Dear Paul


“Replies” by Paul Boselie

Kearns: This paper is of great interest to MI as the conceptual framework it explores already contains many elements similar to the whole system, societal perspective that underpins everything we do at MI. It is also very timely. In fact, on reading it, it struck me as very fortuitous that its publication coincided so closely with our inaugural, academic panel (AP) meeting on 8th July. I also believe it provides an excellent foundation on which to build exactly the sort of fully-integrated, academic/practitioner, research methodology that MI needs to raise management maturity levels. Here are some observations as pointers towards a combined way forward.

Boselie: Many thanks for your comments and willingness to read our paper. I already had a strong feeling that MI operates in line with many elements of our underlying philosophy of HRM / SHRM.

Definition of value

“The added value focus that was established then, however, defined outcomes mainly in terms of economic value (productivity and efficiency), and neglected employee well-being and societal well-being” p427

Kearns: MI’s working definition of value appears, on the surface, to be defined in “economic value” terms. It is certainly very simple - economic value can only be increased with respect to an improvement in a combination of 4 variables of output (productivity), cost, revenue and quality - but it is a complex equation that puts societal value at the head of all other stakeholders. MI is predicated on an over-arching goal of societal value maximization that cannot be pursued unless and until the full talents and efforts of all stakeholders are engaged. It is inherently a whole system view that might appear idealistic (it is) but is also essentially pragmatic: shareholders cannot maximize their returns if human capital value is sub-optimal.

Boselie: This is an interesting and relevant debate. I am not sure if Boselie, Brewster and Beer agree on this issue to be honest. I consider myself to be a representative of the ‘Holland School’ (also Jaap Paauwe and Willem de Nijs). In that school of HRM thought economics or economic value is not or should not be the ultimate business goal solely. And even Boxall & Purcell (2011, textbook) seem to agree upon that. The fact that some things are difficult to measure does not justify quantitative measures (in particular economic outcomes). Mike Beer himself commented that economic outcome have more legitimacy than non-economic outcomes, not just by shareholders (principals) and managers (agents), but also by citizens. Again, this does not automatically mean that economic is or should be the ultimate business goal. “We tend to measure the things we can measure. Often the
things we can easily measure are not that relevant. Often the things that are relevant are very difficult to measure.”

**Boselie:** There is another theory called Strategic Balance Theory (see for example Christine Oliver and David Deephouse, but also my work with Jaap Paauwe) that suggests a necessary balance between economic performance and social outcomes. It is the balance between the two that matters, in other words it is not just economics or not just social outcomes but the combination and balancing act between often conflicting dimensions that drives ultimate business performance and long-term success. This is again in line with the framework by Boxall & Purcell (2011, textbook). Proposition: Successful organizations score above average simultaneously on both dimensions (economic and social). The balanced perspective in HRM is a minority school of thought in HRM (both in theory and in practice). In a way this is remarkable given the recent global financial crisis.

**Has HRM been successful?**

“Ironically, this neglect of the human and societal outcomes as equally important with organizational outcomes for assessing the effectiveness of an HRM system has made the discipline of HRM successful.” p427

**Kearns:** The one area of your analysis that differs significantly from our own is in its assessment of HR’s functional ‘success’. As a practitioner for 37 years (24 as a consultant/speaker/teacher in HR) my assessment is that about 3% of the HR community are in a position (or have any inclination) to move their practice to a whole system/multistakeholder model. We changed MI’s name, a year ago, from IHRM (Institute of HR Maturity) to reflect the fact that our focus is at board and executive level rather than the HR function, per se. (Note. Please see Appendix 1 for my own take on the history of HR’s professional evolution).

**Boselie:** I agree. This is a strong US perspective on HRM in line with Wight & Snell’s (2005 in: HRM) proposition that many HRM specialists have become successful ‘at the high table’ in their role as downsizer. This is less the case in Europe. In the Netherlands, however, many HRM directors are very powerful because of their role as Director Social Policies (collective bargaining agreements etc.).

