management development becomes key	Staff reorganised their traditional roles to meet the new performance demands
6	Develop human and material resources	Make effective use of available human and non-human resources	Staff began learning how to perform each other's jobs
7	Focus more on capability to boost performance	Staff training and development is facilitated for retention and performance purposes	Managers encouraged higher performance whilst staff implemented it
8	Monitor and evaluate the performance gains	Encourage staff voice and involvement in all performance processes	Repeat each of the previous stages in order to maintain sustainable and resilient high performers.

**Table 2.**  
*A comparison of HPO and HPWS models and the 4 SMEs practical solutions.*

4.2 Data analysis

There were three stages of data analysis to try and exhaust respondents' experiences and perceptions of their performance as much as possible. Firstly, following Lincoln and Guba's [57] 'thick descriptions' (or conversations), the subjective meanings of how the respondents lived their performance experiences were presented in line with Roelvink and Zolkos [58]. Such representation was highlighted by pursuing a theme-based interpretation of the collected interview excerpts in the research tradition adhering to Alvesson and Skoldberg's [59] and Sarpong and Maclean [60]. Six key thematic patterns identified were surfaced, namely 1) new work structures; 2) new disciplinary mechanisms; 3) communication and competency gap; 4) role disruption leading to fragmented performance; 5) performing under duress and 6) the development of performance and resilience capability. Each of these findings is examined in greater detail in the next section in line with the chapter's model development objective. This is because such a development had been missing in previous scholarship and debates on performance.

5. Findings

The study's findings are presented in this section using the three-stage procedure identified previously. The first of these is the thematic presentation.

## 5.1 New organisational arrangements

At the start of the performance difficulty, it was clear from customers' complaints and apparent delays in meeting production targets especially in Bakkavor and Longhurst that management and staff realised that they were both dealing with a severe set of performance blockages. Whilst highlighting past incidents where Bakkavor staff had worked tirelessly to appease customer demands and Longhurst has had fruitful relationships with the various communities it provided accommodation to, each of the parties in each company started to identify a rift between the past and present situation not only in terms of performance but also the level and quality of partnership between each firm and their customer bases and the apparent lack of cordiality between management and staff's working relationship. Some of the discord was also echoed differently in other SME setting. For example, some people talked about 'There's got to be some structure...a set way' (Lagat staff)... 'jobs are designed directly according to delivery plans' (Bakkavor Manager). Whilst some staff pointed to the fact that 'Customers are a priority' (Bakkavor staff), it was also not unheard of for others to note that customer complaints were also become more frequent. On the other hand, as Longhurst management emphasised team-working in 'Work[ing] as a team, supporting each other and meeting deadlines' (Longhurst manager), a severe toll on staff welfare started to take place as longer hours of work were becoming commonplace. Despite this, elsewhere 'people hark[ed] back to good times' (Eden manager) as part of their consolation for their current predicament. In each of the four firms, the overall performance problem highlighted reactions of two main types, which included, firstly those in management positions initiated the redesigning of the old work structures, whose implementation they think will enhance staff's competences. However, not addressing the shortage of human resources cut short the anticipated benefits. Secondly, managers started to demand more of staff's contributions as they initiated additional 'hard' performance reporting mechanisms which were designed to control what staff did and by when. Longhurst management's 'decrease[ing] of salaries and increase[ing] [work] hours' (Longhurst manager) did not help an already difficult situation.

## 5.2 Counteracting disciplinary measures

Employees started to adapt to the new structures as they tried to circumvent them. By so doing they initiated some resilience. A Bakkavor manager said in 2011 'we will have to start taking disciplinary action on employees who don't want to change because they don't see the need; these are minimum wage jobs and we are being asked too much'. Such a threat led to staff carrying out their newly designed self-initiated tasks without management's knowledge. Interestingly, another manager at Eden highlighted the enormity of the performance related disciplinary issues by stating in 2004/05 'there is a lot of work on disciplinary issues, staff training and quality support...'. The issue of discipline at Longhurst was depicted differently as a manager stated in 2011 'you need to be very disciplined; it is important to have the plan and revisit it.' Being disciplined was also seen as something that management should exude initially. However, at Bakkavor, management began imposing strict disciplinary measures on staff as part of their punishment for not sticking with the newly designed work structures. Staff, on the other hand, saw such a move as insensitive to overall people 'welfare' (Bakkavor staff).

## 5.3 Communication falls apart

To emphasise the criticality of performance, staff recounted management's introduction of what, to them, was an employment tribunal, which was designed to

put additional pressure to evaluate their capability to perform the new roles and to check how their '...basic competences' matched their jobs (Longhurst Manager). In their perception, this was introduced the wrong way as it did not promote the 'communication of future plans' (Bakkavor employee in 2005). Even a Bakkavor manager noted that 'there's a massive communication gap between the interaction of senior and lower management' (Bakkavor manager in 2011). The apparent rush on management's part to be increasingly authoritarian via the introduction of what seemed to staff as draconian mechanisms led to an atmosphere where staff started to feel disenchanting with the measures and disconnected from what was being communicated. Such urgent attempts to regain the performance that had been lost via communication breakdown highlighted additional cracks in alternative, more informal methods of communication processes that management started deploying. In the latter, new language started to be used as a way to reset management-staff relationships. The new communication channels highlighted the growing wedge between both parties that led to communication fragmentation, which hampered managers' attempts to effectively implement the earlier structures meant to increase staff competences and performance. Bakkavor appeared to have suffered greatly from this maladaptation.

#### **5.4 Redefining staff's performance**

The Training Officer at Lagat in 2011 stated that management began to feel that they were left out of what was going on. Interestingly, the imposition of jobs on staff opened up possibilities for staff to interpret how these were to be performed, often with limited resources available to them by their higher-ups. Such fragmentation in the communication of performance led staff to (re)define a new set of activities and the types of attitudes they would require to be resilient in carrying them out successfully. The ability to improvise new techniques, to be tenacious in keeping their roles intact and to stick with the need to perform created a management-driven 'cultural divide' between the two parties. This led to the springing up of smaller 'groups', which saw the need to create their own identity as well if they were to help their firms survive. Such an occurrence was most pronounced at Bakkavor and Eden where managers were 'pulled into' a new 'them and us culture' of performance. Staff devised their own roles, which were in line with what they could competently do but were at loggerheads with what management had originally designed within the new structures. Redesigning the already redesigned structures enabled staff to heighten their performance capability and to show what types of attitudes and behaviours management had failed to spot as crucial. The modifications highlighted the need for interacting parties within the performance relationship to respect each other's dignity and competence as staff talked about 'confiding' to each other, other than those [i.e. work and performance structures] developed by managers, who no longer value 'our opinion' (Eden and Lagat staff).

#### **5.5 Performing under duress**

Despite such disagreements, management had developed a penchant to keep introducing new structures that they thought would highlight higher-order values of collaborative working, team-bonding exercises across departments in the hope that these would enhance greater efficiencies and thereby address their resource constraints. As counter measures, staff started conversations about the strictness of the mechanistic structures and discussed how they thought managers were treating them poorly. Staff started to each other outside of the structures and communication channels managers designed, which they felt were meant to 'constantly' monitor what they did via their supervisors and other team-leaders. To highlight

the seriousness of having to perform tasks under pressure, excerpts from Longhurst and Eden showed the urgency with which those with supervisory responsibilities felt they were obliged to meet the increasing nature of working to deadlines whilst adhering to performance and productivity targets. For example, whilst an Eden staff noted that 'the workload for them (managers) is colossal; managers don't know what a working week is like...but it's way beyond 35 hours; you see emails relating to work issues come at night and that's regular and very early in the morning, say at 6.30a.m.' and an Eden Manager stuck with the rhetoric of 'disciplinary procedures', a Longhurst manager identified 'to chart a new culture and new ways of working between....employees...in terms of how it works out, which way we want to go and how we want that way to be' whereas a Longhurst Manager noted how 'faced with the adversities, management appeared to rely increasingly on their power and 'disciplinary procedures...'

## **5.6 Showing resilient performance creativity**

Staff began to adopt management qualities as they designed and implemented tasks without their managers' knowledge. Their independence highlighted their competence in performing the required roles under pressure. They showed creativity when they teamed up with emerging groups that showed a contributory penchant and 'supported each other through various measures such as 'dipping into other people's roles to support staff' whilst 'wanting to have responsibility on the way things are going' (Bakkavor manager) and 'networking', (Lagat staff). Their ability to show competence at a time of crucial performance pressures highlighted the apparent management incompetence that they had to surmount in the face of resource constraints. There became a clear 'shifting' of the 'cultural' and performance 'divide' between the two parties, from one group that saw structures as the answer to each of the organisations' performance difficulties to another that sought to identify the actions needed to help modify their behaviours and contribute through both formal and informal means. By attempting to address communication only through formalised channels cemented the hierarchy-driven structures which staff had realised to be crucial in fermenting the sub-groups that were antithetical to management's performance plans (e.g. the use of ICT and a barrage of e-mails to communicate performance standards). This only led to a 'new culture' where 'the CEO has only spoken once to the business' (Bakkavor manager) and an increase in 'turnover figures' (Lagat staff) and 'them-and-us' type of performance divide (Bakkavor staff).

## **6. Strategic workforce resilience management model**

In the second stage of the presentation of the results, the previous section's themes are used to develop a Strategic Workforce Resilience Management Model. This is designed to help in answering this chapter's research question and be useful in addressing SMEs' human and financial resource performance difficulties. Two main aspects are worthy of note here. Firstly, the models' characteristics are embedded in a performance management process that is designed to deal with how people's behaviours could be modified such that SMEs' performance challenge is mitigated. This has not been attempted previously by proponents of HPO and HPWS [11, 13]. The model's four characteristics-set is expounded below to show what it could contribute to SMEs' performance.

The first aspect of the Strategic Workforce Resilience Management Model is rebuilding management-employee relations so as to repair the network relationship that Lin



and Lin [19] anticipated earlier. The 'them-and-us culture' and the need for management to 'push' staff highlighted a traditional management control approach [20], which damages employees' affective engagement with performance [14]. It was found that the ensuing blame culture only served to exacerbate the overall organisational performance challenge and its unsustainability [21]. As management were busy introducing additional work, they were also implementing communication and disciplinary structures in their attempts to minimise additional risks to performance [17]. However, such management practices did not promote knowledge generation and sharing capability as envisaged by Saunila [15] and Cerchione et al. [29]. Rather, employees started to turn to their sub-groups to develop more informal knowledge of how to resolve their knowledge development and innovation capability. It became advantageous when it was realised by both parties how performance depended on respecting each other's contributions at the micro-level if the macro-level performance problem is to be addressed. Likewise, it did not help when those in power tried to resolve matters from an HPO and HPWS's management interventionist perspective through structural imposition rather than providing collegial support to and adding to the resilience qualities of those whose performance may have been identified as wanting.

The second aspect of the Strategic Workforce Resilience Management Model highlights the need for both staff and management to agree on employment processes that clarify what each role category should be responsible to perform. Such clarification was lacking in each of the four SMEs, whose managers seemed to have adopted the HPO model. Despite the shortage of the requisite resources in line with Sardi et al. [11] and Shibin et al. [16], facilitating the implementation of teamwork, organisational planning and systems-wide change as recommended by HPO and HPWS enthusiasts became problematic. Staff's willingness to experiment with new ideas outside of the structural impositions and management control jeopardised the network relational aspect that Lin and Lin [19] consider crucial for organisational performance boost. Employees' shift towards greater clarification of and participation in each other's role boundaries also showed the need to go beyond mechanised communication practices and rigid workplace structures. The need to clarify expectations of what level of performance is needed for organisational performance viability as earlier anticipated by Thanki and Thakkar [27]. The urgency for both management and staff to agree on task redefinition and clarification helps in enabling the types of contributions that could foster Asamany and Shaorong [14] employee commitment to performance management measures.

The third aspect of the Strategic Workforce Resilience Management Model focuses on resetting an employment relationship which had been threatened by the performance crisis that the 4 SMEs found themselves in. This aspect of the model shows the central role that HRM professionals can play in revitalising performance and in mitigating against the financial and human resource risks [17]. Given that the four SMEs highlighted performance implementation measures based on the principle and belief of 'who is boss?' [24], such an approach stifles innovation capability [15, 61] and increases the wasteful use of already constrained resources [16]. Such additional damage to performance warrants an alternative to the HPO and HPWS models. The answer to this has been provided by employees who, in their desire to improve overall organisational performance started by establishing effective workplace relationships among colleagues at the micro-level in order to effect the critically important macro-level performance transformation that was missed by their management. They did so by diffusing their local knowledge and understanding of what works (or in other words, their ability to bounce back) in an effort to counter management's abuse of power and performance measurement controls through moribund team and workplace structural procedures with limited input from HR.

The fourth aspect of the Strategic Workforce Resilience Management Model highlights the need for HR professionals to go beyond the current focus on using organisational structures to review and repair damaged employment relationships as a result of a control, blame-based and ineffective organisational culture [20, 25]. Given the fact that management had underestimated the resilient capability of staff when they were trying to adapt their wider organisational performance to the volatility in their respective merger and post-merger acquisition situations, there is now an urgent need for HRM to include such an aspect in people management processes. It suffices to note that people's contributions are important but equally, if not more importantly, is the need to encourage and develop resilience building in all organisational members such that management and staff and their working relationships will become resilient to the performance challenge. Part of such resilience development involves an accommodation of innate personal preferences that people bring to work and performance settings. This can be done by both parties holding performance dialogues on how to tap into and make use of people's inner qualities to help HR to create a new workplace environment for higher performance individually and organisationally. This enables the development and sustenance of being able to 'bounce back' [30] such that performance is enhanced.