‘Alignment’ is not a whole system

“Alongside the long-term strategic orientation and human capital focus, both models stressed alignment notions” p429

**Kearns:** While I agree that “alignment” was a key feature of these models I believe it was not up to the task of integrated, whole system thinking. In ‘HR Strategy’ (p37. 2nd Edition, Routledge, 2009) I suggest an alternative view - “But let us reiterate once more, this is not trying to show how HR strategy is aligned with business strategy, our construct is entirely different. At best, alignment produces weak versions of strategy and at worst it happens too late in the strategy formulation process. So we are now challenging the very foundation of conventional HR theory and if we want to build HR-business strategies on solid foundations we need a better theory. The first bit of theory we need to re-visit is the theory of
organisation design, which will incorporate structural, cultural and systemic design principles.”

Boselie: Good point. One of the areas that requires further attention and refinement is that of Work Design. The rather instrumental HRM approaches of the 1980s, 1990s and 00s have lost sight of the relevance of organizational context. The socio-technical systems approaches of the 1960s, the OD approaches of the 1970s, the QWL approaches of the 1980s (including the job characteristics model) and the early total quality models of the 1980s are completely forgotten and not absorbed in contemporary HRM and SHRM approaches (both in theory and in practice). Organizational fit (see for example Paauwe et al., 2013 chapter in: Paauwe, Guest and Wright, 2013) is highlighted as relevant next to the more traditional focus on strategic fit (HRM alignment with business strategy) and internal fit (HRM alignment of individual practices). Boxall & Macky (2009 in: HRMJ) also make a strong plea for not just focussing on employment practices (instruments), but work practices as well.

Boselie: By the way, both Jaap Paauwe and I think ‘strategic fit’ is highly overestimated and perhaps not even necessary. As far as I know there is no evidence that strategic fit really matters since Huselid’s (1995) analysis in AMJ. That in itself could be an interesting debate...

High and low value HRM remits

“and elements that are directly related to the business but are outside the direct remit of HRM, such as the management philosophy and the business strategy.” p430

Kearns: The OMR scale (which mirrors MI’s own ARC scale) places the default, conventional HRM function at B+ where its remit does not have any influence on management philosophy. MI’s goal is to significantly influence management philosophy with respect to human capital management (HCM). This is one of the main distinguishing features between these models.
Boselie: The scheme looks great. It is in line with what Legge (1978; see also 1995 and 2005 books) labels ‘conformist innovator role’ in personnel management / HRM. I think this is a good way to put HRM on and at the table because it reflects a language that non-HRM people understand, value and accept. But there are serious risks as well:

- The framing of the model is very much in line with (a) structural/rational and (b) behavioural frameworks (see Bolman & Deal textbook) with little or no attention for (c) symbolic and (d) political frameworks. Symbolic frameworks deal with for example culture, identity and meaning. Political frameworks deal with power and conflicts.
- The OMR model seems to target the owners / shareholders (principals) and managers (agents) and I think they appreciate and value the model. But what about other relevant stakeholders such as social partners, employees and citizens? What do they feel about triple AAA ratings in a post-Global-Financial-Crisis? And it’s not just the discourse or the wording that matters. This is also about actively involving multiple stakeholders as suggested by Beer, Boselie & Brewster (2015).

How scientific can HCM be?

“A multistakeholder perspective also requires HRM research to move beyond the “proper” science paradigm, in which social (and management) science aims to mimic the physical sciences (yes/no hypotheses, replicated cases, sophisticated statistics) that HRM has so enthusiastically embraced. HRM practitioners operate in a complex world in which multiple outcomes have to be considered. It is, therefore, not surprising that they find little HRM research to be usable or actionable.” p430

Keaems: At MI we fully recognize and openly acknowledge the complexity of our chosen field of study. MI is avowedly evidence-based and demands that action is based, at the very least, on a causal hypothesis that links directly to measurable value (output, cost, revenue, quality improvement). The removal of ambiguity in decision making is a key element in mature
thinking. This is the operational mantra of our first exemplar - Toyota - where all activity is either 'value' or 'muda' (waste). We try to match the scientific standards in medicine but accept that ‘clinical trials’ in organizational behaviour will never have the same rigour. Accepting this is part of becoming mature. It also allows for the crucial importance of the art and craft of management (Pfeffer). This will be a crucial role for the AP and MI research; to either support or refute this notion. So I fully agree with you -