## **7. Strategic workforce resilience capability**

In the third stage of results' presentation, previous studies' emphasis on one level of resilience development either at the macro or micro level [62, 63] or micro-level [42, 48] has not been particularly beneficial for resourced constrained SMEs. Such previous scholarship's focus had left SMEs' management torn between which one they should tailor their resources to achieve and how they could bring about the needed innovation and knowledge management capability [12, 15]. In avoiding the unhelpful dichotomy between HPO and HPWS scholarship, the Strategic Workforce Resilience Capability is being propositioned such that resilience development is seen not only as a useful characteristic for managers and employees to have but also for HR to design programmes that systematically encourage organisations, businesses and their members to see the benefit of being resilient in order to achieve higher levels of overall organisational performance.

## **8. Discussions**

The proposed model has highlighted four crucial aspects/areas that have been neglected in High Performance Work, High-Performance Work Systems and Resilience Theory that would be beneficial to show how HRM can go beyond the application of structural mechanisms as recommended in HPO and HPWS. This will help to remedy damages in human performance, network and employment relationships [19]. The process identified from Aspect 1 to Aspect 4 features essential characteristics for such restoration. Whilst underscoring the need to improve traditional HPO and HPWS team related communication practices, this chapter highlights the importance of building resilience capability not just for the enhancement of management's competence but as also to facilitate greater HRM involvement in developing sustainable performance systems. The implications of such findings and the proposed model are discussed hereunder. On the theoretical level, whilst studies such as those of Shibin et al. [16] and de Araújo Lima et al. [17] have pointed to the significance of more effective use of human resources in order to mitigate against performance management risks, this chapter has identified how

to resolve the resource constraints associated with poor organisational It has done so by critiquing seminal works within the HPO and HPWS theoretical framework and offering not only practical solutions of how performance crises in 4 SMEs were solved but also a Resilience Model.

Theoretically referred to as 'Strategic Workforce Resilience Management Model', what has been added to HR theorisation is not only a model but also a process which shows the essential aspects that ought to be resolved when SMEs similar to the ones investigated here adopt the management-control type mechanisms in the implementation of HPO and HPWS's organisation of financial, knowledge and customer relations aspects [11, 13]. As highlighted in 'Strategic Workforce Resilience Capability', as the spin-off theory from the earlier developed model, both individual management and employee resilience characteristics, which have been critically neglected in HPO and HPWS theorising, are now recommended for inclusion in HR and performance management theorising. This is crucial to better understand the nuanced complexities of resilience within performance so as to help HR scholars realise not only their importance but also their usefulness in resolving overall organisational performance in a more strategic way. This chapter has therefore added strategic resilience onto HPO and HPWS's structures, as discussed. The model and theory highlight aspects that are vital for staff's high affective commitment as recommended by Asamany and Shaorong [14] but, more importantly, in ensuring the development of management competency. This will help to embed resilience in both parties.

On a practical level, the model can be used as a tool to help managers of small firms know which aspects of internal innovation capability [15] and external network relations development [19] are essential to foster the type of sustainability needed in the performance management of SMEs [21, 27]. de Araújo Lima et al. [17] risk management of performance, Shibin et al.'s [16] recommendation of the judicious use of human resources and the knowledge management aspects highlighted by Albassami et al.'s [28] and Petrov et al. [12] should be combined for the effective implementation of the innovation and organisational capability of the HPO and HPWS models. Within these are people's preferences, which management need to know and align to their overall organisation's performance objectives. Doing so facilitates not only an enhanced form of individual performance but also helps management and HRM incorporate these into their overall management capability plans. The additional element here is that HRM needs to go beyond simply developing staff competence through the usual training and development programmes, which echo the structural approach of HPO and HPWS, but to realise that achieving high performance also needs the development of people's resilience competence. This will help HRM to facilitate organisational and individual performance by tailoring their performance processes in line with both parties' requirements. One such area for doing so is HR's greater involvement in enabling bottom-up communication especially when cross-departmental working has become vital in tackling endemic, systemic performance difficulties. Such uptake will enhance staff involvement and engagement in performance issues and mitigate against resistance to resilience capability [22].

Methodologically, this chapter developed a model on how managers can not only adopt a strategic approach to managing performance but doing so in a way that also embeds employee resilience within a network of management and staff relations. It behoves of HRM professionals to recognise key human relational and developmental aspects of the model and to design new practices and processes for their implementation. The 'Strategic Workforce Resilience Management Model' is based on what both management and staff identified as crucial aspects that should be part of a performance management culture which also creates space for nurturing people's



resilience capacity especially in volatile merger and acquisition contexts. The model was not only based on employees' and management's statements but also on areas that the seminal works of High-Performance Organisation and High-Performance Work Systems had missed and the additions made through a critique of Resilience Theory. The systematic critical appreciation of performance management theory has led to the identification of not only adding to such theorisation but doing so in a way that helps HR professionals realise aspects that are needed to form an informed decision on how to achieve individual and overall organisational performance in a crisis context. Further evaluation of the model is provided elsewhere.

## **9. Conclusion and new directions for HRM**

High Performance Organisation and High-Performance Work Systems proponents had earlier provided what they thought would serve as the magic wand for overall organisational performance by targeting structural mechanisms that they think could modify staff's behaviour. However, the role that HRM had to play in this, if any, had not been properly dealt with by such enthusiasts. The critical examination of both performance management theories helped to highlight additional key aspects of people that needed to have been considered. Likewise, the data from 4 SMEs in the UK surfaced four key areas, each of which had aspects of resilience, whose inclusion in managing performance enhanced the possibility of effectiveness and efficiency at both the individual managerial and staff level but also organisationally. Its four aspects were therefore included not only in the proposed model of 'Strategic Workforce Resilience Management' but also is 'Strategic Workforce Resilience Capability'. Both recognise the need for management to develop such a competence if they are to address the problem of competence [24]. However, the study's findings recognise the need to go a step further. This shift from previous studies' emphasis on management competence and control over the performance management of SMEs to overall workforce performance capability has contributed to Saunila's [15] idea of innovative capability and Shibin et al.'s [16] idea of better and more effective use of human resource capacity. Although a critical evaluation of performance management theory reveals the essence of using structures [11] to enhance employees' commitment [14] the extent to which resilience theory can contribute to organisational performance 'comeback' has not been previously attempted. In order to contribute to this deficit created by structural enthusiasts of HPO and HPWS, this chapter has used additional aspects from resilience theorisation [25] to develop a new model that shows how HRM professionals can add value to performance management in SMEs.

The chapter used both management's and staff's experiences of performing under pressurised environments to abstract how they fared. The predominant theme was found to centre on using a bottom-up approach as it produced greater effectiveness in implementing the team-work, competency development and commitment qualities that High Performance Organisation and High-Performance Work Systems' enthusiasts had recommended. The bottom up approach highlighted something additional though. This centred on the possibility for HR practitioners and scholars to include resilience competency development in their processes such that a new way of conducting HR can be realised. A practical way of doing so is included in the four aspects of the model proposed here to help fill the overall organisational performance implementation gap in a way that yields greater effectiveness and facilitates sustainability as recommended by Ali et al. [21] and Thanki and Thakkar [27]. Therefore, HRM studies and practice should go beyond treating individuals merely as usable resources to drive performance but as a network of



relational beings [19]. Instead, this chapter is proposing the need to enhance not only staff's but also management's resilience competence and developing appropriate people management and resilience programmes as the one highlighted in the four aspects of the model to achieve this in practice. Still in keeping with the need for HRM to go beyond its current position of a structural approach to performance, future work in this area could investigate how specific resilience behaviours in supervisors, higher level managers and staff could be developed as a bespoke strategic management of people. Additionally, the emerging literature and scholarship also seems to suggest that HRM scholars' treatment of individual aspects of performance-enhancement measures from knowledge management (Cerchione et al. [29] to effective resource utilisation [11, 16] may need to be complemented with other aspects such as resilience development in order to mitigate additional performance risks [17]. The work continues...

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# AI-Powered HCM: The Analytics and Augmentations

*Kovvali Bhanu Prakash, Appidi Adi Sessa Reddy  
and Ravi Kiran K. Yasaswi*

## Abstract

Artificial intelligence (AI) is seemingly everywhere, red-hot right now, livewire and livelihood for everyone contributing \$15 trillion to the World Economy and amplifying Society (*Humans 2.0*), auguring Service (*Cyborg Concierge*) and augmenting Management (*C-Suite*). The waning of 'Enterprise Technologies' (R/3 Legacy Systems) and waxing of 'Dynamic Technologies' viz., Artificial Intelligence (AI), Deep Learning (DL) and Machine Learning (ML) reshaped, redefined and rewrite the concept of 'Human Capital Management (HCM)'. The 'Human Capital' has always been a top challenge and 'Human Talents' are ever scarce resources even today. The Human Capital Management (HCM) and Human Capital Intelligence (HCI) emerged as 'Natural Intelligence Science' for Chief Human Resources Officer (CHRO). The HCM Functions have been augmenting, 'app'ified (an application form) a nerve in a large, diagnosing and detecting problems, proposing the promising solutions. AI-powered HCM embedded into the workplace and transformed the workforce from doing digital to being digital, from centre driven to human-centric, from compliance and control to trust and empowerment. In dictum, AI and ML will be 'Bright and Shiny Objects' in the future reinventing Employee Workforce Analytics and redefining Employee Interface (EI) and refining Employee Experience (EX).

**Keywords:** AI, AR, CHRO, DL, ML, EC, EE, EI, EX, HCBA, HCI, HCM, NN, VR

## 1. Introduction

### 1.1 Information Technology parlance 'AI Powered HCM - The Start and Syntax'

Artificial intelligence (AI) is the new electricity and has a transforming power to change the way of life and walk of work [1]. The Intelligent Virtual Assistants viz., *Alexa, Siri, Google, Jovi, Knockout Bot* and *MiHCM*, permeate everywhere and every sphere of personal as well as professional life [2]. The growth of AI by 16.4% in 2021 (\$327.5 billion) year-over-year and expected to break \$554.3 billion mark with a five-year Compound Annual Growth Rate (CAGR) of 17.5% even at times of uncertainty, resilience and amidst COVID-19 promisingly send signals to human society that AI is always-on and always-me for the welfare, wellness and well-being of the human race at times of need and exigencies [3].

Artificial intelligence (AI) evolved from the realms of science fiction and emerged as a plug-and-play technology with immediate returns [4]. AI stimulates the human cognitive power by the application and adoption of Machine Learning (ML) (Python & MATLAB), Deep Learning (DL) (Caffe) and Neural Networks (NN).

The Internet of Behaviour (IoB) (Gartner), DNA Data Storage (Microsoft), Neuromorphic Automation (Intel), Quantum Computing (IBM), Hybrid Cloud (Oracle), Augmented Humans (Amazon) and Emotional Experiences (Pymetrics) are evolving and emerged as a few Proofs Of Concept (POC) for Gen-Nxt. The AI (1.0 & 2.0) and Analytics (*Diagnostic, Descriptive, Predictive, Prescriptive and Integrated*), Hybrid Cloud and Crowd, Digi-Assistants and Chabot's, etc., amplify the performance, productivity and predictive power of 'Human Capital' thereby winning the hearts and minds of the workforce in the workspace.

The digi-era is evolving into an intelligence era and 'Cloud' became the cornerstone for all intelligent enterprises. The waning of 'Enterprise Resource Technologies' (*R/3 Legacy Systems*) and waxing of 'Dynamic Technologies' viz., Artificial Intelligence (AI), Deep Learning (DL) and Machine Learning (ML) reshaped, redefined and rewrite the concept of 'Human Capital Management (HCM)'.

The ML and Neural Networks assess, develop and predict the cognitive power of 'Workforce' in a rationale and systematic manner. The prominent Neural Networks *inter alia* include the following: (i) Neural Networks and Multi-Nominal Logistic Regression Model [5], (ii) Seasonal Moving Average (SMA) [6], (iii) Artificial Neural Network Analysis (ANNA) [7], (iv) Artificial Neural Network (ANN) Choice Modelling [8], (v) Neural Networks using the Barone-Adesi and Whaley (BAW) American Model [9], (vi) Feed Forward ANN [10], (vii) Elman & NARX Neural Network and a Back-Propagation Algorithm [11], (viii) Artificial Neural Networks (ANNs), and Support Vector Machine (SVM) Models [12], (ix) Cloud Computing, Machine Learning, and Text Mining [13], (x) AI and Robotics [14], (xi) Feed-Forward Neural Network Model estimated with Backward Propagation (NNBP), and Feed-Forward Neural Network Model Estimated with a Genetic Algorithm (NNGA) [15], (xii) Probabilistic Neural Networks (PNN) [16] and (xiii) Artificial Neural Networks (Feed Forward and Back Propagation) [17] to deal with productive performance and effectiveness.

AI is seemingly everywhere, red-hot right now, contributing \$15 trillion to the world economy and amplifying the Society (*Humans 2.0*), Service (*Cyborg Concierge*) and augmenting Management (*C-Suite*). Industry-4.0 is augmenting, auguring and accelerating the power of AI and HCM embraced the algorithms of AI. Automation permeates everywhere and has a positive impact on work and the workforce. The digi-operations make the work more interesting, smart and simple and also providing opportunities for career advancement and enrichment [18].

## 2. Human Capital Management (HCM): the premiere

The phrase 'Human Capital (HC)' can be defined as the productive wealth embodied in labour, skills and knowledge and refers to any stock of knowledge either innate or acquired characteristics of a person [19, 20]. The Human Capital is an intangible asset and the most valuable of all capital assets measured in terms of the economic value of a worker's experience and skills [21, 22]. It has the attributes and competencies of a population along with physical and intelligent capital contributing to the economic productivity and prosperity [23–26]. The 'Human Capital' as always a top challenge and 'Human Talents' are ever scarce resources even today.

The 'Human Capital Management (HCM)' is a data-driven analytical function to resolve all critical issues and cultivate reasoning skills [27]. 'Data is the New Oil for Gen-Nxt' and without good data no planning and no modelling, no policy-making was made led to poor decisions either behavioural and/or policy [28]. The 'Human Capital Management (HCM)' evaluates the policies and practices of 'People Resource Management' that creates a value. People Resource Management is a



high-level strategic, investment and operational initiative that deals with the issues that are critical to organisational success and imply a causal link between people management and business success [29–31].

The HCM is about creating and demonstrating a value to an organisation by way of great people management with the great people. The HCM focuses on the set of practices related to ‘People Resource Management’ providing specific competencies and capabilities that create organisational value and meet the specific needs of an organisation [32]. These practices are related to (i) Workforce Acquisition, (ii) Workforce Management and (iii) Workforce Optimization. The HCM measures the value of ‘Human Capital’ in terms of stock of accumulated knowledge, skills, experience, creativity and other relevant workforce attributes for the purpose of ‘Organisational Development’ [33].

The Intelligent HCM (IHCM) architecture is based on AI, ML, Neural Networks and DL that deal with automation of routine HR tasks, deliver personalised experiences, and gain actionable and operational insights from HR Data Bank. The digitalization moves make a quantum leap in reinventing, redefining and refining the Employee Interface (EI) and Employee Experience (EX).

The centennial and one-time life pandemic COVID-19 will have a lasting impact on the future of work. The effects and strains of extraordinary challenge touch the human lens and confined the role of CHROs’ to mere ‘Listening’. The applications and adoptions of Human Capital Management (HCM) refined and reframed and HCM emerged as a ‘New Behavioural Data Science’ that considers and analyses the opinions, feelings and views of the workforce. During this grim and gloomy situation, the HCM brings out the best from the collective humanity with an objective orientation of transforming the organisations from inside out and the bottom up. The COVID-19 altered the working conditions and Work From Home (WFH) became the new norm to navigate organisations through uncharted territory [34–37]. The HCBA and Integrated Analytics (IA) leverage the power of the workforce in a real-time scenario and undoubtedly resolve all HCM issues in the realm of Human Capital Intelligence (HCI) [38].

### 3. AI-powered HCM: the architecture and applications

The ‘Assisted Intelligence’ is for today, ‘Augmented Intelligence’ is emerging and ‘Autonomous Intelligence’ will be for the future. The AI in HCM can be analysed from the (i) Basic Support Layer (BSL), (ii) Platform Framework Layer (PFL) and (iii) Domain Technology Layer (DTL) point of view [39]. Big data are the fuel for ‘Basic Support Layer’ and ‘New Enhanced Algorithm Model’ has greatly improved Machine Learning (ML) capabilities representing Deep Learning (DL). The Supervised Learning (SL), Unsupervised Learning (UL) and Intensive Learning (IL) are the outcomes of BSL. The software giants’ *viz.*, Google, Facebook, Microsoft, Baidu and Amazon, University of California at Berkeley and the University of Montreal in Canada have launched PFL-based DL Framework.

The SAP-HCM Suite deals with human efficiency by minimising the cost and errors and optimising the human solutions by implementing SAP-HCM Modules *viz.*, Organisational Management (OM), Personnel Administration (PA), E-Recruitment, Time Management (TM), Payroll, ESS (Employee Self Service), MSS (Manager Self Service) and Reporting [40].

The Accenture Audit and Compliance HCM App (Application) and API (Application Programming Interface) identify and address personnel data quality issues quickly. The extensive use of HCM app helped in attrition (15.2% decrease), internal job fill (13.7% increase) and productivity (5.4% increase) [41].

The IBM-AI-powered HCM Solutions *viz.*, IBM-Kenexa Talent Acquisition Suite, IBM-Watson Candidate Assessment, IBM-Watson Recruitment, IBM-Watson Talent Match, IBM-Talent Assessment Solutions can predict the attrition rate of workers with 95% accuracy and save nearly \$300 million in retention costs. It also identifies the new skills, education, job promotions and raises of the workforce [42]. The IBM-AI Powered HCM Solutions assess and develop 'Human Capital' competencies and capabilities today and tomorrow and pave the way for phenomenal transformations in the domain of HCM.

The Cognizant One-HCM Cloud Solutions enable HCM Organisations to move from Legacy Personnel Management (LPM) to Strategic Human Capital Management (SHCM) Models. The standardised processes, accuracy and accountability, a pace in implementation and lowering the cost of ownership, are the salient solutions of HCM Cloud.

The adoption of AI in HCM makes hiring 10 times faster and it increases retention by 25% and 25% more applicants are interviewed [43]. The chatbots, robots and virtual assistants are powered by business algorithms joining into the rank-to-profile of workers. The Advanced Deep Learning (ADL) Technologies reduce the burden of human capital deployment. The Natural Language Processing (NLP), face recognition (*Alipay*), voice assistants (*Apple Siri*, *Microsoft Cortana* and *Google Now*), speech recognition (*Amazon Echo*), and translation, and search engines, Q&A software, sentiment analysis and automatic answering are some of the AI Assistants and APIs' (*Application Programming Interface*) adapted by HCM Suite.

#### **4. Human Capital Intelligence (HCI): the applications and adoptions in HCM**

Human Capital Intelligence (HCI) is an 'AI-powered disruption in HCM' that streamlines the HCM processes for a seamless workflow and intuitive work environment. The HCM Functions have been 'app'ified, touched a nerve in a large, diagnosing and detecting problems, proposing the promising solutions. Leveraging the 'Cloud', the best AI-powered HCM-Solutions *inter alia* include *UZIO*, *Oracle HCM Cloud*, *Sage People*, *SAP SuccessFactors*, *ADP WorkforceNow*, *Workday*, *Rippling*, *Vibe HCM*, *Ascentis*, *Viventium*, *TensorFlow* and *eXo Platform* (<https://peoplemanaging-people.com>).

The digitalization moves make a quantum leap to reinvent the Employee Interface (EI) and refine the Employee Experience (EX) than narrowly focusing on Employee Culture (EC) and Employee Engagement (EE). The Integrated HCM Analytics, pulse surveys, wellness and fitness apps, design thinking and employee journey maps assess and predict the 'Employee Satisfaction' by customising HCM Apps *viz.*, Employee Net Promoter Scores, Work Day, SAP Success Factors, Oracle HCM, resulting the positive and progressive Employee Experience (EX), that is an emerging new phenomenon in HCM [44].

It is a high and critical time to customise algorithms by considering the 'Emotional Experiences' of Human Capital keeping in view the Agile, Augmented Realities (AR) and Virtual Realities (VR) [45]. Human Capital Engagement (HCE) yields positivity in all scorecards of work-life, performance and productivity [46]. The Pymetric Behavioural and Psychometric Tests [47] analyse, assess and predict the behaviour of 'Human Capital' physically, cognitively and emotionally and provide indelible analytical and operational insights based on the situation and scenario.

5. Human Capital Experience (HCX): a scintillating and exuberating experience

Human Capital Experience (HCX) (Figure 1) is a digi-transformative and intervention at times of uncertainty for Gen-Z CHROs’ to assess and evaluate the experiential needs of employees, customising work algorithms, configuring work processes and creating creative workspace. The HCX improves EE, optimises digital EX and holistically measures the employee performance and manage Employee Life Cycle (ELC). The deliverable positive outcome of an ‘Employee Engagement (EE)’ is ‘Employee Experience (EX)’ and the essence of EX is not only engaging the body of the employees but also touch the soul and mind [48].

The offering of perks at work, rewards and appraisals in between small and big moments to the workforce has become a source of pride and a competitive differentiator for companies vying for ‘Top Talent’. In a ‘Hybrid Cloud Platform’, the world of work makes the people to work better, deliver digital experiences and unlock productivity [49].

In a gig world, ‘Money’ is no longer the inspiring and motivating factor for ‘Gen-Z’. The physical, cultural and technological work environment, promising ‘Work Culture and Employee Experience (EX)’, is on the rise during the entire HCM cycle from pre-employment to exit en route recruitment, selection, onboarding, employee development, career management, performance management. The Employee Experience (EX) focuses on satisfying the experiential needs of the workplace and transforms the workforce into engaged employees. It is an integrated approach that deals with psycho-cognitive sentiments and intersects employee expectations, needs and wants with the organisational expectations, needs and wants, that is the relationship between the organisation and the employees. To sum up, EX is the sum of real and true feelings and expectations of the workforce about the world of work [50].

The Employee Experience (EX) emerged as a proven and easy-to-follow framework that helps to focus on the right activities and actions to improve the lives and livelihoods of bottom of the pyramid. The designing of an organisation with techno-cultural, physical environments encapsulate the inter-relationship between an Organisation and Employee Experience (EX), that is the real business value underlying ‘making employees happy at work’.

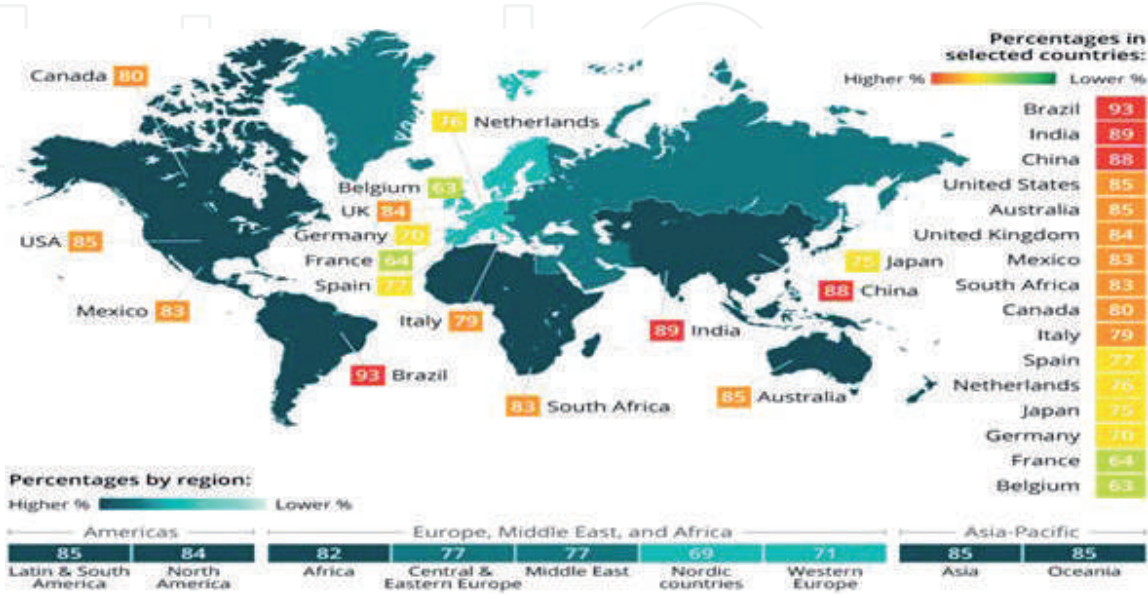


Figure 1.  
Global Human Capital Experience (HCX)—a Kaleidoscopic view. Source: Deloitte University (2017).



## 6. AI-powered HCM: the future directions and dimensions

Human Capital Management has been a critical issue across the globe. Human validation is still necessary because of high economic and social stakes [51]. AI is replacing and heavily enhancing low-skilled and repetitive jobs that do not require emotional capabilities. The AI-powered HCM solutions provide rich insights from sourcing to selecting, recruiting to resourcing, deployment to development, training to retaining, employee engagement to employee experience and enjoyment.

The future directions and dimensions for the successful adaption of AI in HCM solutions *inter alia* include the following: (i) aligning HCM Solutions at par with the strategy; (ii) boosting investments in analytics with a focus on the last mile; (iii) clarifying data ontology based on present and predictive analytics and creating cross-functional and collaborative agile teams; (iv) developing a data strategy with a strong data governance; (v) enable the process of deep data analytics by a tailored talent strategy and (vi) frontline empowerment make the analytics data-driven [52].

The future of AI-powered HCM applications focus on the following: (a) 'Data mining' as Decision Support System (DSS) in Performance Management, (b) 'Natural Language Processing (NLP) and Face Recognition' in Recruitment and Interview, (c) 'Robotics and Visual Scanning Technologies' in Training and Development and (d) 'Neural Network System' in Intelligent Salary Evaluation.