“The multistakeholder perspective we are arguing for will require research that is qualitative and case based, with an action science or action research perspective largely missing from current academic research.” p430

- and Dave Collings brought this issue to our attention very early on -

“The most popular research strategy is to apply “proper” science, usually focused on narrow HRM topics (often single HRM practices), ignoring the complex system in which they exist, collect acceptable quantitative data sets, and apply advanced statistical techniques such as structural equation modeling. By contrast, qualitative research is likely to yield a deeper understanding of the complex reality of HRM in practice and expose the dynamics of organizational systems. Although most of the leading journals have either issued calls for more qualitative research (Doz, 2011) or have such calls in their objectives, qualitative research remains “rare” (Doz, 2011, p. 582). Hence, qualitative approaches, including “research by walking around,” action research, and narrative research, which recognize broad theoretical perspectives including multiple stakeholders and contextual factors, are more problematic for young academics seeking tenure.” p432

Yet another challenge for the AP but can we, jointly as MI, do anything to help break through this impasse? If academic research stays stuck in that groove it will be of no use for the whole system organizational analysis that MI wishes to concentrate on.

Boselie: I agree with you. Again we can look in history, for example to the Tavistock tradition of studying work in practice. I am doing research in a Dutch academic hospital studying professional attitudes and behaviors towards quality and safety improvements. The evidence based medicine principles, however, show limitations because of a lack of attention paid to:

- The work environment (context); The role of line managers / supervisors in the implementation / enactment process;
- The relevance of professionals and their profession (both medical professionals and nurses);
- The social interaction between employees; Mike Beer sees this as one of the crucial elements of HRM: “HRM as a social system”; “excellent employees do not automatically make excellent organizations; organizations with a strong social system can however become excellent with non-excellent employees”
- The vision, organizational goals and core values shared by top management.

In my opinion HRM is not doing a good job in effective implementation (implementation strategy or strategy-as-practice). This is an area of relevance for the near future.

Financial vs. nonfinancial measures - a false dichotomy?
“Social indicators, for example, representing societal well-being, are much more difficult to measure. Alongside the issue of measurability (financial versus nonfinancial) is the related issue of legitimacy of outcomes” p431

Kearns: If there is only ‘value’ and ‘muda’ then every action has to be linked to value; and value can only be expressed in monetary terms. This is a statement of the obvious but the vast majority of HR people react violently against any notion that their work can be expressed in this simple way.

(Paul, we probably need to discuss this point at length - as it is at the root of our OMS HCM Reporting Template.)

Boselie: “value can only be expressed in monetary terms.” This is not just a point of disagreement. Have you read Jaap Paauwe’s (2004 Oxford University Press) book on value and values? Below you will find examples of very special high performance organizations (HPOs), so called Iconic Organizations that are not necessarily creating value in monetary terms, but are creating value in a much broader sense through their employees:

The creativity center of Elbulli:

The All Blacks rugby team

The Royal Concertgebouw Orchestra (Amsterdam):

I don’t think the HRM departments of these three organizations matter that much. I do think these organizations create very special value beyond monetary terms.

Boselie: Another point that I would like to add is the notion of Public Value (Michael Moore) in public sector organizations. Public Value is much more than value expressed in monetary terms. There is a whole stream of research focused on that. To put it simple:

- What is good performance in hospitals? It’s much more than efficiency.
- What is good performance in high schools?

Friedman re-visited

“In effect, HRM colluded with managers and ignored the wider stakeholder perspective, which, as we argue here, is in the process of being reversed by farsighted CEOs (Beer, Eisenstat, Foote, Fredberg, & Norrgren, 2011). Moreover, there is often little consensus on the nature and definition of nonfinancial performance indicators, while profits and the like are broadly accepted as important outcome variables.” p431


Boselie: Interesting. Thanks!

Context is everything in mature thinking
“The notion of the community raises the issue of context. In management theory generally and in HRM specifically, context tends to be assumed. It is sometimes referred to as a control, but in many cases there is an implicit assumption that the findings would apply in all circumstances beyond those in which they were discovered: it is part of the “proper science” response that seeks universal answers (Brewster, 1999).” p431

**Kearns:** Can we have the best of both worlds - HCM tailored to a specific context whilst adhering to universal principles? Another area for AP research.