*Do not be a shoemaker with a bare foot. Be a do-able change agent, digi-disruptor, strategic player with the vision and intent.* The future of HCM lies in making 'Liquid Workforce' happy and healthy. A feel of joy at work, delivering happiness in the workplace, and enjoying with futuristic vision are the unique traits of 'Liquid Workforce (Gen-Z)'. The elephant room is gaining traction even the HCM is creating super jobs with human intelligence and sensitivity. Hence, the suggested strategies for exploring, experiencing and empowering HCM with AI-powered solutions are as follows: *Listen like a CEO, Speak like a COO, Read like a CTO, Write like a CFO and Act like a CHRO.*

## 7. Human Capital Management (HCM): a rethink, reinvent and redefine

Today, organisations are grappling with an unprecedented crisis that is fundamentally different from what they have ever experienced. In this hour of crisis, the HCM function has to be a catalyst in predicting change, co-creating a range of Scenarios and Planning (HRP & SP) for the future.

At this time of crisis, organisations must adapt Workforce Analytics for changing the ways of work, invest in the right IT infrastructure and build in structured mechanisms to institutionalise remote working. The working hours, work locations and even the work arrangements would become more fluid and make remote working to be an integral part of every organisation. Further, virtual working has faced the heat, therefore, mobilise IT infrastructure and set up data security protocols at a very short notice. In addition, focus on scaling up human productivity by building cost management options for the development of human capital.

The crisis is also forcing organisations to re-look at the HR processes and operations through a digi-lens that drive the future situations and scenarios (Scenario Planning). This will ensure not only the safety and security of the employees but the organisation's health. More than 70% of the organisations are now moving to virtual methods of 'Recruitment & Selection'. It is also the right time for CHROs' to recalibrate their priorities, focus towards managing remote workforce, digitalize the HR function and re-inventing workforce models [53].



An acceleration of future M&A, Nationalization and Glocalisation of companies will create challenges and rise in complexity for CHROs. There is a need to develop Agile Operating Models meeting the competition with deliverable solutions. The popularity of contractual jobs and freelancers is growing and it is imminent to workforce constantly upgrade and upskill to remain competitive. It is the right time to focus on Learning and Development (L&D) that make the employees future ready. Companies are doing Competency Mapping of their employees and exploring the possibility of transferring or re-skilling some of their employees to other divisions/locations wherever there is a demand or likely to have demand in near future due to the economic impact of COVID-19.

The devising and designing of HCM Guidelines from the head and heart, engaging human capital with human touch and spirit, introducing agile and augmented technologies, reskilling and reinventing HCM dynamics, imbibing confidence, inducing unbounded optimism for the welfare, wellness and well-being of the workforce under the decisive and reactive leadership undoubtedly redefine and reinvent the siloes and signatures of Human Capital Management, that is *the acta not verba and coup de maître of HCM*.

## Funding

The author(s) received no financial support for the research, authorship and/or publication of this article.

## Declaration of conflicting interests

The author(s) declared that no potential conflicts of interest with respect to the research, authorship and/or publication of this article. The rights are exclusively vested with the main author.

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# The Emerging New Order: Exploring New Ways to Build an Internal Gig Employment System for IT/ITES Organizations

*Debolina Dutta, Prem Mirchandani  
and Anasha Kannan Poyil*

## Abstract

The IT/ITeS industry has had an impressive growth trajectory over the past two decades. However, it continues to be plagued with talent shortages, managing employee satisfaction, and growth aspirations while trying to reduce employee attrition. COVID-19 has presented an unprecedented opportunity for IT Service organizations to transform the established paradigm of working. The industry has been exploring non-linear growth models that address the talent demand–supply gap. With skilled talent shortage continuing to limit the industry growth, non-linear initiatives of growth are urgently required. Based on the self-determination theory and the dynamic capabilities framework, we propose a model of “Internal Gig” worker (I-GIG) for the IT Services industry. The new I-GIG workforce would be providing non-linear outcomes without increasing costs significantly. We also argue that this model would be motivational for employees who opt for it, with commensurate reward motivations to engage them. Additionally, this model would enable the work-anywhere, anytime, and leverage talent availability on a global scale. We adopt a qualitative research approach to understand the mechanisms to institutionalize internal gig working, the potential issues such a system may face, and then suggest an internal and external enabling framework that organizations need to adapt to support internal gig work.

**Keywords:** gig work, employee motivation, flexibility, talent management

## 1. Introduction

India is emerging as a superpower, with a strong IT powerhouse and among the world’s largest five economies and over a billion potential customers [1]. Over the last couple of decades, the Indian IT industry has been a leading sector contributing to its economic growth. In 2017, the IT industry contributed nearly 8% to India’s GDP, providing direct employment to almost four million people and indirect employment to nearly 10 million people, and is approaching US \$ 200 billion by 2021 [2]. With over 500 global delivery centers employing over 600,000 foreign nationals, the Indian IT industry has established its IT and BPO services dominance. For the continuous growth of this industry, intellectual capital availability is key to

sustainable competitive advantage. Despite the burgeoning population, the workforce shortage in the IT sector looms large [1]. This constrains the Indian IT industry's growth potential exploring non-linear revenue growth models [2]. With skilled talent shortage continuing to limit the industry growth [1, 3], non-linear initiatives of growth are urgently required. The survival and success of the Indian IT industry in a post-COVID-19 world depends on how work is re-imagined, redefined, and the workplace is restructured accordingly.

COVID-19 has presented an unprecedented opportunity for IT Service organizations to transform the established paradigm of working. In the new world of work, the office building or factory floor is no longer synonymous with "workplace" [4]. With clients willing to embrace the "anytime, anywhere" working, IT organizations equip their employees with the required infrastructure support and enable their remote working with requisite changes in policies and incentives. Agility and resilience are fast becoming the most appreciated competencies of employees. An uptake in demand for IT and IT-enabled services will require IT organizations to add more employees with digital skills in the future, resulting in a skew between talent available and talent needed to support the industry. The World Economic Forum's recent study on 'Future of Jobs- 2020'<sup>1</sup> shows that 90.3% of companies will provide more remote working opportunities, and 87.1% are accelerating the working process's digitalization. 58.1% of organizations are accelerating tasks' automation, 67% are more likely to hire new temporary staff with skills relevant to new technologies, and 65% of organizations are likely to outsource some business functions to external contractors. In comparison, 56% are likely to hire freelancers with skills relevant to new technologies. The trend of hiring more gig workers is an outcome of the economic crisis and is stronger in the IT, data, and technology service sectors [5] where skill obsolescence and mass layoffs are expected. However, gig working is associated with significant risks of income fluctuation, career path uncertainty, social isolation, low psychological well-being, and increased psychological dysfunction [3, 4, 6]. The data clearly shows that the global labour market is shifting towards a new equilibrium in the ways of working and the division of labour. However, utilizing external gig workers does not solve the talent shortage problems plaguing the IT services industry. Additionally, these external gig workers add to the cost. Therefore, we explore a new way of working, which integrates facets of gig working, but within the internal workforce of an organization, thereby reducing the cost burden and alleviating the talent shortage problem.

Based on the self-determination theory and the dynamic capabilities framework [7], we argue that internal gig organizational processes will allow the industry to effectively and efficiently address the talent shortage. By embracing this opportunity with commensurate enabling structures, IT/ITeS organization can sustain their growth trajectories and retain a competitive advantage in a rapidly changing technology environment and shortage of qualified talent to support the growth.

The proposed new mechanism requires reconfiguring internal and external ecosystems and providing enabling processes. However, the challenges of institutionalizing this new way of working are not clear. Our study, therefore, adopts a qualitative research approach to understand the mechanisms to institutionalize internal gig working, the potential issues such a system may face, and then suggest an internal and external enabling framework that organizations need to adapt to support internal gig work.

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<sup>1</sup> World Economic Forum. 2020. The Future of Jobs Report.

## 2. Gig working

Gig working has been defined as “the temporary contract work that connects self-employed workers directly with clients via a digital platform” ([8], p 2). As alternative work arrangements are increasing, both in the variety of schemas and in numbers of people opting for them [9], gig work is emerging as a popular alternative to the conventional paradigm of regular employment. A gig economy is a free market system where temporary positions are common, and organizations hire independent workers for short-term commitments, fundamentally through a platform-enabled digital marketplace [10].

In the 2000s, the rapid transformations in information and communication technologies enabled the digitalization of the economy and the Internet and smart-phone popularization. As a result, on-demand platforms based on digital technology have created jobs and employment forms differentiated from erstwhile offline transactions by the level of accessibility, convenience, and price competitiveness. In general, “work” is described as a full-time worker with set working hours, including benefits. But the definition of work began to change with changing economic conditions and continued technological advances, and the change in the economy created a new labour force characterized by independent and contractual labour. The workplace is changing, and with it, the concept of the employee, the employer, and organizational relationships are becoming more complex [11].

Workplace flexibility arrangements have been categorized along the dimensions of scheduling work, locational flexibility, and flexibility of employment relationships [9]. The gig is the online mediated work arrangement that provides maximum flexibility on all three dimensions [8], along with individuals to create “mosaic careers” ([3], p 25).

With jobs becoming unstable, individuals opting for gig working may prefer it due to the high work autonomy, potential for work-non work integration, better management of career opportunities resulting in boundary-less, individualized, and whole life careers [3, 6]. On the other hand, risks associated with gig working involve uncertainty of work, sporadic pay, lack of benefits such as welfare and insurance, social isolation, and possibly less developmental opportunities and low psychological well-being, and increased psychological dysfunction [3–6]. There is also a differentiation in workers’ skills and qualifications and the types of platforms that populate these workers’ segments. Highly skilled workers are better equipped and more employable and can better cope with ambiguity than low-skilled workers [11].

The Covid-19 pandemic has significantly impacted people’s working lives and changed working arrangements for regular employment relationships. Flexible working hours and locations, temporary agency work, and newer forms of sub-contracted work, such as gig working, have emerged as possibilities [8]. Also, the growth in gig working is attributed to low entry barriers, increased technological advancements, and high levels of flexibility that enable workers to work wherever and whenever they like [5]. The pandemic has presented opportunities for individuals and organizations to explore the potential emerging schemas in work relationships, both short-term and long-term, which enhance flexibility and build resilience [8]. The current labor market is shifting towards precarious work, with the market’s composition and characteristics evolving rapidly [6]. Studies have indicated that workers are willing to sacrifice 8–20% of their income to maintain their desired flexibility of working anywhere and anytime [5]. The changing work arrangements have the potential to develop new paradigms that enable career development, address work motivations and behaviors, and help organizations



with multiple desirable outcomes of managing talent, increasing profitability, and encouraging flexibility in managing talent demand variability. Organizations are presented with an opportunity to alter their business models as employees expect more flexibility and an employment structure that advances with technology [12]. Practitioners need to be supported by academic research that helps understand the challenges and constraints of gig working and focuses on building more compatible HRM practices [11].

Basis this emerging context, the needs of the highly skilled workforce which is in short supply, and the business challenges of managing profitable growth, our study focuses on the following research question. How would IT and ITeS organizations build an internal gig ecosystem within their organizations? What external and environmental factors need to be considered to enable this? What would be the motivations and resistance to this new way of working by these organizations' internal workforce?

### **3. Theoretical premises**

Our study is based on the Dynamic Capability Framework to explain the need and rationale for organizations to adopt internal gig working and Self-Determination theory to justify the appeal of this new way of working for the permanent employees.

Competence, autonomy, and relatedness are the fundamental needs per Self – Determination Theory [13]. These needs' satisfaction leads to intrinsic motivation and psychological well-being [10].

Gig work, in its current avatar of temporary work undertaken by external workers, appears to be a prime example of a boundary-less work type, with low thresholds for crossing between platforms, lack of hierarchical reporting relationships, low geographical and time constraints, and high levels of autonomy in task selection [11]. However, the expected complete autonomy over where and when to work is still bounded, with the automation of decision making, new forms of control and surveillance, and regulated work arrangements, ratings, and evaluations [10]. Additionally, work and economic uncertainty and lower organizational identification reduce organizational commitment building and engagement [14, 15]. This dimension of external gig working does not align with the psychological need for relatedness and affiliation. This aspect may be needed for a high-skilled workforce. “Established findings on organizational leadership, identity, culture, or commitment may not be readily applicable to an emerging, dispersed, desynchronized, anonymized workforce” ([12], p 2). Constraints of the digital inter-mediating platforms create information asymmetries, which may turn into power asymmetries [10, 14].

The potential downsides of the technology-focused flexible, fluid, and short-lived gig working can be diminished by close work relationships and the advantages of traditional internal HRM practices [12]. While organizations may view gig working as an alternative to recruitment and selection of internal labor markets, they may be better served by developing policies and guidelines to support an internal gig work design. By considering job crafting, structural factors, and personal factors for internal employees while enabling gig-like flexibility, the relevant work characteristics of task autonomy, knowledge characteristics of skill variety and job complexity, social reputation, and self-efficacy can be maintained. Simultaneously, the negative aspects of an external gig working, uncertain career path, fluctuating income, psychological stress caused by social isolation, and lack of organizational identity are mitigated.