**Boselie:** In chapter 14 of my textbook (Boselie, 2014, McGraw-Hill: ‘SHRM – A Balanced Approach’) I use the concept of ‘best principles’ instead of ‘best practices’. These principles (for example employee autonomy / employee influence) always require contextualization or alignment with the context of work.

Employee influence is a nice example of that principle:
- Mike Beer sees it as the most important HRM domain in the Harvard model;
- See Semco debates on employee involvement, management and trust;
- People can have kids and take a mortgage, but as soon as they become and employee organizations start treating them as baby’s…..
- It all depends on how employee influence is shaped in a specific work environment (not just the content but also the process)

**Barriers to change**

“there are reasons why HRM has found itself in this situation, and there are some serious barriers to changing this. First, there is little or no consensus within the HRM academic community about the topic of study.” p432

**Kearns:** There is no appetite for change from HR either; especially from the vested interest of SHRM, CIPD et al. I would be happy to expand on this pessimistic view if you wish; but it is born out of the serious efforts MI has made over the last 3 years to engage with these groups. For now, our (OMS) strategy is to aim directly at raising maturity levels within the investment community (asset managers, fund managers, pension funds, private equity) who will then activate interest within boardrooms and the C-suite. We are also targeting other special interest groups such as IIRC (‘integrated reporting’) and Transparency International in our drive for change. HR will then either have to follow that lead or start to diminish in size and importance.

**Boselie:** I agree with you.

**Kearns:** The reality is that we face significant resistance on all fronts: that is why management maturity demands its own professional institute. We will be developing the mature leaders and managers of the future; the majority of whom are not likely to come from within HR’s ranks. We would echo your point -

*Research is needed to help explain how firms that intend to treat their owners, employees, customers, and their communities as stakeholders should manage their HRM. Such a firm may be able to find only limited guidance in the current HRM literature. Would HRM policies and practices in multistakeholder-focused firms be, and how would they be, different from HRM in those firms that are
focused solely on delivering a return for their shareholders in whatever legal ways they can find?" p433

- and respond that policies will look very different, especially performance management and reward.

**New leadership development**

**Kearns:** MI needs to be running new leadership programmes. Carlos Botelho’s ‘New HR Leaders Programme’ is a significant and innovative step in this direction but we must run similar programmes across the whole spectrum of senior level management, for the reasons you outline -

“At present, there is a research gap in our understanding of the role of leaders in developing a multistakeholder perspective (see the perceptive article by Meyer & Kirby, 2010) and in spreading and fostering the culture of trust needed to make such an approach work (Searle & Dietz, 2012). When leaders do decide to move to a multistakeholder perspective, are we able to help them with ideas about how to do that?” p433

**Boselie:** I fully agree. I have to admit that I enjoy SHRM executive training for non-HRM people more than for HRM professionals.

Paul Kearns & Paul Boselie
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Appendix 1.

From Chapter 6 of ‘Professional HR. Evidence-Based People Management and Development’ (Routledge, 2013)

Why is HR where it is today?

If we trace the origins of any profession we will find a basic need being satisfied. Patients need doctors, plaintiffs need lawyers, builders need architects, anti-virus software producers need viruses (yes, just what we were thinking) and HR needs people problems. If we judged the practices of yesteryear by the professional standards of today we would have to regard them as relatively amateurish. Professional standards should rise inexorably over time. With the exception of the legal profession, where a UK defendant can still choose to defend themselves in court without any professional qualifications, there are often restrictions on who can and cannot operate as a professional. However, the probability of an unqualified defendant winning their case, compared to a fully trained legal professional, is likely to be significantly lower. So does the same hold true for a CEO employing an HR professional or would they just be better off taking over the case themselves?

There are no specific regulations, in the UK at least, that require senior HR positions to be filled by HR practitioners holding qualifications from the main professional bodies. There is only the same, general duty of care that would apply to any other director. We have already seen plenty of evidence of companies that employ large HR teams making serious mistakes in managing people. So while there is no statutory need for professional HR there is certainly a strong case to be made for boards of directors having better HR advice and guidance than they are receiving today. How would the board articulate their ‘needs’ though? Do they need help in gaining a competitive advantage and maximising the return on human capital or is their need just administration and keeping themselves out of courts of human rights?