Theoretical developments in organization strategy and organizational economics recommend leveraging organization-specific factors to help provide a competitive advantage. By capturing entrepreneurial rents that stem from fundamental organizational level efficiency advantages, organizations can develop and exploit dynamic capabilities [7]. This approach focuses on “rents accruing to owners of scarce firm-specific resources” ([7], p 513). Applying the dynamic capabilities perspective to service innovation is recommended for service-oriented firms to retain their competitiveness [16]. Service organizations need to develop proficiency in service design and reconfigure fundamental elements of their business model. For IT/ITeS service firms, the highly skilled workforce is a source of competitive advantage. Rapidly coordinating and redeploying these internal resources would be an innovative response allowing organizations to renew competencies congruent with the changing environment.

#### 4. Method

Given our research questions’ nature, we adopted an explorative-qualitative empirical approach (involving in-depth and focus group interviews) for this study. Past studies have used qualitative methods to capture dynamic capability in organizations [16, 17]. The interview-based techniques typically focus on problems that are not immediately gullible, requiring unique exploration and analysis methods instead of descriptive and interpretive research using statistics [18, 19] and help understand processes not well explored. To build the correspondence between theory and data, we looked for replication logic to test for emerging theoretical insights [20].

Focus group discussions and face-to-face interviews were conducted to collect data for analysis. The focus group element approach helps evolve a collaborative inquiry to co-produce knowledge about a complex problem [16].

In the context of limited scholarship and understanding the plausible challenges and opportunities of internal gig working, we conducted initial focus group meetings with individual contributors and project managers from a leading IT services organization based in Bangalore to develop appropriate questions. This was followed up with in-depth interviews of 27 participants. One of the authors works in the organization, and the authors’ contacts were leveraged for the purposive sampling of the target participants. The main aim was to ensure that interviewees represented individual contributors, managers, and business leaders, had significant active work experience and tenure within the organization to understand the organization’s nuances, and a gender balance congruent with the industry representation. The interviews helped us understand the acceptance and challenges of setting up an internal gig platform and process. We interviewed these individuals as these professionals are the key informants [21], who can provide useful insights and minimize response errors. We established the informants’ credibility by capturing the overall evaluations of responsibilities and knowledge of the focal organization’s practices.

Among the 27 participants of the study, 9 were females, and 18 were males, the demographics of the population had given in **Table 1**. All the participants are from an engineering background with experience ranging from 4 years to 30 years. Among the participants, 13 had a total experience of more than 20 years; 9 had experience from 10 to 20 years, and 6 had 4 to 10 years of experience. Participants were selected across different functions, levels, and roles. The sample includes engineers, consultants, managers, heads, Assistant Vice President (AVP), and Vice Presidents (VP) of the various delivery functions.

Respondent	Gender	Experience in years	Current designation	Profile (Role)
R 1	Male	25	Vice President and Delivery Head.	25 years of Industry experience in Financial IT Services. Specialties: Product / Program Management, Global Client Management / Vendor Management Business Development, Implementation of Strategic Initiatives, Knowledge of Core Banking System and Digital Solutions
R 2	Male	25	Vice President and Delivery Head.	25 years of experience with domain specialization in Asset Management, Brokerage, Capital Markets, Mortgages. Responsible for business planning, strategy definition, sales support, Key client stakeholder management, delivery execution and leading key initiatives for the unit. Have ensured business growth in the unit at >20% for the last 5 years.
R 3	Male	24	AVP and Delivery Head	24 years of extensive experience in building teams and strategic partnerships across clients and partners. Incubated new ideas to build capabilities and develop differentiation in the market. Consistently over achieved business growth targets both in terms of revenue/profitability numbers and new account acquisitions. High Maturity project planning and execution, Open System, Project scientific estimation, Support Process - Transition.
R 4	Male	23	AVP and Delivery Head	26 years of experience in managing & growing large units, growing & nurturing strong client relationships and delivering complex programs. He is involved in various initiatives & forums at the corporate level. He is also a speaker in various international, national IT forums.
R 5	Male	23	Senior Delivery Manager	20 years of Industry experience in Financial Services, in solution design for new projects, driving automation in operations, facilitating new technology adoption, pre-sales execution, competency enablement, financials management, driving process efficiencies, and people management. Specialist in Informix and Product Development.
R 6	Female	25	AVP & Senior Delivery Manager	Specialist in digital, IoT, and cloud service offerings. P&L responsibility for running the Practice, which involves researching, creating, selling, and delivering Digital Engineering consulting and IT services and solutions in the field of IoT, Smart Workspaces, Smart Products, Operational Technologies, Contact Center, Unified Collaboration, ALM, CPQ, Knowledge-Based Engineering, Autonomous, Robotics, etc.
R 7	Female	30	AVP & Senior Delivery Manager	30 years of experience in Banking Basics, Cards Business, CICS, Claims & Policy. Specialization – Driving Transformation Programs for large organizations, Setting up COE's, Driving AI and Automation led transformation, Strategy, Consulting, and Program Management.

Respondent	Gender	Experience in years	Current designation	Profile (Role)
R 8	Female	22	Delivery manager	Experienced Delivery Manager with a demonstrated history of working in the information technology and services industry. Currently leading delivery for financial Industry vertical clients. Skilled in Business Process Design, Global Delivery, IT Strategy, and Management. Expert in Mainframe technologies.. Net Application Development, Cards Business Analysis, Quantitative Project Management.
R 9	Female	20	Delivery manager	Experience in management oversight of client engagements, global delivery of large transformation programs, global delivery of large outsourcing deals, people management, and pre-sales. Partnered with client leadership teams on complex Business/IT programs. Credit Risk Management, Enterprise Risk Management, High Maturity project planning and execution, Project value delivery, Quantitative Project Management, Regulations & Compliance.
R 10	Male	25+	Delivery manager	Has worked in Banking, Healthcare specializes in Java, Microsoft Technologies, Retail, Technology Consulting process. Experience in consulting and program management in diverse projects such as full-cycle implementations, roll-outs, version-upgrades, data migration, custom solution, and application maintenance. Have experience in anchoring large RFP responses such as IT outsourcing, Application Maintenance, Development factory, Implementations, and conversions.
R 11	Male	22	Delivery manager	Expertise in managing and delivering Digital Sourcing and Procurement Transformation projects enabled by SAP S4HANA, Ariba, and S4Fashion. Specialist in. Net Application Development,.NET Frameworks, High Maturity project planning, and execution, Quantitative Risk Management, Trade Life Cycle Management.
R 12	Male	20	Senior Project Manager	20+ years of global digital transformation experience. Managed and delivered multiple high-visibility ERP programs and other enterprise-wide initiatives. Sustained focus on AI/ML and automation. Detail-oriented while maintaining a big picture view. Extensive Agile and ITIL-based ITSM experience. Specialist in Core Java, High Maturity project planning and execution, J2EE, Oracle Database, Project scientific estimation, Quantitative Project Management.
R 13	Male	20	Senior Project Manager	A proven leader in multinational/multi-cultural teams in an international environment of IT consulting. Expert at simplifying processes, procedures, leadership. Strategic advisor for multiple clients, with a deep understanding of American, European, Middle Eastern, APAC, and Indian sub-continental markets. Safe, Agile certified. Banking Basics, Contractual Compliance process, Account Management processes and systems, OSDC Management process, Payments Business Analysis, Retail Supply Chain & Distribution.



Respondent	Gender	Experience in years	Current designation	Profile (Role)
R 14	Male	18	Senior Project Manager	Specialist in Equities, J2EE, Support Process - Due Diligence, Support Process - Transition, Sybase, UNIX. Subject Matter Expert in Global Template, Roll-out strategy, and management. He has established himself as a trusted advisor to most clients, helping them define their Green Field Implementation, Program Management, Operating Model, deployment planning, and Roll-out Methodology.
R 15	Female	15	Senior Project Manager	Specialist in DB2, Equities, Fixed Income Securities, Mainframe Technologies, Project value delivery. Experience in ERP implementation; eLearning web applications; Social Innovation, Grant-evaluation, Data systems & Enterprise-wide research, analysis; Business Intelligence; Enterprise-wide data-security.
R 16	Female	16	Project Manager	Specialist in Mobile development platform. Experience in building/Leading a world-class Global Support Team for APAC region & delivering very positive results over very offensive, demanding SLAs. SDH/ SONET/ DWDM network roll-out/ Implementation. Experience in working with a wide variety of customers, including private operators, government operators, & other private sectors.
R 17	Female	15	Project Manager	Diverse professional experience in Transmission Technologies and ASON Planning Tool like (1356 NT(ALU), NPS10(NSN), Huawei Modular & Core Director(Ciena) and TransNet(NSN). DCN and Sync Planning for Optical & Microwave Transmission Equipments. Managing Teams and creating a conducive work environment.
R 18	Male	18	Project Manager	Experienced in Global Agile methodology, Risk Management, Support Process - Steady-state, Test Data Management. Supply chain and manufacturing footprint design & restructuring, cost optimization, new product implementations, M&A, lean deployments, Talent development, Network design & Optimization, and Business Process Re-engineering.
R 19	Female	19	Project Manager	Accessibility Testing, Automated Testing, Test Data Management. Experience develops automation framework for across all platforms - Mobile, Web, and API. Experienced in tools/frameworks like Docker, TestRail, Selenium, Appium, Karate Framework, SonarQube, Android Studio, ADB, Xcode, Charles Proxy, BDD framework-Cucumber & Specflow, UI Automator, Postman, GIT, TestNG. People management and client management skills.
R 20	Male	13	Technical Lead	Full-stack developer with more than 9 years of experience in technologies like Java, ReactJS, SpringBoot, Spring Integration, Hibernate, and Big Data technologies like Hadoop, HBase, phoenix. Manage a team of technical consultants.

Respondent	Gender	Experience in years	Current designation	Profile (Role)
R 21	Male	12	Senior Consultant	HANA Functional Consultant with expertise in strategic sourcing, Operational sourcing, Order Management, Inventory Management, Inbound freight, and logistics handling. Worked extensively with Manufacturing & Distribution industries, having handled end-to-end SAP greenfield implementations and roll-out projects.
R 22	Male	8	Consultant	5+ years of experience in Building applications using Machine Learning algorithms and NLTK and Scikit Learn libraries for text classification in Python and Angular.
R 23	Male	8	Consultant	NLP experience of 7+ years with expertise in consulting on-Semantic search using Deep learning, Deep learning-based recommendation engines, Elasticsearch - search and recommendation engine, Applying AutoML
R 24	Female	7	Test Consultant	13 Years of Industry experience in Manual, Automation, and Functional Testing with strong domain knowledge in Financial Services and Retail (eCommerce, Merchandising, Point Of Sale), Peoplesoft HCM, Workbrain / Kronos Time and Attendance, Oracle Applications
R 25	Male	6	Technology Analyst	6+ years of Experience in Web Application Design and Development using Java, Spring, ReactJs, Material-UI, ELK. Working with client users directly to solve bugs in the system
R 26	Male	5	Software Engineer	Passionate Competitive Programmer. 5+ years of Experience in Data Structures, Algorithms, and Digital Electronics, in C, C++, and basic in Java
R 27	Male	4	Software Engineer	Experienced Developer in jdk tool called jVisualVM., ESAPI, Worked on Cobol to Pentaho transformations, Restful web services (JAX-RS), log analytics using ELK stack.

**Table 1.**  
*Profile of the respondents.*

Since much of this research is an exploratory analysis, the relevant research questions focused on the challenges, both internal and external in IT Service organizations and the managers' and leaders' perceptions of what was needed to accommodate this new working way. We specifically wanted to discover individual programmers' challenges and motivations in embracing this new form of working. We also wanted to understand the managerial and leadership issues, concerns, and possible solutions in building an enabling environment. A semi-structured interview was prepared based on previous external gig work studies; all the questions were open-ended. An in-depth interview protocol was used to explore the personal insights, viewpoints, and opinions that provided the flexibility and freedom to change the directions and explore additional paths. After selecting the participants, the purpose of the interview was clarified, consent was acquired from them, and confidentiality was assured. The time and place for the interview were decided as per interviewee's convenience and comfort. All interviews were face-to-face interviews, and a rapport was built at the starting to ease the process. All the interviews were voice recorded, and interviewers made personal notes. Depending on the interviewee's answers, some interview questions were skipped, and the questions' order was changed across research participants. While the interviewees were allowed to lead the conversation, many probing questions were asked to make an in-depth exploration of the topics. The average interview time was thirty to forty-five minutes. The interview transcription was done by one of the authors and comprised of 121367 words in total.

The researchers worked independently to develop their own clusters, representative statements and to complete the coding. While analyzing the data, we sought the help of our judgment, literature, and expert advice to explicate theoretical dimensions. The coding list was then exchanged among the researchers, the rationale for coding was explained and debated, and the next iteration of cluster/coding was developed. We also collected and examined expert reviews for all the categories to ensure that: 1) researcher biases are minimized in our analysis, and 2) the emergence of theoretical dimensions from the data. An abridged version of the findings is provided in the following section. Based on the constant comparison of data and theory throughout the data collection and analysis process [22], a framework emerged indicating how organizations foster ethical competence among their employees.

## **5. Findings**

All respondents agreed that Gig working was emerging as a popular mode of employment for individuals seeking autonomy and flexibility in the choice and time of work. The discussions with the respondents provided interesting insights into an internal gig working, as well as enabling and motivation for sustaining the same. Based on the discussion, four broad themes have emerged from the data: motivation to work in an internal gig, client support, and acceptance, systemic organizational enablers, the role of leadership.

### **5.1 Motivation to work on internal gig assignments**

Thirty-seven percent of the respondents indicated a keenness to adopt this new way of work, contingent on specific enablers. Interestingly, nearly all of the respondents believe that gig work will be a significant part of talent management practices and shape future ways of working. However, concerns were raised about the organization's support and commensurate incentives for taking on additional work.

Fifty-nine percent of the respondents preferred not to take on internal gig work and continue with the conventional system of one full-time assignment for the project's duration. The primary concerns were related to people and reward processes such as performance review authority, reporting and alignment, time allocation, and prioritization challenges between projects and their multiple stakeholder requirements. A few respondents felt that this way of working would increase working stress and work hours [23]. Fifteen percent commented on how flexibility in the work schedule could be more burdensome. While gig working enables the worker to work from anywhere, any time, it can lead to a tendency to work continuously [9].

*"Autonomy and flexibility can be acted as a double-edged sword if you ask me, while it enables you to work from anywhere at any time, it might also lead to a position where you work at everywhere all the time, it can actually rub out the line between your personal life and work life."*

*Respondent 21*

*"As it is, there is no fixed start and end of the day in our current projects. We jump when the client asks us to. Imagine having to do this for multiple clients."*

*Respondent 5*

*"If I work 3 hours a day for one project, 5 hours a day for another project, and 2 hours on the third, how would my performance evaluation be done? Some projects may finish in 3-6 months, and some may continue for over a year. How would this be factored into my effort and incentives?"*

*Respondent 8*

For the respondents keen on taking up internal gig work, the reward aspects of faster career growth, cross-domain and industry learning, and financial benefits were reasons for adoption.

*"If a project is on the emerging technology of interest or provides me a great learning opportunity, I would opt for this. It would enrich my resume, keep me relevant and employable."*

*Respondent 27*

Eighteen percent of the respondents highlighted the flexibility and autonomy of gig working as the most appealing factor. Flexibility in location, time, and employment relationships gives the workers a sense of control and power, which they value and appreciate. This reinforces studies on external gig working, where the autonomous nature of gig working helps workers decide the timing, set the goals, prioritize them, resulting in greater autonomy and need satisfaction for workers and retention for the organization [24].

While a few of the respondents felt that internal gig working was likely to enhance work stress and work-family conflict, they conceded the possibility that it may increase job satisfaction, organizational commitment, and job performance.

The importance of monetary rewards and the emphasis on the financial benefits of being a gig worker were not explicitly said to be motivational factors for working in the I-Gig. Fifty-nine percent of the interviewees admitted monetary benefits would not be a significant reason to enter to I-Gig even though it is an enticing bonus.



*"Even though monetary benefits from the internal gig is alluring, to me, the reason I will go for I-Gig would be the excitement of doing something different and more challenging."*

Respondent 8

Forty-eight percent of the participants suggested that gig working will enable them to have a mosaic career and leverage their skills and expertise in multiple streams.

*"In most of the projects, we are assigned to the project because we are available and have experience in that skill or domain. I-Gig will allow me to choose what skills I work on, apart from what the organization asks me to do. That way, I navigate my career direction. In a sense, I-Gig allows me to be the master of my fate, captain of my soul!"*

Respondent 18

## 5.2 Client support and acceptance

All respondents agreed unanimously that client acceptance and support were critical for enabling internal gig working. All the participants pointed out that being at the receiving end of the I-gig, clients might have particular concerns about security and privacy of their data, performance management of critical resources and the project, people management and movement in and out of the project, balancing I-gig autonomy and project on-time fulfillment as some of the concerns [25].

*"In many of the projects, the ultimate client determines who will or will not work on the projects, especially for critical roles. I would imagine that there would be significant challenges in getting a client to agree on either certain roles or a certain percentage of the project team as internal gig workers, not permanently dedicated to the client. Apart from security, compliances, and data privacy issues, clients may perceive this absence of commitment as a project risk."*

Respondent 19

Negotiations on the client service agreement and the work scope would require internal gig workers' contractual obligations to be agreed upon by all the parties.

Forty percent of the respondents also raised concern over how the organization and its clients would manage the I-gig employees' infrastructure. They also commented that specific policies and legal compliance should be fulfilled, which is essential to dispel the I-gig's precarious and uncertain nature [15].

*"There should be proper MSA SOW and other policies and contractual obligations to be fulfilled by both the parties. Otherwise, there will always hover an ambiguity, and that will affect every aspect of performance."*

Respondent 12

## 5.3 Organizational systemic enablers

Like external gig working, which is enabled through a digital platform [9], seventy-four percent of the respondents felt an automated platform was an essential

enabler to build transparent internal gig working. They highlighted different requirements such as transparency in project and client requirements, baseline skills and expert skill levels for selection to a project, automated and transparent performance feedback system, clear work time allocation and scheduling, virtual training, on-time reward disbursement, as some system enablers.

Sixty-three percent specified the instrumentality of pay commensurate with the effort, and rich reward and recognition schemes would be required for I-Gig's organic growth.

*"It would be great if the talent and demand generation platform could rank expertise levels, average feedback from client projects, just like an Uber platform does. That way, building a good reputation would get me more interesting projects apart from public recognition."*

*Respondent 12*

Eighty-five percent of the participants raised their concerns over reporting and peer relationships. Ambiguity on administrative reporting, how the work would be monitored, what kind of interactions and dynamics may have between the team members were created a foggy view and begot obscurity among the participants [3].

*"While I may have three project managers, who would sanction my leave or my travel approvals and claims? Would I need to get approval from all of them for my leave? What happens when two approve, and the other doesn't?"*

*Respondent 21*

The other requisites were proper training and mentorship, Employee Assistance Programs, and counseling sessions.

*"I anticipate that navigating the work relationships, managing multiple stakeholders, and delivering work across multiple time zones, industries and projects is like juggling 1000 balls all at once. People need to be trained on how to manage this. Additionally, there should be outlets for the stress created due to this. Special counselor and employee assistance programs are critical for employees to feel supported while they navigate this new way of working."*

*Respondent 17*

## **5.4 Role of leadership**

Leadership support emerged as a substantial factor for enabling I-Gig. The emphasis on the different approaches mentioned earlier and the relevant systems and processes put in place were most strongly influenced by leadership behavior. Seventy percent of the participants remarked that internal gig working was likely to be ineffective and unsuccessful without affirmative leadership action. Leaders have to be prompt and discreet and drive I-gig with affirmative targets. Clear outcome-based deliverables and adequate time need to be allocated by the leaders.

*"Many project teams hoard a critical or niche resource and are unwilling to release them for other projects. If such a person is opting for I-Gig, without leadership*

*mandating the move, the internal mobility and flexibility to work on I-Gig are not likely to materialize. Senior leaders pushing this objective is the only way that delivery managers below would release people for I-Gig."*

Respondent 25

The need for social affiliation and social identity is a big motivator for gig-working [12]. While this is available for permanent employees, thirty-three percent of respondents felt that I-gig employees' autonomy needs would happen only with leadership support.

*"I may want to work on I-Gig, see an appropriate opportunity on the talent demand creation platform, but unless the leader is carrying some target percentage, I may not be released by my immediate manager, my interest notwithstanding."*

Respondent 1

Finally, managing the client relationship and engagement was unanimously argued to the top leadership's primary responsibility. Therefore, getting client acceptance, negotiating financial terms, and enabling appropriate security, data privacy, and client compliance requirements were best managed by the leadership team.

*"Clients may agree if there is value appropriation. The leadership team can only decide on this. A project delivery manager cannot persuade the client without leadership support."*

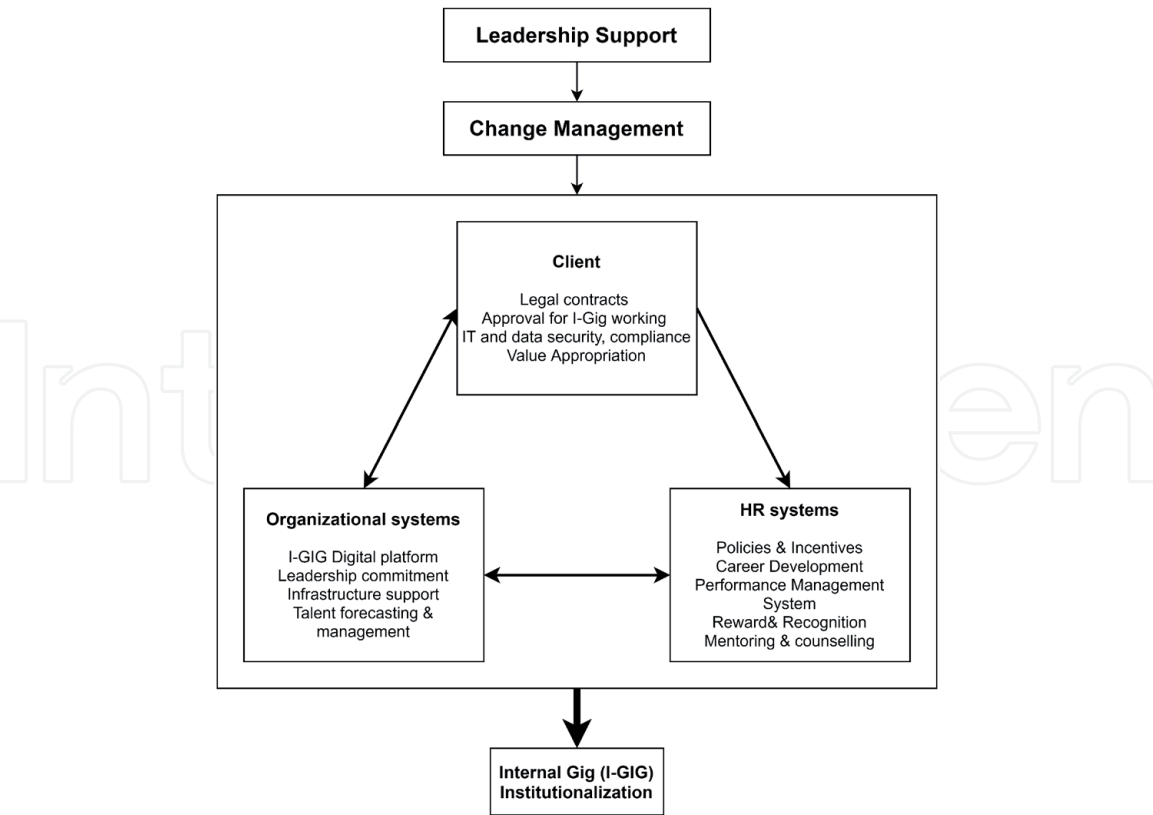
Respondent 14

## 5.5 Framework for developing an internal gig working

Basis the findings, we propose the model (**Figure 1**) to institutionalize internal gig working within the IT Service organizations. In other words, leaders can increase or decrease each of these activities' effectiveness and impact the alignment among them. The participants highlighted that not only internal fit but also external fit is critical. As a result, we positioned leadership as a link between the organization's desired state and organizational activities. This is consistent with the existing literature. For example, ([26], p. 458) suggested that leaders need to "articulate a vision that focuses on employees' attention on their contributions."

Since IT Service organizations cater to client needs, getting the client concurrence on inducting internal gig workers needs to be navigated. With concerns on the quality of talent, work accountability, data privacy and security, and mandatory compliances emerging as some commonly cited concerns, clients may resist this model. Additionally, if value appropriation is not managed in the service contracts, the clients may have no incentive to allow this model of working to flourish.

The IT Service organization has to set up an enabling ecosystem, including infrastructural support, gig-work internal market platforms, robust performance management, reward systems, career paths for I-Gig workers, and employee support systems to help employees navigate and adopt this. Not all employees may adopt I-Gig, but motivations may differ for ones that may experiment with this new way of working. The organization's HR practices would significantly shape I-Gig's adoption and acceptance in IT Service organizations.



**Figure 1.**  
*Framework for building and internal gig environment in IT service organizations.*

The success of institutionalizing I-Gig in IT/ITeS organizations would hinge on successful change management on multiple fronts. We argue that a weak link in any of these dimensions may derail the entire mechanism within organizations looking to adopt this.

**6. Conclusion**

The workplace is changing, and the concept of the employee, employer, organizational relationships are becoming more complex. Alternative work arrangements are increasing, both in various schemas and in numbers of people opting for them [9]. To sustain gig working, all the stakeholders should understand the challenges and constraints of gig working and focus on building more compatible HRM practices [11]. Gig working, as a phenomenon, has seen a significant recent growth trend. This can be attributed to low barriers to entry, flexibility, i.e., enabling workers to work whenever and wherever they like, made feasible by technological advancement [5]. However, the pitfalls of external gig working necessitate the exploration of new models of internal gig working. Internal gig working in organizations helps build connections and provide a broader purpose to individuals, establishing work identities and legitimacy, a sense of self-esteem, and security [4]. While these can be argued to enhance productivity and profitability, there have been studies to understand the challenges of building an enabling ecosystem within organizations.

Our study found that organizations need a multi-pronged approach to build an internal gig environment in the workplace. Internal gig working can emerge as a viable solution since the organizations can benefit from labour cost reduction, increased flexibility, enhanced scalability, and immediate availability of efficient labour [14]. Workers will also benefit from increased work opportunities that were not available before, low barriers to entry, and more flexibility.