For a very quick picture of HR’s perception of its own history you could read the Factsheet produced by the CIPD. This is primarily focused on how things have developed in the UK but it certainly has many parallels with the US experience and elsewhere. A visit to any international HR conference today will quickly confirm the extent to which multi-national companies have spread a uniform brand of HR and L&D around the world. Somewhat paradoxically, this global homogenization of the HR profession is another major cause of its problems. If we take a look at the history of UK industrial relations, for example, the Factsheet switches terminology from ‘industrial’ relations to ‘employee relations’ without any clear distinction or explanation. Perhaps we should not read too much into this because academics would certainly highlight several differences. However, if the CIPD is implying that ‘employee relations’ is a more modern, more positive and progressive form of management, than old-style industrial relations, then it has glossed over some inconvenient truths.

As recently as April 2012 the UK witnessed yet another episode of really bad industrial relations. The public were panic-buying fuel for their cars because fuel tanker drivers were
threatening strike action, yet again. These tanker drivers, no more nor less skilled than any other truck driver, reportedly earn about £45,000 per annum. For comparison, that is significantly more than a degree qualified, fully trained nurseiii or teacheriv who can expect a salary package up to approximately £32,000. One reason petrol tanker drivers earn this amount is not because of a shortage of capable drivers but because they and their union leaders have always held their rich oil company employers to ransom. These oil companies employ highly paid HR professionals and ‘negotiators’ (sic), who always back down (as does the Government of the day) because we just cannot live without fuel.

On 12 May 2012 the strike action was called off. One headline readv - “At last! Fuel strike averted as tanker drivers agree deal. Drivers from seven firms, including BP and Sucklings, narrowly backed a deal securing them better pay and conditions.” Sucklings is not an oil company but a transport company that runs transport contracts for oil companies like Shell. These oil companies thought they could get rid of their industrial relations problems simply through outsourcing. So old fashioned, adversarial IR and conflict have not gone away. Rich companies that can afford to overpay drivers and buy out strike threats will continue to do so simply because that saves them having to manage this tricky, people problem professionally. The CIPD cannot airbrush out such disputes from recent history so continues with its pretence that employee relations mentalities have somehow moved on.

Of course relations between employers and employees in the UK, and elsewhere, are probably generally better than they were in the 1960’s but this is not because HR professionals have been taught better HR strategies. If they had then the CIPD’s many professional members who work in the UK’s public sector (i.e. local government, the civil service, NHS etc.) would have developed really good employee relations strategies as well, but they haven’t. Instead, the public sector is one of the last bastions of poor performance management and entrenched union attitudes. Of course that is because the executives who run these organizations are themselves very poor at managing employee relations and industrial relations. So when times are tough these sores quickly erupt. This is one reason why many UK public services have been outsourced to the private sector.

One thing that is clear from the historical narrative is how HR has tended to react to, rather than anticipate, developments. This is in keeping with the character of HR which often relegates intractable issues to the ‘too difficult’ tray while it keeps itself busy with administration. The most obvious examples in recent history are the financial services and banking sector, where mis-selling and lax controls allowed everything to get out of control, and parts of the pharmaceutical industry where in-house research failed to deliver a sufficient pipeline of new drugs. So why were their HR professionals, with their performance management schemes and competence frameworks, not drawing attention to these mismatches between rewards policies and bad debts; between research performance and drug development failures? Whether it is banking, pharmaceuticals or any other industry the problem is the same; ineffective people strategies.
i  http://www.cipd.co.uk/hr-resources/factsheets/history-hr-cipd.aspx#link_2

ii http://www.thetimes.co.uk/tto/news/politics/article3388438.ece

iii http://www.payscale.com/research/UK/Job=Registered_Nurse_%28RN%29/Salary

iv http://www.tes.co.uk/article.aspx?storycode=6000186

v http://www.mirror.co.uk/money/city-news/at-last-fuel-strike-averted-as-tanker-829365