The role of leadership in developing and incubating this system and orchestrate the appropriate change management is fundamental to the new order of working.

The three significant stakeholders in accepting and promoting I-GIG in IT and ITeS organizations are the clients, the IT/ITeS organizations, and their employees. We examined the potential concerns and suggest the commensurate mitigation for each of these stakeholders.

## 7. Client organizations

The primary concerns of client organizations revolve around Data and IT security, talent quality and availability, on-time project delivery, and project costs. For enabling I-GIG, clients may have concerns about how data privacy and confidentiality are maintained. The solution is to ensure appropriate rights, non-disclosure agreements, and robust IT security and infrastructure support enabled by the client and IT service organization, all of which can mitigate this risk. Many clients vet the quality of talent being inducted to manage the project delivery. The same practice may be continued for I-GIG working. However, IT service organizations may also provide assurances on on-time completion and quality standard of project delivery and circumvent the need for client interviews. The conventional models of project pricing (Time and Material, Fixed Price Project), may evolve to a more mature outcome-based pricing.

Additionally, value appropriation accruing from I-GIG working in the IT/ITeS organization may be shared with the client through changes in the master service agreements. This could incorporate a change in pricing for a certain percentage for I-GIG working in the client projects. With penalty charges enforced for project delays, a reduction in project costs is likely to be attractive to the client organizations since this model's risks would have been mitigated.

## 8. IT/ITeS service organization

The onus of making the I-GIG successful largely rests on the IT/ITeS organization.

- **Talent Matching:** The organization needs to set up an internal marketplace platform to make gig opportunities visible to the internal workforce. Most mid to large-sized organizations have well-developed talent management platforms, which leverage artificial intelligence and machine learning to manage the talent demand-supply coordination. Minor changes in this platform would make visible the talent demand to the workforce, allowing employees across all locations to apply as per their interests and motivations. Additionally, the platform would need to manage the time and work outcome allocation between projects for I-GIG workers so that they have the required flexibility to juggle multiple client demands.
- **Performance and Reward Management:** Conventional performance management systems are designed for a one-to-one project mapping of employee and client projects. With I-GIG workers simultaneously engaging with multiple projects of varying durations, the performance management system would need to align with this one-to-many I-GIG to project relationships. The same talent demand-matching platform may be enhanced to provide performance management and reward disbursement, akin to the Uber platform. Client

feedback and IT/ITeS organization managers can jointly review the performance after completing the gig assignment.

The reward system of successful completion may also be linked through the talent management system. This incentive may be separate from the annual variable pay mechanisms. Hence, the aspect of instant gratification would appeal to the I-GIG workers. Additionally, training needs and client and project inputs provide a robust feedback mechanism, enhancing individual motivation for continuous learning. Lastly, the platform may also be developed to publish the “rank” of the I-GIG workers, similar to Uber’s reputation score. This may serve as a robust mechanism for improvement for the I-GIG workers. Clients may prefer high-ranking I-GIG workers for more prestigious projects.

- **Change Management for I-GIG adoption:** Apart from enabling client buy-in for I-GIG working, enabling commensurate infrastructure, security, and compliance adherence, the organization needs to create support for the I-GIG working. This starts with the leadership team promoting I-GIG working and taking affirmative targets to increase I-GIG working within their teams. The organization also has to celebrate I-GIG success stories to demonstrate its benefit to the larger organization. This is likely to enhance adoption, with other employees seeing the faster growth and learning trajectories of I-GIG workers.
- **Career and Talent Management Support:** I-GIG workers may need additional training to balance work flexibility, time management, and multiple stakeholder management. Apart from this, employee assistance programs would be required to help them manage any associated stress. Furthermore, proactive career counseling and guidance to help them map assignments aligned with their aspirations will be critical for I-GIG employees to feel they are truly empowered in their career decisions.

HRM challenges of an internal digital gig working platform include the ease with which the employees can leave the platform and manage workers’ supervision [10]. The sustainability of the internal gig platforms depends on workers to self-motivate and would be significantly enabled by a supporting ecosystem, which would address their motivations and needs. Internal gig workers’ self-motivation is expected to address retention and supervision issues as employee motivation directly links to several desired organizational behaviors. However, the “Autonomy paradox” [25] continues with internal gig workers, who, while demonstrating autonomy over where to work and when to work, still they are bound to some level of new forms of control and surveillance, with the internal organization policies and client mandates, influencing who, what and how much of internal gig working can be supported.

If 5% of the employee base takes on I-GIG working, the direct impact of enhanced productivity and better utilization is likely to yield a 1% increase in EBIDTA. For the top four IT service companies in India, with revenues of \$122 Billion, this would produce a whopping \$ 1.2 billion increase in profitability. Assumptions on the monetized indirect costs of reduced attrition, continuous upskilling, higher engagement, and reduced recruitment costs yield a conservative improvement of 0.5–1.5% increase in operating profits. Based on the I-GIG program’s success, organizations can further seek to reduce their contingent workforce and increase the permanent workforce utilization. This can address the variability in skill needs, also increasing the profitability for the organization.

While the above estimates have been made for the IT-ITeS industry, I-GIG as a concept could be applicable to all knowledge workers and industries where revenue is linked to client billing. Hence, consulting, audit, and knowledge management services could also benefit from adopting I-GIG. However, these organizations may not have well-evolved talent demand–supply matching IT platforms. The existing IT/ITeS service organizations may also productize their platform to make these available as a platform as a Service (PAAS) model. This could yield additional revenue to the IT firms.

Although some may consider using internal gig workers to be an alternative to the recruitment and selection of external labour, HR departments should still consider employee preferences in terms of their interests and motivations. Rather than relying on individual managers to determine which roles are appropriate for gig workers and which digital platforms to use, HR departments can develop policies or guidelines for what tasks are appropriate to I-Gig and which tasks are more suitable for full-time in-house employees.

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# Exploring Critical Factors for Innovative Capacities: A Life-History Research

*Christine Benna Skytt-Larsen and Høgni Kalsø Hansen*

## Abstract

A large volume of literature within human resource management studies and related disciplines suggests that innovation and learning are key factors for economic growth in the knowledge economy. Yet, surprisingly little is known about the key actors in this process – the inventive actors – and the factors that influence their innovative capacities. Information about individual inventors is difficult to obtain and therefore previous research has refrained from performing systematic empirical studies on this topic. Existing studies are often based on quantitative analyses of patent data, and empirics often focus on specific industries or technologies. Such studies provide great knowledge of the importance of specific patent takers for innovation and the knowledge economy; however, patent data do not provide information on influential factors on the innovative capacity of inventors and therefore do not provide any explanation concerning what it is that creates successful inventors. In other words, what we have is knowledge of patent takers in specific industries or technologies, but we lack an understanding of the socio-cultural factors and environments that shape individuals' innovative capacities. Analysing the life-histories of three inventors allocated into three distinct ideal types, this chapter aims at understanding the links between socio-cultural factors and innovation. Life-history research through in-depth interviews provides a rich quantity of narratives and recorded experiences serving as a springboard for more comprehensive understandings of the actors, networks and events that influence innovative capacities.

**Keywords:** innovation, innovative capacity, inventors, life-history research, inventors, socio-cultural factors

## 1. Introduction

The aim of this chapter is to explore how different socio-cultural factors influence innovative capacities of individual inventors. When exploring innovation, the human resource management literature have primarily focused on the management of organizations or organizational culture [1–3]. Meanwhile, individuals' background and upbringing is a theoretical and empirical blind spot, even though other disciplines, such as sociology and psychology, have shown that family and upbringing are key indicators of human and social capital known to be influential for individuals' general capacities [4–6]. As Lin and Sanders writes “research on

*individual creativity and innovation has typically drawn on psychological theories to examine employee knowledge, skills and motivation as the antecedents of innovation (...) whereas research on organisational innovation comes from an intellectual capital or knowledge management perspective. The disparate literature leaves researchers with a rather fragmented picture” [7].*

Innovation is a process that draws upon the social context in two distinct ways. First, inventors, as individual actors, are likely to be influenced by their social environment. Consequently, they may perceive innovative opportunities in a manner that is influenced by their upbringing. Secondly, the social capital of an individual is likely to influence behaviour; consequently, social capital influences the essential nature of the innovation process. Thus, we argue that using life-histories to explore critical socio-cultural factors of individual inventors will enrich research within human resource management with an opportunity to also understand some of the deeper processes of innovative behaviour.

Well aware that it may be difficult to evaluate the effect of socio-cultural factors, this chapter suggests that in-depth life-history interviews with individual inventors concerning their family backgrounds, upbringing, education and workplaces will provide detailed knowledge of the socio-cultural factors that influence inventors' innovative capacities. The innovative capacity of an inventor can be defined as their ability to come up with creative and marketable solutions to specific problems. However, as register of inventors is virtually non-existent, such a definition is difficult to operationalise for research purpose. Thus, this study applies listed patent takers as a proxy for innovative capacities. The argument for this is that patent takers at some point in life has invented something that is so different from what existed before that it can be granted a patent. Patents are not necessarily the most optimal way of measuring innovative capacities, as it can be very biased towards industries or products. However, patents are a relatively rigid indicator of an innovative activity. Thus we identify inventors by defining whether they have applied for and been granted a patent well aware that a substantial number of innovators will not be captured using this demarcation.

## **2. Theoretical framework**

In our time, the striving for the next successful innovation is the greatest of all. Consistent with this argument, an increased number of disciplines have perceived the understanding of the processes of innovation as a key concern. Human resource management (HRM) research has primarily focused on understanding the factors that can contribute to building innovative organizations [1–3]. Here, focus has predominantly been on top-down models, arguing that factors such as organizational climates [8] in which employees feel psychologically empowered are key [9]. In disciplines with an interest in regional studies, however, the question of how institutions and institutional relations influence the process of innovation has attracted attention. For example, see [10, 11]. However, as Törnqvist showed in his studies of Nobel laureates, “it should be emphasized that it is those individuals who are part of a physical or institutional milieu or who belong to a network that actually found the preconditions for a creative process” [12], and *not the milieu per se*. Still, only few examples of solid research explore how specific socio-cultural factors influence individual actors' behaviour. Complementing Törnqvist's extensive work on the time-geography of Nobel laureates [12, 14], Skytt-Larsen's exploration of the life-histories of Swedish patent takers [5] and the analysis of the impact of social and human capital resources on creative abilities [6], as well as Ejermo and Hansen's study of the influence of location history on individuals' future inventive



capacities [15] are significant contributions to this understanding. Further, a limited number of laudable studies on the relation between institutional factors and the capacity of actors can be identified. Among these, important contributions come from Johannisson's research on social networks of entrepreneurs in a regional context [13], Huggins and Thompson's research of the impact of community culture on the resilience of entrepreneurial activity [16], Fritsch and Wyrwich's study of the regional culture on the persistence of entrepreneurship [17, 18], and Schmitt-Rodermund's exploration of the role of the family in the process of becoming a successful entrepreneur [19].

Exploring the trajectories of former Nobel laureates in time and space Törnqvist shows that home environments and schools influence creative capacities [12, 14]. Studying the influence of the local environment on the propensity of actors becoming inventive Ejermo and Hansen argue that the institutional fabric of the early childhood and a high density of future inventors in the place of birth has a significant positive effect [15]. In addition, Skytt-Larsen alludes to the early childhood, especially the educational backgrounds or creative skills of parents and grandparents, the social relations in the actor's final education and the organizational structures in the workplaces as highly influential for the development of actors' innovative capacities [5]. In another work, Skytt-Larsen further reveals that the socio-economic position an actor is born into strongly influences the nature of his or her future creativity [6]. All of these conclusions correspond to earlier studies on entrepreneurs where researchers working in different empirical settings conclude that actors raised in regions rooted in an open-minded entrepreneurial culture are more inclined to become entrepreneurs themselves [13, 16–19].

Accordingly, all of the abovementioned theoretical arguments stress that innovative capacities of actors are dependent on the environments they engage in during their lives. Thus, we maintain that examining the socio-cultural factors in early childhood, educational, workplace and inventive infrastructure provides valuable insights into explaining innovative activities. Well aware that it may be a difficult task to evaluate the effect of specific socio-cultural factors on the development of an individuals' inventive capacity, this chapter suggests that in-depth interviews with inventors concerning their life-history provide detailed knowledge from the key actors in the process of innovation of what they consider critical factors for shaping their innovative capacities.

### **3. Data and methodology**

A critical issue in any qualitative research design is the trade-off between depth and breadth. As the primary aim of this chapter is to explore the links between socio-cultural factors and innovation capacity, we emphasize depth over breadth by interviewing a small number of diverse inventors about their life-histories. This is a less known approach to HRM research but it is highly valuable and relevant as it lets the respondents tell the narratives of their lives and gives them the opportunity, as completely and honestly as possible, to reflect on and describe the socio-cultural factors which they themselves believe to be critical to the formation of their innovative capacities. Thus, as argued by Geertz [20] we agree that the value of a research design lies in its capacity to provide insights, rich detail and thick description.

For this research, a database combining patent data with demographic information about all residents in Sweden was constructed. Based on the database, a list of inventors was extracted stratified by gender, age, geography, sector and technology. Three hundred corporate inventors who have been involved in at least one patent during their life-course were invited to an in-depth life-history interview, of which

23 agreed to be interviewed. To prevent biased findings, the sample of respondents is diverse, varying in age, education, profession, number of patents and formative background. This is in line with Henderson who argues that being perceived as an inventor by yourself or others has much more to do with your work activities than your corporate job title [4].

Eighteen face-to-face interviews were conducted at the workplaces of the respondents, in their homes or in a hotel lobby or cafe, while five interviews were done by phone. The interviews lasted between one and a half and five hours and were conducted between November 2013 and April 2014. The interviews were explorative and narrative, and all were initiated by the interviewer stating the overall purpose of the interview, namely to understand the relations between socio-cultural factors and innovative capacity. Guided by a list of open-ended questions addressing the respondent's family background, upbringing, education, social networks and the nature of their inventive work, the interviews gave the respondents the opportunity to describe and reflect upon events, actors and communities in their lives, which they themselves believe, have influenced their innovative capacity; that is their ability to come up with creative and marketable solutions to specific problems.

Like the methodological approach, the analytical approach is explorative. All interviews were audiotaped and transcribed. The transcriptions were used to develop the respondents' life-history narratives with focus on 'critical incidents' [21] and 'turning point events' [22] that the respondents stressed as important for the development of their innovative capacities. Thereafter all narratives were analysed to find illustrative relations between socio-cultural factors and innovative capacity.

Based on Skytt-Larsen's descriptive ideal types of inventors [5], this chapter presents the analysis of three inventor's life-histories. These are presented to explore how socio-cultural factors influence the innovative capacity of distinct inventor types. This reflects the need to provide rich detail and description as presenting all the life-histories collected would take up too much space with little added benefit [20]. The three life-histories nonetheless represent contrasts in respect of both gender, age, affiliation with companies, upbringing and of innovative capacity. Consequently, they are exemplars rather than representatives of the whole population of inventors and are included to enrich HRM research through a bottom-up perspective on innovation.

In respect of its limitations, the study relies on the responding inventors' narratives of their life-histories and thus on their memories of their life-time experiences. [23] has outlined the accuracy flaws inherent in study designs that rely on retrospective recall, and [24] stresses that a researcher must be aware of the problems of generalising from life-history narratives as these may be vitiated by systematic omissions or normative conceptions of 'the good life'. Nevertheless, it is the authors' belief that this method can add value to HRM research on inventors and innovation because of the longitudinal and explorative character of the approach. Especially in this chapter, where the objective is to understand the key actors in the innovation process, namely the innovative actors themselves, and to elucidate important relations between socio-cultural factors and innovation.

## **4. Empirical analysis**

### **4.1 Bengt: a workshop inventor**

Arguing for the importance of the educational setting for the development of social and human capitals, [5] defines workshop inventors as inventive actors with

no formal education except from elementary or high school. Bengt, a retired test engineer from southern Sweden is a great example of such an inventor. Working his whole life as a test engineer at one of the largest packaging manufacturing firms in Europe, all of Bengt's inventions has been developed related to his work. Therefore, Bengt considers himself more as a problem solver than an inventor. Bengt holds eleven patents.

Bengt describes his childhood as warm and safe. His father was a tinsmith with his own workshop; his mother was a homemaker without formal education. They lived under straitened economic circumstances, which he explains as being critical for the development of his innovative capacities: *"My father and my grandfather were both great craftsmen. My father had a workshop at home. He was genuinely a 'Mr. Fix It' who did almost everything by himself. In my childhood home, we always talked about how we could improve things, and we created many things ourselves. I must say that my father and my grandfather have been great inspirations for me"*. This is in line with Henderson, Skytt-Larsen and Törnqvist who all found that actors who were raised with the opportunity to work with their parents or extended family on creative projects were encouraged in developing early inventive behaviour that proved invaluable in a later inventive career [4, 6, 12, 14]. In addition, echoing research on entrepreneurship [16–19], Skytt-Larsen also found that an intergenerational transmission of innovative values and behaviour was seminal for developing the anatomy of a workshop inventor [5].

Finishing elementary school, Bengt went to technical high school for three years, and thereafter he went to the army for one year where his knowledge about steel from his father's workshop came in handy as he was assigned to repair and test the machinery. These competences were key in starting his career as test engineer as he was also hired to test the machinery at the packaging firm.

Bengt describes the collegial environment at his workplace as critical for his inventive capacities: *"...we shared the same passion for our job, and often we worked after hours on inventive ideas to solve a problem we identified during working hours. When we finished sketching an idea we showed it to our manager – and if he liked the idea, which he often did, we were granted extra time to finish the idea and work out a patent application"*. This is in line Skytt-Larsen who concludes that social networks of non-judgemental colleagues are seminal for this type of inventors [5].

In today's society, the workshop inventor is becoming an increasingly infrequent type of inventor, and hiring of labour is often associated with documented capabilities. Thus, with limited schooling and formal skills the chance to take on a position as a test-engineer is rather rare today. Hence, the clear workshop approach, stimulating curiosity, fixing sudden problems etc. will probably be less pronounced in the future landscape of inventors, but probably be present in a combination with more formal training as an important variable, and therefore understanding this type of inventor is still relevant for HRM research.

#### 4.2 Daniel: an engineering inventor

According to Skytt-Larsen, engineering inventors are innovative actors with a technical university degree who work with engineering technologies in their everyday work life [5]. A great example of this type of inventor is Daniel, a thirty years old engineer working as a senior researcher in a large telecommunications company in Stockholm. He describes himself as "quite a decent inventor" with more than 10 accepted patents and about 150 filed patent applications related to telecom, all co-invented with a group of international colleagues.

Daniel was born and raised in Karlstad, West of Stockholm the capital of Sweden. His father was a technical trained network planner working in the



telecommunications industry, as did his uncle, while his mother worked as a medical secretary. As a child, his father and uncle's interests in their work instilled a great interest into technology for Daniel. His father also has five patents in connection to his work, and in the fifth grade, Daniel performed an internship at his uncle's workplace.

Even more important for the wakening of his interest into science, and thus for the development of his innovative capacity, Daniel stresses a specific event in high school: *"In high school we had a math test which showed I was the best in class. I didn't realize that before. Then I was chosen to be tutored by a retired professor of math and physics with a few other students. We were given other assignments than in class. This has been of great importance to me (...) this was when I decided to become an engineer."* This corresponds well with [25] on the importance of investing in education for *"...a small number of exceptional people who can think creatively"*.

Törnqvist claims, *"creative capital has better prospects of growing in an egalitarian than in a hierarchical organization"* [14]. This is substantiated by Skytt-Larsen arguing that a nice collegial environment, colleagues and managers with a non-judgmental approach to new ideas and an egalitarian structure in the workplace are seminal factors for engineering inventors [5]. In the same manner, Daniel argues that the Swedish work culture of low hierarchies is great for the development of innovative capacities: *"it is important for managers to trust in employees' own responsibilities and abilities and I believe that it is actually mandatory when innovation is the goal. At least that is my own experience"*. This emphasizes that supplementing the institutional environment in the upbringing and during education; cultural norms and values at the workplace such as flat hierarchical structures play important roles for the development and enhancement of innovative capacities. Intra-firm structures are often based on the norms and values of a firm's place of origin, and therefore this finding demonstrates that places and the norms and values that places represent can also be vital in understanding innovative capabilities.

### **4.3 Eva: an academic inventor**

Eva, a biomedical scientist with a PhD in clinical bacteriology is an exemplar of the academic inventor type [5]. She has established a probiotics research company in which she works as CEO and research manager, further she is affiliated with the local university where she acts as external lecturer and supervisor. Eva describes her inventive driving force as her continuous aim at helping other people out. She holds 12 patents related to medicine and biotech and considers herself more a researcher and entrepreneur than an inventor.

Eva grew up on a farm in northern Sweden, her father had a degree in veterinary science, but worked full time as a farmer while her mother worked part time at the farm and part time as a teacher in the local business school. Reflecting upon how her formative background and upbringing influenced her innovative capacities, Eva says, *"Growing up on a big farm taught me a lot about driving a business, which I think has been helpful in starting up my own company. Moreover, and even more important for the formation of my innovative skills, I think, I have always been very competitive and my parents were always supportive in that and encouraged me to go to university and fulfil my dreams of becoming a doctor"*. Eva's reflections correspond well with Johannisson's reflections on how an upbringing in an entrepreneurial environment has a positive impact on oneself becoming an entrepreneur [13], as well as Ejermo and Hansen's conclusions on the positive impacts of academic backgrounds on future inventors [15].

Eva's competitive spirit and industriousness were also critical during her time at university where she felt that being a woman necessitated that she had to work twice as hard for her aptitudes to be recognized by her male co-students. However,



her PhD supervisor kept on encouraging her and invited her to conferences where she started networking with international peers; specifically she stresses a specific conference: “there I met some amazing researchers that made me realize that I was doing the right kind of research, that it was cutting edge, and that I should continue what I was doing”. This echoes Törnqvist who, when discussing the importance of educational institutions in the development of Nobel laureates’ creative capacities, argues “...it is not the actual institutions themselves that are of interest, but rather a few individuals who are or have been active at those places” [11].

Finally, Eva stresses her role in different boards, her wide international network in both academia and business as well as her wide personal network as critical for the continuous improvement of her innovative capacities.

#### 4.4 Critical factors for innovative capacities

The life-histories of Bengt, Daniel and Eva all show that regardless which inventor typology they subscribe to, upbringing is critical in the development of innovative capacities behaviour, and that the intergenerational transmission of knowledge and skills is important regardless of socio-economic position. This conclusion sustains former findings on both inventors [4–6, 12, 14, 15] and entrepreneurs [13, 16–19], who all found that an open-minded and supportive childhood was an important base for actors’ future capacities.

For Bengt, as a workshop inventor, parental artisan skills were stressed as an important factor, while the educational background of the parents played a critical role for both Daniel and Eva, representing engineering and academic inventors respectively. Daniel stressed that the education and career paths of his father and uncle have been an important source of influence over his innovative capacity. This finding is not so surprising given that many previous studies have pointed to the connection between the educational background of the parents and the choice of education of the individual of interest; see for example [5, 6, 12, 14, 15].

Both Bengt and Daniel stress egalitarian organizational structures and open-minded colleagues in their workplaces as critical factors for the development and expansion of their innovative capacities. This reflects the work of both Törnqvist, Chadwich and Dabu, and Shipton et al. showing that creativity and innovation-oriented performance thrives better in egalitarian organizations with empowering structures than in organizations characterized by hierarchical structures [12, 14, 26, 27]. However, Eva stresses the importance of taking part in various international and local networks as critical for innovative capacities. This is in line with Skytt-Larsen who shows that actors with high endowments of human capital, as Eva as an academic inventor represents, often use their social networks to access wider sources of knowledge that benefit their innovative capacity [6].

## 5. Conclusions

Based on interviews with twenty-three patent-taking inventors in Sweden, this chapter analyses how life-history research can help us to understand critical socio-cultural factors motivating and triggering actors to become innovative. Hitherto, most research has focused on understanding and documenting how institutional arrangements create innovative organizations and regions. Such a perspective is highly relevant for understanding the how HRM can foster innovative outcomes, but to fully understand how innovative thinking is facilitated and nursed, we also need knowledge about the socio-cultural factors that stimulate and motivate actors to become innovative in the first place.

This chapter presents the life-histories of three different types of inventors and analyses these to understand key socio-cultural factors for their development into patent-taking inventors. Although being innovative within different sectors and using different approaches and strategies in their innovative processes, the three individual inventors all highlight intergenerational transmission of skills and curiosity from parents and grandparents as some of the most critical single factors for the development of their innovative capacities.

Moreover, inspiring and encouraging support during education and on the workplace is of pivotal importance. Here an egalitarian structure and empowering employment culture in the workplace can be of outmost importance as it allows employees to be open-minded, curious, to think 'out of the box' and share their ideas and knowledge with colleagues both within and between organizations. Our research shows, however, that the importance of workplace structure varies according to the age of the inventors, showing that it is more important in the early phase of a career compared to later when the inventor has had successful experiences and become more self-confident.

Thus, although the inventors represent different inventor typologies, they stress many common socio-cultural factors as crucial for stimulating their innovative capacity, namely families and institutions that spur and embolden curiosity from the early childhood and encourage actors to follow their ideas no matter how controversial they might seem. This is also the case later in life where tapping into stimulating, motivating and supporting networks in workplaces is stressed as being of key importance.

This chapter informs important future directions in HRM research. Until now, HRM research has primarily relied on top-down approaches when exploring innovation. However, this study clearly illustrates that understanding the inventive actors are an important first step if we are to understand innovation. This is because innovation is also a social process in which the key actors are inventive actors themselves. Moreover, life-history research provides a new starting point for empirical HRM research as it provides a rich quantity of narratives and recorded experiences that can serve as a springboard for more comprehensive understandings of the actors, networks and events that influence innovative capacities.

Summing up, this chapter is of relevance to managers seeking to improve rates of innovation in their organizations. The study shows that different types of inventors stress different socio-cultural factors through their life paths as critical in developing and enhancing their innovative capacities. However, social inheritance, acknowledging teachers and supervisors, and egalitarian structures and a non-judgmental collegial environment in workplaces are important factors that cannot be ignored if we are to make successful inventors and thereby successful innovative organizations in the future.

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